

Stock code : 8021



尖點科技股份有限公司
TOPOINT TECHNOLOGY CO., LTD.

2010 Annual Report

Taiwan Stock Exchange Market Observation Post System : <http://newmops.twse.com.tw>

Published on April 30, 2011

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I. Letter to Shareholders

Dear shareholders,

Looking back over 2010, the market gradually stabilized and improved from the financial crisis. Here we would like to present a review on our business operations for the past year as well as our future plans to our shareholders.

With regards to the Company's operating performance for 2010, the consolidate revenue was NT\$2,145 million, which represented an increase of 25% over the previous year of NT\$1,715 million. Net income after tax was NT\$276 million, which was up 45% over the previous year of NT\$190 million. Basic after-tax earnings per share were NT2.09, which was 35% higher than the previous year of NT\$1.55.

Look forward to this year (2011), we expect to have revenue and profit above the average of the industry under a precise performance index set by the company. We hereby briefly report on our 2010 operating results and 2011 business plan as follows.

I. Operation Results in 2010

1. Consolidated financial result

Unit: NT\$million

	2010		2009	
	AMT	%	AMT	%
Net Sales	2,145	100%	1,715	100%
Gross Profit	752	35%	500	29%
Operating Income	434	20%	302	18%
Pretax Income	365	17%	259	15%
Net Income	276	13%	190	11%

2. Budget Implementation

As dictated in current statutory laws and regulations, we didn't release our 2010 financial forecast to the public. However, our overall operating results are generally in line with the internal operation plan.

3. Profitability Analysis

Item	2010	2009
Debt to Asset Ratio (%)	40.67	41.69
Long-term Capital to Fixed Asset Ratio (%)	140.60	131.66
Current Ratio (%)	218.83	192.46
Accounts Receivable Turnover (x)	3.15	3.30
Inventory Turnover (x)	3.54	2.25
Return on Assets (%)	6.03	4.61
Return on Shareholders' Equity (%)	8.74	7.06
Basic after-tax EPS (NT\$)	2.09	1.60

4. Research and Development Status

- (1) We are continuously developing high aspect ratio drill series which enable stack height increased by 20-30%. This new product series is the best solution to our customers to deliver better performance with lower cost.
- (2) We have accomplished development and readied conditions for mass production of 0.05mm drills. We are ahead of market and waiting for demand to start immediate production.
- (3) We have successfully developed special cutting tools for aluminum PCB. We have completed some product certification with several key customers.

5. Other Projects Execution Results

- (1) Market Development and Competition Status: Sales volume of 2010 reached 198 million pieces, increased 43% from a year earlier. 2010 was a successful year for us in terms of gaining new market share; our global market share was growing from 20% in 2009 to 22% in the end of 2010. At present, it is only second to Japan-based manufacturer to rank the 2nd place in the world.
- (2) Production Efficiency Enhancement: Through manufacturing process optimization, the Company has increased its production capacity from 17 million pieces in 2009 to 20 million pieces in 2010 with very limited capital expenditure on debottleneck equipments.
- (3) Production Technology Improvement: To elevate production performance and enhance our product competitiveness on the international market, the Company has successfully lower the defective rate from 3.6% in 2009 to 2.5% in 2010.
- (4) Information Disclosure: The Company has devoted to providing transparent information to shareholders. In "Information Transparency and Disclosure Ranking System" conducted by Securities and Futures Institute (SFI), the Company was ranked as "A" company in 2008 and 2009, and received the highest "A+" ranking in 2010. This grading result demonstrates the Company's effort of pursuing better corporate governance and protecting the benefits of its shareholders.
- (5) New Business Development: The Company has setup new companies in north of China and south of China to provide drilling services to its customers. New business has been starting operation since fourth quarter of 2010.

II. Overview of Operation Plan in 2011

1. Operation Principle and Important Policies

- (1) Based on "discipline, insistence and innovation", our tenet is to earn utmost customer satisfaction.
- (2) To expand domestic and overseas customer base, further increase our global market share.
- (3) To boost sales proportion of micro-drills below 0.25mm in order to improve our product mix.
- (4) To continue developing drills with finer size and higher aspect ratio so as to catch market trends in the future.
- (5) To effectively lower production cost by enhancing material technology, optimizing production process, and trend management.
- (6) To develop new business of providing total drilling solution to customers.

2. Perspectives

While the market keeps rolling out “smaller, thinner, and multi-function” electronic products, the demand for high-end substrates has been accelerated, which results in the design of PCB heading towards higher hole density and finer line width/spacing in an attempt to directly drive the demand for micro-drill. It will bring more micro-size drills demand and form higher entry barrier from which Topoint have been well positioned to benefit. In the future, the Company will continue to improve product R&D and process capability and strive to develop toward advanced products and more miniaturized products with more stringent specifications in order to conform to requirements of international customers and enlarge the technological gap with other competitors.

Finally, we would like to thank you for your continued support for Topoint. All of us at Topoint will continue to commit ourselves to assuring customers’ success and increasing shareholders’ value.

Xu-Ting Lin
Chairman/CEO

Li-Ching Ko
Financial Manager

II. Introduction of Corporation

1. Establishment date :

Established on: April 12, 1996

2. Development history :

- 1) 1996: Topoint Technology Co., Ltd. was established to engage in production and sales of precision drills with NT\$15 million in capital.
- 2) 1997 : In order to meet the market demand, it increased its capital by NT\$17.5 million to purchase new machinery equipment. By then, the total paid-in capital was NT\$32.5 million.
- 3) 1998 : It increased its capital by NT\$66.7 million to enlarge its business scale and purchase new machinery equipment. By then, the total paid-in capital was NT\$99.2 million. The factory was relocated to Beinei Street of Shulin where the factory buildings were enlarged so as to meet future expanding operation
- 4) 1999: It garnered RWTUV ISO9002, a quality assurance accreditation, in April, and had a cash capital increase of NT\$20.8 million on Sep. 20 for the purchase of leading-edge equipment to enhance production capacity. By then, the capital increase by earnings recapitalization was NT\$18.25 million, whereas the paid-in capitalization was NT\$138.25 million.
- 5) 2000: As approved by the competent authorities in May for public offer, it increased NT\$120 million of capital in cash in June to purchase production equipment and advanced inspection instruments to elevate production capacity and assure product quality. By then, the capital increase by earnings recapitalization was NT\$10.56 million, capital increase by capital surplus as stock dividends was NT\$4.19 million and the paid-in capitalization was NT\$273 million.
- 6) 2001: It increased NT\$54.91 million of capital by earnings recapitalization and NT\$12.09 million of capital by capital surplus as stock dividends in August. In December of the same year, it increased NT\$ 50 million of capital in cash to purchase production equipment, repay bank loans and supplement the working capital. By then, the paid-in capitalization was NT\$390 million.
- 7) 2003: It registered for the listing of the emerging stock on January 2, and increased NT20 million of capital in cash in December to purchase equipment and expand production capacity. By then, the paid-in capitalization was NT\$410 million.
- 8) 2004: It increased NT\$16.93 million of capital by earnings recapitalization in June to supplement the working capital. In December, it increased NT\$57 million of capital in cash to repay bank loans. As a total the paid-in capitalization was NT\$483.93 million. In December, its stock went public on the OTC market.
- 9) 2005: It relocated its factory to the present address having larger space so as to meet the demand for future expanding operation, and increased NT\$68,651,250 of capital by earnings recapitalization in July. As a total, the paid-in capitalization was NT\$552,581,250.
- 10) 2006: It issued NT\$40 million of its first local unsecured convertible corporate bonds in February to purchase equipment and repay bank loans, increased NT\$100 million of capital in cash in

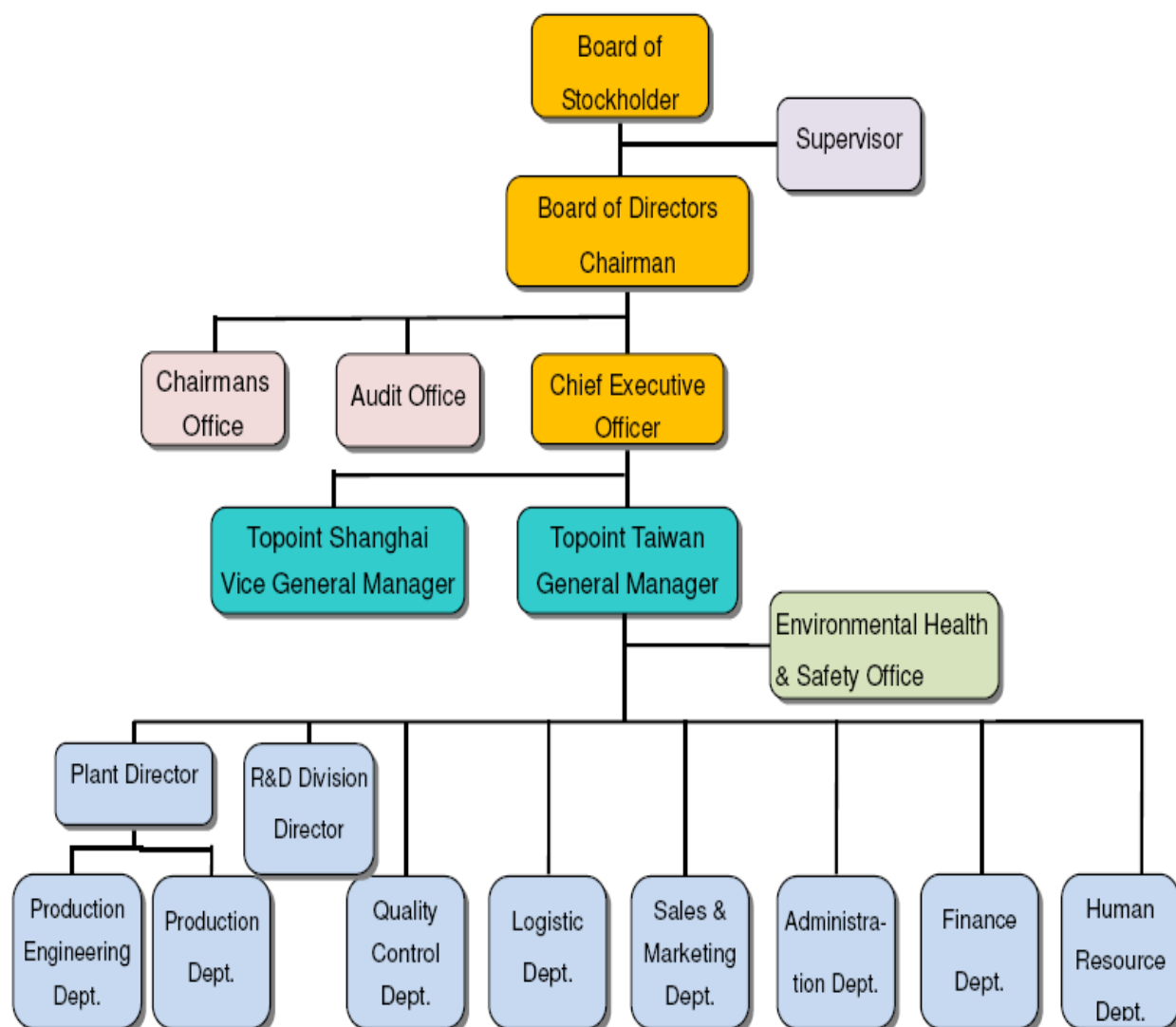
March to purchase equipment and expand production capacity, issued 5,520 units of employee stock options in April, and increased NT\$101,706,700 of capital by earnings recapitalization in July. As a total, the paid-in capitalization was NT\$773,881,710.

- 11) 2007: It increased NT\$112,269,820 of capital by earnings recapitalization in July to supplement the working capital. As a total, the paid-in capitalization was NT\$954,691,270.
- 12) 2008: It increased NT\$115,873,410 of capital by earnings recapitalization and change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,070,564,680.
- 13) 2009: It increased NT\$100 million of capital in cash in August to repay bank loans, and issued NT\$200 million of its first private of unsecured convertible bonds in September to repay bank loans, increased NT\$96,153,230 of capital by earnings recapitalization and change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,266,717,910.
- 14) 2010: It increased NT\$23,696,680 of unsecured convertible bonds in November, and increased NT\$48,801,550 of capital by earnings recapitalization and change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,339,216,140.

III. Corporate Governance Report

1. Organization System

(1) Organization Chart



(2) Major Corporate Functions

Department	Major functions
Chairman Office	To establish corporate guidelines, strategies and operation plans. To plan and management of company projects. Planning and execution of relationships with investors. Corporate stock affairs and investment evaluation.
Audit Office	To audit and evaluate the functions and operations of each department and the execution of internal control system.
Environmental Health & Safety Office	Planning and implementation of the systems relating to factory environment, security and health.

Production Engineering Dept.	Management of production technology and process standardization, and maintenance of production equipment
Production Dept.	Production schedule planning, and management of product process and manufacture
Research & Development Division	R&D of advanced technologies and development of new products. Patent planning and management.
Quality Control Dept.	Planning and execution of quality control system
Logistic Dept.	Management and planning of purchasing and warehousing
Sales & Marketing Dept.	Planning sales and promotion strategies. Expansion of markets, introduction of customers, and increase market share to achieve company's sales goals. Provision of production forecast to coordinate production and sales.
Administration Dept.	Planning and execution of general affairs, factory affairs, and information systems.
Finance Dept.	Corporate financial planning and investment management. Planning and execution of accounting and taxes system.
Human Resource Dept.	Management of human resources, personnel administration and regulated systems.

2. Information about Directors, Supervisors, Presidents, Vice presidents, Assistant presidents, Chiefs of Respective Divisions and Branch Offices

(1)Directors and supervisors :

a. directors and supervisors

April 30, 2011

Title	name	Elected (inaugurated) date	Term (years)	1 st elected date	Shares held when being elected		Current shareholding		Shareholding of spouse and minors		Shares held in the names of others		Current post and/or e d u c a t i o n	Post concurrently taken in the company or other companies	Other executives, directors or supervisors in spouse relationship or kin relationship within 2 nd degree		
					shares	Shareholding ratio	Number of shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation
Chairman	Lin Xu-ting	06/10/2009	3	03/18/1996	5,138,322	4.80%	5,200,733	3.73%	-	-	-	-	President of the company/Student of National Open University	CEO of the company	Spokesperson General manager	Lin Ruo-ping Wang Jia-jong	Father /. Daughter Affinity
Director	Wang Jia-jong	06/15/2010	2	06/15/2010	481,138	0.38%	645,668	0.46%	3,515	0.00%	-	-	manager of the company/ Graduate of the accounting department of Soochow University	General manager of the company	Chairman	Lin Xu-ting	Affinity
Director	UMC Capital Corporation	06/10/2009	3	06/20/2006	1,892,967	1.77%	4,626,262	3.32%	-	-	-	-	-	-	-	-	-
	D.C Cheng	06/10/2009	3	06/20/2006	-	-	-	-	-	-	-	-	MBA from Columbia University Managing Director of Morgan Stanley Asia Taiwan President Director/President of United Investment	President of UMC Capital Corporation Director of United Microdisplay Optronics Corp Director of SerComm Corp. Independent Director of DEOM Technology Co., Ltd.	-	-	-
Director	China Development Industrial Bank	06/10/2009	3	09/30/2000	7,152,796	6.68%	6,039,285	4.33%	-	-	-	-	-	-	-	-	-
	C.C Chang	06/10/2009	3	09/30/2000	-	-	-	-	-	-	-	-	EMBA from National Cheng Chi University	Vice President of China Development Industrial Bank VP of Vineera capital Director of Jochu Technology Co., Ltd. Director of MEC Director of STL Technology Co., Ltd Director of Enterex	-	-	-
Independent director	Lo Tsung-Ming	06/10/2009	3	06/06/2003	2,355	0.00%	2,806	0.00%	2,806	0.00%	-	-	Graduate of NTU College of Law/Legal affairs manager of Sampo Group.	Chairman of Sipo Land Agent Firm	-	-	-
Independent director	Ko Po-cheng	06/10/2009	3	06/06/2003	-	-	-	-	-	-	-	-	Associate professor of the Accounting Department of Soochow University	Supervisor of CyberPower Systems, Inc.	-	-	-
Independent director	Pai Jung-sheng	06/10/2009	3	06/13/2008	-	-	-	-	-	-	-	-	National Chung Hsing University, Chemistry	TPCA technical consultant. Technical consultant of Unimicron Corporation. ATOTECH Taiwan Ltd. Independent Director of ITEQ Corporation	-	-	-
Supervisor	Chen Ken-ching	06/10/2009	3	06/20/2006	1,299,627	1.21%	1,549,276	1.11%	342,202	0.25%	-	-	Graduate of a commercial senior high school / employee of Sampo Group	President of Hong Gy Co., Ltd. Chairman of Li-Herng Investment Chairman of Pai-Jing Investment Supervisor of Lustrous Technology Ltd.	-	-	-
Independent supervisor	Liang Shwu-jian	06/10/2009	3	06/06/2003	72,232	0.07%	86,106	0.06%	-	-	-	-	PhD of Materials Science from University of Pennsylvania	Senior Consultant of High Tech Computer Corp.	-	-	-
Independent supervisor	Niu Cheng-chie	06/10/2009	3	06/20/2006	2,119	0.00%	2,515	0.00%	-	-	-	-	PhD of Polymer Chemistry from Polytechnic Institute of Brooklyn.	I-Shou University, Department of Biomedical Engineering Assistant Professor	-	-	-

Major institutional shareholders:

April 30, 2011

Name of institutional shareholder	Major shareholders of the institutional shareholders
UMC Capital Corporation	100% of shares are held by United Microelectronics Corp.
China Development Industrial Bank	100% of shares are held by China Development Financial Holding Company.

Major shareholders of the major shareholders that are Juridical Persons

April 30, 2011

Institutional shareholder name	Major shareholders of the institutional shareholder
United Microelectronics Corp.	8.84% of shares are held by UMC account GDR to J.P.Morgan. 3.40% of shares are held by Hsun Chieh Investment Co.,Ltd. 2.43% of shares are held by Silicon Integrated Systems Corp. 1.29% of shares are Saudi Arabian Monetary Agency to J.P.Morgan. 0.98% of shares are held by ABP Pension Fund Investment Account to J.P.Morgan. 0.97% of shares are held by Sanford Bernstein Emerging Markets Value Portfolio. 0.93% of shares are held by JP Morgan Securities Ltd. account to J.P.Morgan. 0.84% of shares are held by Administrative Committee, Yao Hua Glass Co., Ltd. 0.82% of shares held by a dimension emerging market evaluation fund commissioned to Citibank. 0.81% of shares are held by an ADIA investment fund commissioned to Morgan Stanley.
China Development Financial Holding Co., Ltd.	5.68% of shares are held by Xing Wen Investment Co., Ltd. 5.11% of shares are held by China Development Financial Holding Company. 3.64% of shares are held by Jing Guan Investment Co., Ltd. 3.26% of shares are held by China Life Insurance Co., Ltd. 2.92% of shares are held by KGI Securities Investment Trust Co. Ltd. 1.94% of shares are held by Shin Kong Life Insurance Co., Ltd . 1.80% of shares are held by Bank of Taiwan. 1.42% of shares are held by Mega International Commercial Bank. 0.94% of shares are held by Gardner Vatican account emerging market stock index fund to Standard Chartered. 089% of shares are held by Development Financial Holding shares are held by the Trust staff (one) account to Chinatrust Commercial Bank.

b. Personal data of directors and supervisors

Condition Name (Note1)	With over five years of job experience and the following business qualification			Are they in compliance with the independence terms (Note)										Also an independent director of other public company
	Teachers of public or private colleges for the subject Of commerce, law, finance, accounting, or business	Judge, prosecutor, attorney, accountant, or business salesperson s passed national exam & certified specialists or technicians	With job experience in commerce, law, finance, accounting, or business	1	2	3	4	5	6	7	8	9	10	
Lin Xu-ting			✓				✓	✓	✓	✓	✓	✓	✓	-
Wang Jia-hong			✓			✓	✓	✓	✓	✓	✓	✓	✓	-
D.C. Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
C.C. Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		-
Lo Tsung-ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Ko Po-cheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Pai Jung-sheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chen Ken-ching			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Liang Shwu-jian			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Niu Cheng-chie			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note: Directors and supervisors who have qualified the following conditions two years before being elected and during the term are to tick the box ("✓") of the corresponding condition.

(1) Not the employee of the company or its affiliated enterprises

(2) Not the director or supervisor of the company or its affiliated enterprises (however, it is not limited to the independent director of the subsidiary in which the company directly or indirectly holds more than 50% of voting shares.)

(3) Not the shareholder whose spouse, minor children or related persons in his or her name hold more for than 1% of the company's issued shares, nor the one who is one of company's top-10 nature person shareholders.

(4) Not the direct lineal blood relative (including spouse and the relatives within 2nd degree) of the persons listed in the preceding three items.

(5) Not the director, supervisor or employee of the institutional shareholder who directly holds more than 5% of the company's issued shares, nor the director, supervisor or employee of the top 5 institutional shareholders.

(6) Not the director, supervisor, manager of the specific company or institute having financial or business relationship with the company, nor the shareholders holding more than 5% of the company's shares.

(7) Not the professional who offers business, legal, accounting or consulting services to the company or its affiliated enterprises, nor the proprietor, partner, director, supervisor, manager and their spouses of the business entity solely invested or partnered by the company.

(8) Not the spouse nor a relative within two degrees of lineal consanguinity of an individual.

(9) Free of any of the behaviors as defined in Article 30 of Company Act.

(10) Not a governmental officer, juridical person or its representative as defined in Article 27 of Company Act.

(2) President, Vice President, Junior V.P., and Department Heads

April 30, 2011

Title	Name	Date Elected	Shareholding		Shareholding of spouse and minor		Shares held by other persons in their name		Experience (Education)	Current position with other companies	Executives who are spouses or second consanguinity		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO	Lin Xu-ting	11/29/2005	5,200,733	3.73	-	-	-	-	President of the company/Student of National Open University	The Chairman of the company	Special assistant to the Chairman President	Lin Ruo-ping Wang Jia-hong	Father/ daughter cousin-in -law
President	Wang Jia-hong	06/01/2006	645,668	0.46	3,515	0.00	-	-	Manager of Topoint / Graduate of the accounting department of Soochow University	-	CEO	Lin Xu-ting	cousin-in -law
Plant Director	Huang Yin-ming	05/08/2006	115,665	0.08	4,169	0.00	-	-	Manager of ASE Inc. / Graduate of the materials science and engineering department of Feng Chia University	-	-	-	-
R&D Director	Chen Zhao-yang	02/01/2002	126,993	0.09	-	-	-	-	Manager of Topoint / Graduate of Mingshin Junior College.	-	-	-	-
Financial Manager	Ko Li-ching	06/26/2008	-	-	-	-	-	-	Junior manager of Taiwan International Securities / Graduate of the accounting department of Soochow University	-	-	-	-
Audit Manager	Lien Chen-Hui	03/25/2011	5,151	0.00	-	-	-	-	Graduate of the accounting department of Soochow University	-	-	-	-

Note: Audit Manager Lin Rung-Le resigned on March 25, 2011.

(3) Remuneration of Directors, Supervisors, President, and Vice President

A. Remuneration of Directors

Unit: NT\$1,000/1,000 shares

Title	Name	Remuneration								Total Remuneration(A+B+C+D)as a % of 2010 Net income		Compensation earned as employee of TOP or of TOP's consolidated entities										Total compensation as a % of 2010 Net income(Note2)		Compensation Received from Non-consolidated affiliates
		Base Compensation(A)		Severance Pay(B) (Note3)		Bonus to directors(C) (Note1)		Allowances(D)				Salary(E)		Severance Pay (F)		Employee profit sharing (G)				Exercisable employee stock options(H)				
		From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP		From all consolidated entities		From TOP	From all consolidated entities	From TOP	From all consolidated entities	
Chairman	Lin Xu-ting	-	-	-	-	5,358	5,358	52	52	1.96%	1.96%	5,461	15,775	-	-	7,161	-	7,161	-	1,800	1,800	6.54%	10.29%	-
Director	Wang Jia-hong																							
Director	Representative of China development Industrial Bank: CC Chang																							
Director	UMC Capital Corporation : DC Cheng																							
Independent director	Lo Tsung-ming																							
Independent director	Ko Po-cheng																							
Independent director	Pai Jung-sheng																							

Note 1 : As passed in the board meeting on March 25, 2011 for 2010 annual earnings distribution, NT\$7,439,773 is for remuneration of directors and supervisors and NT\$37,198,865 for employee bonus. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 2: Income after Income Tax is less by Bonus to employees.

Note 3: Total Severance Pay to TOP's directors in 2010 was \$0.

Remuneration Bracket

Remuneration to directors	2010			
	Total Remuneration(A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From TOP	From all consolidated entities	From TOP	From all consolidated entities
Below \$2,000,000	Lin Xu-ting , Wang Jia-hong, China Development Industrial Bank, UMC Capital Corporation, Lo Tsung-ming , Ko Po-cheng , Pai Jung-sheng		Lin Xu-ting , Wang Jia-hong, China Development Industrial Bank, UMC Capital Corporation, Lo Tsung-ming, Ko Po-cheng, Pai Jung-sheng	
\$2,000,000 ~ \$5,000,000				
\$5,000,000 ~ \$10,000,000	-		Lin Xu-ting,Wang Jia-hong	
\$10,000,000 ~ \$15,000,000	-		-	
\$15,000,000 ~ \$30,000,000	-			
\$30,000,000 ~ \$50,000,000	-		-	
\$50,000,000 ~ \$100,000,000	-		-	
Over \$100,000,000	-		-	
Total amount	7		7	

B. Remuneration for supervisors

Unit: NT\$1,000/1,000 shares

Title	Name	2010								Total Remuneration(A+B+C+D)as a % of 2010 Net income (Note2)		Compensation Received from Non-consolidated affiliates
		Base Compensation(A)		Severance Pay(B) (Note3)		Bonus to supervisors (C) (Note1)		Base Compensation(A)				
		From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	
Supervisor	Chen Ken-ching	-	-	-	-	2,081	2,081	22	22	0.76%	0.76%	-
Independent supervisor	Liang Shwu-jian											
Independent supervisor	Niu Cheng-chie											

Note 1 : As passed in the board meeting on March 25, 2011 for 2010 annual earnings distribution, NT\$7,439,773 is for remuneration of directors and supervisors and NT\$37,198,865 for employee bonus. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 2: Income after Income Tax is less by Bonus to employees.

Note 3: Total Severance Pay to TOP's directors in 2010 was \$0.

Remuneration Bracket

Remuneration to supervisors	2010	
	Total Remuneration(A+B+C+D)	
	From TOP	From all consolidated entities
Below \$2,000,000	Chen Ken-ching, Liang Shwu-jian, Niu Cheng-chie	Chen Ken-ching, Liang Shwu-jian, Niu Cheng-chie
\$2,000,000 ~ \$5,000,000	-	-
\$5,000,000 ~ \$10,000,000	-	-
\$10,000,000 ~ \$15,000,000	-	-
\$15,000,000 ~ \$30,000,000	-	-
\$30,000,000 ~ \$50,000,000	-	-
\$50,000,000 ~ \$100,000,000	-	-
Over \$100,000,000	-	-
Total amount	3	3

C. Remuneration for President and V.P.

Unit: NT\$1,000/1,000 shares

Title (Note1)	Name	Salary(A)		Severance Pay(B) (Note3)		Rewards and special payments, etc. (C)		Bonuses and Allowances(D) (Note1)				Total Remuneration(A+B+C+D)as a % of 2010 Net income (Note2)		Exercisable employee stock options		Compensation Received from Non-consolidated affiliates
		From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP	From all consolidated entities	From TOP		From all consolidated entities		From TOP	From all consolidated entities	From TOP	From all consolidated entities	
								Cash	Stock	Cash	Stock					
Chairman	Lin Xu-ting	5,135	6,207	-	-	327	9,569	7,161	-	7,161	-	4.58%	8.32%	1,800	1,800	-
President	Jiang Zhen-wen															
Vice President	Wang Jia-hong															

Note 1 : As passed in the board meeting on March 25 2011 for 2010 annual earnings distribution, NT\$7,439,773 is for remuneration of directors and supervisors and NT\$37,198,865 for employee bonus. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 2: Income after Income Tax is less by Bonus to employees.

Note3: Total Severance Pay to TOP's President and V.P. in 2010 was \$0, that pensions funded according to applicable law. In 2010 was NT\$108,000.

Grades of remuneration

Grades of the remuneration for the company's general managers and vice general managers	2010	
	From TOP	From all consolidated entities
Below \$2,000,000	-	-
\$2,000,000 ~ \$5,000,000	-	-
\$5,000,000 ~ \$10,000,000	Lin Xu-ting, Wang Jia-hong	-
\$10,000,000 ~ \$15,000,000	-	Lin Xu-ting, Wang Jia-hong
\$15,000,000 ~ \$30,000,000	-	-
\$30,000,000 ~ \$50,000,000	-	-
\$50,000,000 ~ \$100,000,000	-	-
Over \$100,000,000	-	-
Total amount	2	2

D. Name of managers who received dividend and the distribution of dividend

April 30, 2011

Unit: NT\$1,000

	Title	Name	Stock Dividend	Cash Dividend (Note1)	Total	Ratio of total amount to net income (%) (Note2)
Managers	Chairman & CEO	Lin Xu-ting	-	17,597	17,597	6.39%
	President	Wang Jia-hong				
	Plant Director	Huang Yin-ming				
	R&D Director	Chen Zhao-yang				
	Finance & Accounting Manager	Ko Li-ching				

Note 1 : As passed in the board meeting on March 25, 2011 for 2010 annual earnings distribution, NT\$7,439,773 is for remuneration of directors and supervisors and NT\$37,198,865 for employee bonus. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Not 2: Income after Income Tax is less by Bonus to employees.

- (1) Analysis of the ratio of the total remuneration for the directors, supervisors, general managers and vice general managers of the company and its consolidated statement companies in the recent two years to after-tax net profit, and description of remuneration payment policies, standards, combinations, procedure to determine the remuneration and the correlation with operating performance :

Y e a r	Total remuneration of directors, supervisors, general managers and vice general managers	Ratio of the preceding remuneration to after-tax net profit (Note 3)	Remuneration payment policies, standards, combinations, procedure to determine the remuneration and the correlation with operation p e r f o r m a n c e
2009	16,114 thousand	8.47%	(Note1)
2010	20,136 thousand (Note2)	7.31%	(Note1)

Note 1: The remuneration for directors and supervisors is regulated according to the dividend distribution policy stipulated in the company's constitution, in which the annual earning distribution status shall be submitted to the board of directors for discussion before being sent to the shareholders' meeting for resolution. The remuneration for general managers shall be released according to the company's performance evaluation system.

Note 2 : As passed in the board meeting on March 25, 2011 for 2010 annual earnings distribution, NT\$7,439,773 is for remuneration of directors and supervisors and NT\$37,198,865 for employee bonus. As of the annual report publication date, this resolution made in the board meeting has yet to be resolved by shareholders in the shareholders' meeting. The distributed amounts shown above were calculated according to last year's distribution ratio.

Note 3: Income after Income Tax is less by Bonus to employees.

3. Business management

(1) Board of Directors

The attendance of Directors for 7(A) Board Meetings in 2010:

Title	Name	Attendance (B)	Proxy	Frequency of attendance (%)(B/A)	Remarks
Chairman	Lin Xu-ting	7	0	100	-
D i r e c t o r	Wang Jia-hong	3	0	75	Date of appointment : 2010.06.15
D i r e c t o r	Representative of UMC Capital Corporation D.C. Cheng	6	1	86	-
D i r e c t o r	Representative of China Development Industrial Bank: Chang Cheng-chiu	5	1	71	-
Independent D i r e c t o r	Lo Tsung-Ming	6	1	86	-
Independent D i r e c t o r	Ko Po-cheng	6	0	86	-
Independent D i r e c t o r	Pai Jung-sheng	7	0	100	-
Remarks: 1. For the events stated in SEC Article 14.3 and other opposing or qualified opinion of independent directors that are recorded or declared in writing, the date, term, the content of the case, independent director's opinion, and the company's response to the director's opinion must be stated in details: N/A 2. The name of the directors who have excused themselves from the meeting due to a conflict of interest, the name of the directors, the content of the case, the reason for the conflict of interest, and the voting must be stated in details: the company managed convertible bonds offered on a private placement, the representative of China Development Industrial Bank: Chang Cheng-chiu excused himself from discussion and voting due to a conflict of interest. 3. The goal for improving the function of the board of directors (e.g. establishing the audit committee and enhancing information transparency, etc.) and execution evaluation: Other than placing Three independent directors, and according to the "rules of board meeting procedure", which was attendance of Directors to enhance their operating efficiency and reinforce their decision making capacity.					

(2) Board of Supervisors

The attendance of Directors for 7(A) Board Meetings in 2010:

Title	Name	Attendance (B)	Proxy Frequency of attendance (%)(B/A)	Remarks
Supervisors	Chen Ken-ching	7	100	
Independent Supervisors	Liang Shwu-jian	4	57	
Independent Supervisors	Niu Cheng-chie	6	86	

Remarks:

1. The formation and responsibility of the supervisors:
 - (1) Communication among the employees and shareholders of the company:

The company's supervisors use periodical or non-periodical meetings and shareholders' meetings to communicate with the company's employees and shareholders.
 - (2) Communication among the audit Manager and CPA of the company:

The company's supervisors use periodical or non-periodical meetings with the company's audit manager and CPA.
2. If supervisors have opinion from the meeting that are recorded or declared in writing, the date, term, the content of the case, supervisor's opinion, and the company's response to the supervisor's opinion must be stated in details: N/A

(3) Corporate governance and the deviation from the Rules Governing Listed & OTC corporate governance and the causes

Item	Operation	Deviation from the rules Governing Listed & OTC corporate governance and the causes
<p>1. The company's equity structure and shareholders' equity</p> <p>(1) The way that the company handles suggestions and disputes with shareholders.</p> <p>(2) The status that the company gets hold of the list of the company's major active shareholders and the final controllers of the company's major shareholders.</p> <p>(3) The mechanism for company establishment, risk control of its affiliated enterprises, and fire wall establishment.</p>	<p>(1)The company has a spokesman (Lin Ruo-ping), a deputy spokesperson (Lien Chen-Hui) and the stock affairs division.</p> <p>(2) The company has entrusted a stock affairs agency (the stock affairs agency division of Taiwan International Securities Group) and has exclusive stock affairs personnel to serve shareholders.</p> <p>(3) The company has laid down the regulations for trading operation with its affiliated enterprises, and for surveillance of its subsidiaries.</p>	None
<p>2. Constitution of the board of directors and its function</p> <p>(1) The status of placing independent directors.</p> <p>(2) To periodically review the independence status of the certified public accountants</p>	<p>(1) The company places three independent directors (Lo Tsung-Ming, Ko Po-cheng and Pai Jung-sheng)</p> <p>(2) In compliance with statutory regulations, the company's board of directors periodically evaluates the independent status of its certified public accountants.</p>	None
<p>3. The status for the establishment of communication channel with related parties.</p>	<p>The company setup Investor Relations on its website to periodically release the company's business and financial information. In addition, an e-mail address is also available for shareholders to contact the company.</p>	None
<p>4. To make information public</p> <p>(1) The company uses its own website to disclose its financial status and company governance information</p> <p>(2) The company also uses other information disclosure ways (e.g. establishment of English website, designation of exclusive personnel to collect and disclose the company's information, fulfillment of spokesperson system, and posting prospectus seminar process on the company's website, etc.)</p>	<p>(1) The address of the company's website is: www.topoint.tw The company has already posted its governance information on the website. Viewers may also use the website to link to the Market Observation Post System for enquiry of the company's financial and business information.</p> <p>(2) The company has its spokesperson system which is used to collect and disclose information and as the bridge to communicate with outsiders.</p>	<p>None</p> <p>None</p>
<p>5. The operation of the function committees set for the function of nomination or remuneration determination.</p>	None	None

Item	Operation	Deviation from the rules Governing Listed & OTC corporate governance and the causes
6.	If the company has corporate governance rules stipulated according to the “rules governing Listed/ OTC corporate governance, “please state the variation of the business operation from the rules: The corporate governance rules instituted by the company and their spirit have all been included in the company’s internal control system. The new entrants are all requested to follow the internal control system in their oriental training. At the same time, the “rules of shareholders’ meeting procedure”, “rules of board meeting procedure” and “director and supervisor election regulations” have all been laid down. The board of directors passed the “director, supervisor and manager moral code” on April 25, 2008 and sent it to the shareholders” meeting for resolution.	
7.	Other in formation that helps understand the corporate governance (for example, advanced study of directors and supervisors, attendance of directors and supervisors for board meeting, enforcement of risk management policy and risk measurement standards, protection for consumers and customers, director’s excusing himself/herself from a case involving conflict of interest, liability insurance acquired for directors and supervisors, and corporate social responsibilities): (1) Advanced study of directors and supervisors: Please go to the corporate governance section of the “Market Observation Post System” on http://newmops .twse.com.tw . (2) The risk management/measurement and customers protection policy are defined in the company’s internal control system, and executed according to the regulations. (3) The directors and supervisors attend of the board when the trustee like fords to a trustee office row bill have excused themselves and benefit that not join the vote. (4) Liability insurance is acquired for directors and supervisors according to the articles of Incorporation.	
8.	If there is an internal evaluation report or an independent appraisal report furnished on corporate governance, the internal (external) performance evaluation report must be furnished with the nonconformities (or suggestions) and corrective actions detailed: The company assisted “Asia Pacific Industry Analysis Association (APIAA)” in training its members with industrial technology, market information analysis, consultation competence, so as to enhance our country’s industrial competitiveness. In addition, the company also donated fire-fighting equipment to the voluntary fire brigade of Shulin City Office. As a whole, the company is dedicated to a variety of public welfare activities in an attempt to contribute to society. The Company has devoted to providing transparent information to shareholders. In “Information Transparency and Disclosure Ranking System” conducted by Securities and Futures Institute (SFI), the Company was ranked as “A” company in 2008 and 2009, and received the highest “A+” ranking in 2010. This grading result demonstrates the Company’s effort of pursuing better corporate governance and protecting the benefits of its shareholders.	

(4) Composition, Responsibilities and Operations of Compensation Committee : N/A

(5) Social Responsibility

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
<p>1. Exercising Corporate Governance</p> <p>(1)The company declares its corporate social responsibility policy and examines the results of the implementation.</p> <p>(2)The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies.</p> <p>(3)The company organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.</p>	<p>(1) None.</p> <p>(2) None.</p> <p>(3) The company has established “standards of conduct” as standards for compliance by directors, supervisors, managers and employees, Encourage reporting of any illegal conduct or conduct violating ethical behavior standards, Punishment: the Company shall investigate the responsibilities of any person that neglects his/her duties according to the violation condition and take appropriate legal actions.</p>	<p>N/A</p>
<p>2. Fostering a Sustainable Environment</p> <p>(1)The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment.</p> <p>(2)The company establishes proper environmental management systems based on the characteristics of their industries.</p> <p>(3)The company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment.</p> <p>(4)The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.</p>	<p>(1) Ongoing waste reduction – reduce the creation of waste and reduce the waste volume created via recycle classification as much as possible .</p> <p>(2) Ongoing improvement – environmental protection popularization, safety and health training, environmental safety conscious reinforcement, environmental system and regulations implementation, systematic management, ongoing improvement, quality environmental protection construction, safe and healthy working place.</p> <p>(3) The Company has set the safety and health room dedicated personnel responsible for the maintenance and management of the environment.</p> <p>(4) Pollution Prevention - source management, carry out water reduction, energy saving, reuse, cleaning process, cost reduction, reduction impact to ecological environment and establishment of environmental management system (ISO 14001).</p>	<p>N/A</p>

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
<p>3. Preserving Public Welfare</p> <p>(1)The company complies with relevant labor laws and regulations, protects the legal rights and interests of employees, and has in place appropriate management methods and procedures.</p> <p>(2)The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.</p> <p>(3)The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.</p> <p>(4)The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility.</p> <p>(5)The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.</p>	<p>(1) The Company has emphasized employee welfare and interest since its establishment, and the labor relation is very cohesive. The Company holds labor meetings periodically and provides employee proposal and opinion boxes for employees to respond to problems and constitute good interaction. It is expected to establish a cohesive relationship between labor and capital.</p> <p>(2) Carry out health management and promote employees' physical and mental health.</p> <p>(3) 、(4) Fair trade: treat the Company's customers, suppliers and competitors as fair as possible.</p> <p>(5) Various channels from time to time by the Company to participate in community development and related activities of charities.</p>	N/A
<p>4. Enhancing Information Disclosure</p> <p>(1)The measures of disclosing relevant and reliable information relating to their corporate social responsibility.</p> <p>(2)The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.</p>	<p>(1) The appraisal result of "Information Transparency and Disclosure Ranking System" conducted by Securities and Futures Institute (SFI) is now released. Topoint is ranked as "A+" company and also remarked as a company that discloses information voluntarily.</p> <p>(2) N/A 。</p>	N/A
<p>5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation:N/A</p>		

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
<p>6. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of implementation.) :</p> <p>For preschool children to express concern and contribute to the community concept, the huge corporate sponsorship Hang Network <bricks stacked with hope of happiness ~ send care to preschool children> Warm joint enterprise activities.</p> <p>Another subsidiary, Shanghai cusp care Yushu in Qinghai Province in response to the earthquake, the company launched cum all my colleagues donations, contributions donated to the "Shanghai Red Cross, " hoping to do a little thin cotton, the power, corporate social responsibility.</p>		
<p>7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below:</p>	<p>None.</p>	

- (6) Integrity management company to perform the case and adopt measures: The Company uphold the fair treatment of customers, suppliers, competitors.
- (7) Enquiry of corporate governance rules and related regulations: Please go to the corporate governance section of the "Market Observation Post System" .
- (8) The information to help investors more aware of how the company's corporate governance is operated:
- Please go to "Investor Relations" of company's website www.topoint.tw
 - Advanced study the governance rules of Mangers:

Title	Name	Date	Organizing unit	Curriculum	Time
Audit Manger	Lin Rung-Le	2010.09.08	ARDF	Lack of internal audit common violation 、 Discussion and Case Analysis liability	6hr
		2010.10.26	SFI	Fraud detection and processing techniques	6hr

(9)Execution of internal control system:

- Internal control declaration: Please refer to P. 21 in the annual report for details
- Entrustment of CPA to audit internal control system: N/A

- (10) The punishments applied to the company and its employees due to law violation, the punishments applied by the company to its internal employee due to violation of internal control system, major drawbacks and improvement in the recent year and the current year as of the annual report publication date:

As regulated by the company, other than including the violation of internal control system in the rating of personnel annual performance evaluation, the company has also given a detailed account of the punishments, major drawbacks and expected improvement deadline in each audit report. At the same time, the audit unit has continued to track the improvement status and make records. The major drawbacks had been corrected in the recent year and the current year as of the annual report publication date.

- (11) Major resolutions made in shareholders' meetings and board meetings in the recent year and the current year as of the annual report publication date:

A. The company had the 20098 general shareholders meeting held with the following resolution reached (06/10/2009):

Resolutions	Implementation Status						
(a) Recognized the 2009 earnings distribution (Distributed \$0.302/share of cash dividends and gave 30.2 shares/1000 shares of stock dividends. The board of directors is authorized to adjust the ensuing change to be caused by the change in the shareholder's stock dividend/ cash dividend rate resulting from the outstanding shares which are influenced by the change of capitalization.) (b) Passed the Company's issuance of new shares from the capital increase of the 2009 earnings and employee bonus recapitalization (c) Passed the amendment of the Company's "Articles of Incorporation" (d) Passed the by-election for director.	(a) The ex-dividend date Aug. 16, 2010 was determined and the cash dividend was distributed on Sep. 21, 2010; stock dividend on Sep. 21, 2010. (b) The earning distribution proposal was approved by Financial Supervisory Commission, Executive Yuan with letter Jin-Guan-Zeng 0990034906 on Jul. 6, 2010. (c) The operation was managed in accordance with revised articles. (d) The newly elected list <table border="1"><thead><tr><th>Title</th><th>Name</th><th>Electoral Vote</th></tr></thead><tbody><tr><td>Director</td><td>Wang Jia-hong</td><td>51,642,204</td></tr></tbody></table>	Title	Name	Electoral Vote	Director	Wang Jia-hong	51,642,204
Title	Name	Electoral Vote					
Director	Wang Jia-hong	51,642,204					

(e) Passed the release the non-competition restriction of director elected in 5 th session.	(e) The case was managed in accordance with the approved resolution.
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B. Board meetings

Date	Content
1. Jan. 13, 2010	1. Approved the issuance of new shares of 2006 employee stock options.
2. Mar 26, 2010	1. Approved the Financial Statements and Business Report of 2009. 2. Approved the 2009 Profit Distribution Proposal. 3. Cash dividends of NT\$38,571,559(NT\$0.302 per share). 4. Stock dividends of NT\$38,571,550(30.2 shares of each 1,000 shares owned). 5. Board of Directors approved the indirect investment in Mainland China. 6. Approved the by-election of Company's director. 7. Approved the release of non-competition restriction of director elected as an individual. 8. Approved the issuance of new shares of 2006 employee stock options. 9. Approved the amendment of "Articles of Incorporation" 10. Approved to convene the 2010 Regular Shareholder's Meeting.
3. Apr. 16, 2010	1. Board of directors approved the issue of private placement of unsecured convertible bonds.
4. Jul. 14, 2010	1. Approved the record date for common share dividend. 2. Approved the endorsements/guarantees amount of US\$8.8 million to the Subsidiary, Sharpint Technology (Qinhuangdao)Co., Ltd. 3. Approved the board of directors approved the Syndicated loan.
5. Aug. 26, 2010	1. Approved the Financial Statements of first half year of 2010.
6. Oct. 13, 2010	1. Approved the issuance of new shares of private placement of unsecured convertible bonds. 2. Approved the extend the endorsements/guarantees which Mega bank loaned the subsidiary in the third region USD 3 million for one year.
7. Dec. 28, 2010	1. Approved year 2011 annual audit plan.
8. Jan. 13, 2011	1. Approved the issuance of new shares of 2006 employee stock options. 2. Approved the investment to set up PCB drill holes sales & testing centre. 3. Approved the new appointment of general manager.
9. Mar. 25, 2011	1. Approved the Financial Statements and Business Report of 2010. 2. Approved the 2010 Profit Distribution Proposal. Cash dividends of NT\$111,596,600(NT\$0.832 per share). Stock dividends of NT\$37,198,860(27.7 shares of each 1,000 shares owned). 3. Approved the issuance of new shares of 2006 employee stock options. 4. Approved the indirect investment in Mainland China. 5. Announcement of the change for internal audit officer. 6. Approved the amendment of "Articles of Incorporation" 7. Approved to convene the 2011 Regular Shareholder's Meeting.
10. Apr. 14, 2011	1. Approved the issuance of new shares of private placement of unsecured convertible bonds. 2. Approved the endorsements/guarantees amount of the subsidiary.

(12) The directors or supervisors who have objected to the resolutions reached by the board of directors and the objections are recorded or declared in writing in the most recent years and up to the date of the annual report printed: N/A

- (13) The resignation or discharge of personnel who are responsible for financial statements in the most recent years and up to the date of the annual report printed.

Title	Name	Employment date	Dismissal date	Reasons of resignation or discharge
Internal audit officer	Lin Rung-Le	Sep. 16, 2002	Mar. 25, 2011	Individual career planning

4. CPAs Fees:

Name of the firm	Names of CPA		During the audit	Notes
Deloitte & Touche	Chen Zhao-Mei	Lin Ku-Tung	Jan. 1, 2010-Dec. 31, 2010	

		Audit fees	Non-Audit fees	Total
1	Below \$2,000,000		v	
2	\$2,000,000 ~ \$4,000,000	v		
3	\$4,000,000 ~ \$6,000,000			
4	\$6,000,000 ~ \$8,000,000			
5	\$8,000,000 ~ \$10,000,000			
6	Over \$10,000,000			

5. CPA's Information:

(1) Regarding former CPA:

Replacement date	Approved by the board of directors on Dec. 23, 2009.		
Replacement reasons	The CPA certifying the company's 2008 financial statements were Xie Jian-xin and Chan Chao-mei at Deloittee & Touche – Taiwan. However, due to the firm's internal task transfer and arrangement, the company's 2009 financial statements were certified by CPA Chen Zhao-mei. and Lin Ku-tung.		
Please explain whether the termination or refusal of the commission is initiated by the entrusted or CPA.	The party	CPA	Entrustor
	Status	Not applicable	
	Refusal (discontinuation) of the commission		
The opinions on the auditing reports in the recent two years and reasons, except the issue of unqualified opinions.	Took initiative in terminating the commission		
	Refusal (discontinuation) of the commission		
	For the modified unqualified opinions, the Company has recognized the bonus to employees and compensation of directors and supervisors as expenses instead of earning distribution in accordance with (96) Gi-Mi-Tsu No. 052 issued by ARDF; and adopted newly release SFAS No. 10 "Accounting principles regarding inventory processing"		
Different opinions with the issuer:	Yes		Accounting principle or practice
			Disclosure of financial reports
			Auditing range and steps
			Others
	No	√	
Why	Not applicable.		

Other disclosure items: (The items required to be disclosed as per item 4, subparagraph 1 of article 11 in regulations governing the preparation of financial reports by securities issuers.)	N/A
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(2) Regarding successor CPA:

Name of the firm	Deloitte & Touche – Taiwan
Names of CPA	Chen Zhao-mei and Lin Ku-tung
Date of commission	As passed by the board of directors on Dec. 23, 2009
Items and results of the consultation made before the commission for the possible opinions on the accounting process method or accounting principle and the financial reports of specific transactions	N/A
The written opinions from the successor CPA against the ones from the former CPA.	N/A

(3) The response made by former CPA for the issues listed in item 3 of subparagraph 1 of article 22 of “regulations governing the preparation of financial reports by securities issuers”: N/A

6. If the Chairman, President, and financial or accounting manager of the company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: N/A

7. Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads, and Shareholders 10% shareholding or more:

(1) Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads and Shareholders

Unit: share

Title	Name	2010		As of April 30, 2011	
		Net change in Shareholding	Net change in Share Pledged	Net change in Shareholding	Net change in Share Pledged
Chairman	Lin Xu-ting	152,457	-	-	-
Director	Wang Jia-hong	14,530	-	150,000	-
Director	UMC Capital Corporation	2,435,819	-	-	-
Director	China Development Industrial Bank	(1,453,560)	-	(116,000)	-
Independent director	Lo Tsung-ming	82	-	-	-
Supervisor	Chen Gen-qing	45,416	-	-	-
Independent supervisor	Liang Shwu-jian	2,524	-	-	-
Independent supervisor	Niu Cheng-chie	74	-	-	-
Plant Director	Huang Yin-ming	(108,610)	-	-	-
R&D Director	Chen Zhao-yang	3,722	-	-	-

(2) The information of the related party who was the corresponding party of the equity transfer: N/A

(3) The information of the related party who was the corresponding party of the equity pledge: N/A

8. The relation of the top ten shareholders as defined by Finance Standard Article 6:

Name	Current shareholding		Shareholding of spouse and minors		Shares held in the names of others		The relation of the top ten shareholders as defined by Finance Standard Article 6	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	relationship
Lin Xu-ting	5,200,733	3.73%	-	-	-	-	Lin Liu-ze	Borthers
Lin Liu-ze	3,692,863	2.65%	-	-	-	-	Lin Xu-ting	Borthers

9. Investment form Directors, Supervisors, Managers and directly or indirectly controlled businesses:

Unit: Share

Trans-investment business	The company's investment		Investment made by directors, supervisors, managers and the businesses directly or indirectly controlled by the c o m p a n y		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Total shareholding ratio
Topoint Technology Co.,Ltd.(B.V.I)	5,180	100%	-	-	5,180	100%
Unipoint Technology Co., Ltd.	17,400,000	58%	274,213	0.9%	17,674,213	58.9%
Warpspeed Corporation(B.V.I)	50,000	100%	-	-	50,000	100%
Topoint Japan Co., Ltd.	600	100%	-	-	600	100%
Shanghai Topoint Precision Tool Co., Ltd.	-	-	-	100%	-	100%
Sharpoint Technology (Qinhuangdao) Co., Ltd.	-	-	-	100%	-	100%
Unipoint Technology Shenzhen Co., Ltd.	-	-	-	100%	-	100%

IV. Stock subscription

1. Capital and shares:

(1) Stock capital

Unit: NT\$1,000/1,000 shares

Month / year	Issued price (\$)	Approved capitalization		Paid-in capitalization		Remarks		
		Shares	Amount	Shares	Amount	Capital sources		Use of non-cash property to pay for the shares
						Amount	Source	
4/1996	10	1,500	15,000	1,500	15,000	15,000	Cash capital increase	-
5/1997	10	6,000	60,000	3,250	32,500	17,500	Cash capital increase	-
6/1998	10	20,000	200,000	9,920	99,200	49,200 17,500	Cash capital increase Capital surplus transfer	-
9/1999	10	20,000	200,000	13,852	138,253	20,800 18,253	Cash capital increase Earnings transfer	-
5/2000	23	49,000	490,000	27,300	273,000	120,000 14,747	Cash capital increase, earnings and capital surplus transfer	-
05/2002	10	49,000	490,000	34,000	340,000	67,000	Earnings and capital surplus transfer	-
11/2002	20	49,000	490,000	39,000	390,000	50,000	Cash capital increase	-
12/2003	10	49,000	490,000	41,000	410,000	20,000	Cash capital increase	-
08/2004	10	42,693	426,930	42,693	426,930	16,930	Earnings transfer	-
10/2004	16.8	70,000	700,000	48,393	483,930	57,000	Cash capital increase	-
09/2005	10	70,000	700,000	55,258	552,581	68,651	Earnings and capital surplus transfer	-
06/2006	10	140,000	1,400,000	65,258	652,581	100,000	Cash capital increase	-
09/2006	10	140,000	1,400,000	75,428	754,288	101,707	Earnings	-

Month / year	Issued price (\$)	Approved capitalization		Paid-in capitalization		Remarks			
		Shares	Amount	Shares	Amount	Amount	Source	Use of non-cash property to pay for the shares	Others
							transfer		Jing-Shou-Shang Zi No. 09501202460
10/2006	10	140,000	1,400,000	76,116	761,161	6,873	Shares transferred from corporate bonds	-	10/07/2006 Jing-Shou-Shang Zi No. 09501232720
01/2007	10	140,000	1,400,000	77,388	773,882	12,721	Shares transferred from corporate bonds	-	10/23/2007 Jing-Shou-Shang Zi No. 09601018460
04/2007	10	140,000	1,400,000	78,605	786,050	12,168	Shares transferred from corporate bonds	-	04/17/2007 Jing-Shou-Shang Zi No. 09601080210
07/2007	10	140,000	1,400,000	84,242	842,421	56,371	Shares transferred from corporate bonds	-	07/23/2007 Jing-Shou-Shang Zi No. 09601175210
08/2007	10	140,000	1,400,000	95,469	954,691	112,270	Earnings transfer	-	08/24/2007 Jing-Shou-Shang Zi No. 09601206420
08/2008	10	140,000	1,400,000	106,868	1,068,680	113,988	Earnings transfer	-	08/28/2008 Jing-Shou-Shang Zi No. 09701219390
10/2008	10	140,000	1,400,000	107,056	1,070,565	1,885	Stock Option transfer	-	10/21/2008 Jing-Shou-Shang Zi No. 09701266600
08/2009	21	200,000	2,000,000	117,056	1,170,564	100,000	Cash capital increase	-	08/26/2009 Jing-Shou-Shang Zi No. 09801191340
09/2009	10	200,000	2,000,000	126,584	1,265,840	95,275	Earnings transfer	-	09/11/2009 Jing-Shou-Shang Zi No. 09801205940
10/2009	10	200,000	2,000,000	126,671	1,266,717	877	Stock Option transfer	-	10/30/2009 Jing-Shou-Shang Zi No. 09801249110
01/2010	10	200,000	2,000,000	127,577	1,275,577	8,860	Stock Option transfer	-	01/19/2010 Jing-Shou-Shang Zi No. 09901011840
04/2010	10	200,000	2,000,000	127,694	1,276,947	1,370	Stock Option transfer	-	04/16/2010 Jing-Shou-Shang Zi No. 09901076220
09/2010	10	300,000	3,000,000	131,551	1,315,519	38,571	Earnings transfer	-	09/03/2010 Jing-Shou-Shang Zi No. 09901203020
11/2010	21.1	300,000	3,000,000	133,921	1,339,216	23,696	convertible corporate bond offered	-	11/01/2010 Jing-Shou-Shang Zi No. 09901244520

Month / year	Issued price (\$)	Approved capitalization		Paid-in capitalization		Remarks			
		Shares	Amount	Shares	Amount	Capital sources		Use of non-cash property to pay for the shares	Others
						Amount	Source		
							by private placement transfer		

Unit: share

Type of Shares	Authorized Shares			R e m a r k s
	Outstanding shares	Un-issued shares	Total	
Common stock	133,921,614	166,078,386	300,000,000	Listed shares

(2) Status of shareholders

April 30, 2011

Status of shareholders Q'ty	Government agencies	Financial institutions	Other institutional investors	Domestic Natural Persons	Foreign institutional & Natural Persons	Total
Number of shareholders	2	15	30	10,070	53	10,170
Shareholding	535,083	27,706,994	21,707,563	72,486,669	16,933,640	139,369,949
Shareholding ratio	0.38%	19.88%	15.58%	52.01%	12.15%	100.00%

(3) Status of Shareholding Distributed

Face value per share: \$10

April 30, 2011

Classification	Number of shareholder	Shareholding	Shareholding Ratio(%)
1-999	2,950	614,052	0.44
1000-5,000	4,873	10,664,920	7.65
5,001-10,000	1,113	8,342,186	5.99
10,001-15,000	398	4,914,761	3.53
15,001-20,000	232	4,285,664	3.08
20,001-30,000	214	5,419,067	3.89
30,001-40,000	111	3,851,851	2.76
40,001-50,000	60	2,729,317	1.96
50,001-100,000	112	7,882,969	5.66
100,001-200,000	43	5,912,516	4.24
200,001-400,000	26	7,461,578	5.35
400,001-600,000	6	2,955,324	2.12
600,001-800,000	8	5,437,679	3.90

800,001-1000,000	1	860,000	0.62
1000,001 以上	23	68,038,065	48.81
Total	10,170	139,369,949	100

(4) Roster of Major shareholders:

April 30, 2011

Shareholding Shareholder's Name	Shareholding	Shareholding ratio
TLC Capital Co., Ltd.	6,181,309	4.44%
China Development Industrial Bank	6,039,285	4.33%
Contracted Customer Investment Account of KGI Asia under the trusteeship of Standard Chartered Bank.	5,615,950	4.03%
Lin Xu-ting	5,200,733	3.73%
Account of Cathay Greater China Fund	4,744,874	3.41%
UMC Capital Corporation	4,626,262	3.32%
Lin Liu-ze	3,692,863	2.65%
Investment account of Yuanta Securities (Hong Kong) commissioned to HSBC	3,370,138	2.42%
Fubon Life Insurance Co., Ltd	3,090,624	2.22%
New Labor Pension Fund	2,964,000	2.13%

(5) Market price, net value, earnings, dividend per share and related information in the recent two years. .

Unit: NT\$/share

Year			2009	2010	As of April 30,2011
Item					
Market price per share	Highest		39.80	36.00	36.10
	Lowest		14.20	24.60	26.40
	Average		27.95	28.77	31.25
NAV	Pre-distribution		22.92	23.00	23.74(note1)
	Post-distribution		21.95	(note2)	-
EPS	Weighted average shares		122,963,000	131,854,000	137,904,000
	EPS (pre-adjustment)		1.60	2.09	0.73(note1)
	(post-adjustment)		1.55	(note2)	-
DPS	Cash dividend		0.302	(note2)	-
	Scrip issue	Stock dividend from retained earnings	0.302	(note2)	--
		Stock dividend from capital reserve	-	-	--
	Accumulated dividends having yet to be paid		-	-	-
Analysis of ROI	P/E		18.03	(note2)	-
	Dividend ratio		46.27	(note2)	-
	Cash dividend yield		1.08%	(note2)	-

Note 1 : The NAV and EPS shown above are the data certified by the CPA as of the 1st quarter of 2011.

Note 2: Subject to the approval of the annual shareholders meeting.

(6) Execution of Dividend Policy

- a. Given the fact that the company is in its growing period and taking its future development, financial structure and shareholders' equity into account, the company has concurrently released stock and cash dividends, in which the cash dividend shall not be lower than 10% of the total shareholder bonus released in the current year.
- b. The dividends planned to be distributed this year are as below: (the proposal has been passed by the board of directors, and planned to be submitted to the shareholders' meeting for discussion)
As passed in the board meeting on March 25, 2011 for 2010 earnings distribution, the company plans to distribute the stock dividend at \$0.277 per share and cash dividend at \$0.832 per share. (It is planned to request shareholders to authorize the board of directors to adjust the ensuing change to be caused by the change in shareholder's stock dividend/cash dividend rate resulting from the outstanding shares which are influenced by the change of capitalization).

(7) Impact of the proposed stock dividend in shareholders meeting on business performances and EPS:
Not Applicable

Note: The Company did not have financial forecast proposed up to the date of the annual report printed.

(8) Employee bonuses and remuneration of directors and supervisors

- a. The ratio or range of employee bonuses and remuneration of directors and supervisors stated in the corporate constitution:
When allocating the net profits for each fiscal year, according to the following sequence:
(1) pay all taxes.
(2) offset its losses in previous years.
(3) set aside a legal reserve at 10% of the profit left over.
(4) set aside or return the special reserve which could be appropriated according.
(5) Remuneration of directors and supervisors shall be no more than 3%.
(6) Employees' bonus to employees in respect of a specified amount to the four remaining after the number, in the range of 1% to 25%.
(7) after deducting the above, and with previous years accumulated undistributed surplus earnings distribution prepared by the Board of Directors, will be reported to shareholders.
The employees' dividend of distribution shall be stock or cash. The new stock provided by the shareholder meeting preceding on the Last Trade price and considered that eliminate influence of the rest, and above mentioned to count the shares.
Because the company is still in its growth stage, such as the transport business development plan in the Future, financial plan, shareholders interest, The dividend policy of stock dividend and cash dividend, The cash dividend is not lower than 10% of when the year provides the shareholder dividend assignment total amount.

b. Information of the employee bonus and director/supervisor remuneration passed by the board of directors:

- 1) The amounts of the employee cash bonus, stock bonus and director/supervisor remuneration planned to be distributed are as below:
As approved by the board of directors on March 25, 2011, it is expected to distribute \$37,198,865 of employee cash bonuses and \$7,439,773 of director/supervisor remuneration for 2010.
- 2) The shares of employee stock bonuses planned to be distributed and their ratio to the increased capital from earnings transfer: N/A
- 3) Recounted EPS after recommended distribution of dividend to employees and remuneration to directors and superiors is NT\$2.090.

c. The actual distributions of dividend to employees and remuneration to directors and supervisors with retained in 2009:

	Resolved in shareholders meeting	Resolved by board of directors	Difference
Distribution status:			
Employee cash bonus	14,164,000	14,164,000	-
Employee stock bonus			
Shares	-	-	-

	Resolved in shareholders meeting	Resolved by board of directors	Difference
Amount	-	-	-
Ratio to the outstanding shares at the end of 2009	-	-	-
Director/supervisor remuneration	\$2,824,000	\$2,824,000	-
Information of EPS			
Original EPS	\$1.60	\$1.60	-
EPS taking bonuses and remuneration into account	\$1.60	\$1.60	-

(9) Treasury stock: N/A

2. Corporate bonds: see page 109~112 for information regarding private placement securities
3. Preferred stock: N/A
4. ADR/GDR: N/A

5. Employee stock option certificates :

(1) The handling status as of the annual report publication date, and the influence on shareholders' equity:

April 30, 2011

Cat. of employee stock option certificates	1 st time (phase) Employee stock option certificate	2 nd time (phase) Employee stock option certificate
Date approved by the competent authority	Mar. 29, 2006	Dec. 13, 2007
Issue date	Apr. 7, 2006	Dec. 18, 2007
Issued units	5,520	5,000
Ratio of the shares eligible for subscription to total issued shares	4.12%	33.73%
Share subscription period	For Apr. 7, 2006 through Apr. 7, 2011	For Dec. 18, 2007 through Dec. 18, 2012
Fulfillment method	The common stock newly issued by the company	The common stock newly issued by the company
Restriction on subscription and ratio (%)	Two years of seniority: 50% ; Three years of seniority: 75% ; Four years of seniority : 100%	Two years of seniority: 50% ; Three years of seniority: 75% ; Four years of seniority : 100%
Shares acquired	2,008,250	-
Amount of executed subscription shares	58,077,545	-
Unexecuted subscription shares	0	3,448,750
The unexecuted subscription share price	27.86	48.08
The ratio of the unexecuted subscription shares to total issued shares (%)	0%	2.58%
Influence on shareholders' equity	The issue of employee stock option certificates may create common interests between the company and its shareholders. Furthermore, the issued shares have only very trivial impact on equity dilution, so no significant influence will be made on shareholders' equity	The issue of employee stock option certificates may create common interests between the company and its shareholders. Furthermore, the issued shares have only very trivial impact on equity dilution, so no significant influence will be made on shareholders' equity

- (2) Acquisition and subscription status of the managers acquired the employee stock option certificates, and the employees who acquired top 10 employee stock options, in which the subscription amount is more than NT\$30 million as of the annual report publication date:

April 30, 2011

	Title	Name	Acquired subscription shares	Ratio of acquired subscription shares to total issued shares	Executed				Not yet to be executed			
					Executed subscription shares	Executed subscription price	Amount of executed subscription shares	Ratio of the executed subscription shares to total issued shares	Unexecuted subscription shares	Unexecuted subscription share price	Amount of unexecuted subscription shares	Ratio of unexecuted subscription shares to total issued shares
Managerial personnel	CEO	Lin Xu-ting	1,460	1.09%	135	29.00	3,915	0.10%	0	27.86	0	0
	President	Wang Jia-hong										
	Plant Director	Huang Yin-ming	1,130	0.89%	-	-	-	-	1,130	48.08	54,330	0.84%
	R&D Director	Chen Zhao-yang										

6. Merger and acquisition (including merger, acquisition, and split): N/A

7. Fund implementation plan:

- (1) Plan of issuing domestic first unsecured convertible corporate bond offered by private placement in 2009 (first time in 2009)

a. Content

- 1) Date and file No. approved by the competent authority: the Company entered this unsecured convertible corporate bond offered by private placement related information to the Market Observation Post System. Please see pages 109-112 of the annual report for related information.
- 2) The total amount required: NT\$200 million
- 3) Source of funds: issuance of domestic first unsecured convertible corporate bond offered by private placement of NT\$200 million
- 4) Plan items and applications
Purpose: repayment of bank loan
Items and expected progress:

Unit: NT\$1,000

Item	Expected Date of Completion	Funds Required	Expected Progress		
			2010 Q1	2010 Q2	2010 Q3
Repayment of bank loan	2010 Q3	200,000	100,000	17,500	82,500
Total		200,000	100,000	117,500	200,000

5) Evaluation for expected benefit of capital increment

Repayment of bank loan:

Unit: NT\$1,000

Bank	Interest Rate (%)	Period	Purpose of Loan	Repayment Amount	Interest Saving for 2010
Syndicated loan from Industrial Bank of Taiwan	1.4	2008/8/25~2011/8/25	Operating capital	130,000	2,120
Taiwan Cooperative Bank	2.2	2004/5/27~2014/9/24	Purchasing machine	17,500	
China Development Industrial Bank	1.7	2005/12/28~2012/4/27	Purchasing machine	52,500	
Total				200,000	

b. Implementation status: fund application and plan implementation

Unit: NT\$1,000

Item	Implementation Status			Date
Repayment of bank loan	Expenditure Amount	Actual	200,000	Expected to be completed by Sept 30, 2010
		Expected	200,000	
	Progress (%)	Actual	100.00%	Actual completion date has been completed in accordance with implementation of the plan
		Expected	100.00%	

The total amount raised in this convertible bond was NT\$200 million, which was completely collected on September 13, 2009 and implementation has been completed according to schedule. The company entered this capital increment related information to the Market Observation Post System in accordance with regulations and disclosed related information in the 2010 annual report.

c. Benefit analysis after implementation

The amount raised by this convertible bond was a total of NT\$200 million and implementation has been completed according to schedule.

(2) Plan of issuing domestic second unsecured convertible corporate bond offered by private placement in 2010 (second time in 2010)

a. Content

- 1) Date and file No. approved by the competent authority: the Company entered this unsecured convertible corporate bond offered by private placement related information to the Market Observation Post System on April 30, 2009. Please see pages 109-112 of the annual report for related information.
- 2) The total amount required: NT\$150 million
- 3) Source of funds: issuance of domestic first unsecured convertible corporate bond offered by private placement for NT\$200 million
- 4) Plan items and applications
Purpose: repayment of bank loan
Items and expected progress:

Unit: NT\$1,000

Item	Expected Date of Completion	Funds Required	Expected Progress				
			2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2
Repayment of bank loan	2011 Q2	150,000	25,500	25,500	43,100	43,100	12,800
Total		150,000	25,500	51,000	94,100	137,200	150,000

5) Evaluation of expected benefit of capital increment

Repayment of bank loan:

Unit: NT\$1,000

Bank	Interest Rate (%)	Period	Purpose of Loan	Repayment Amount	Interest Saving for 2010
Taiwan Cooperative Bank	2.1	2007/4/20~2014/9/24	Purchasing machine	114,800	1,760
China Development Industrial Bank	1.7	2005/4/27~2012/4/27	Purchasing machine	35,200	
Total				150,000	

b. Implementation status: fund application and plan implementation

The total amount raised in this convertible bond was NT\$150 millions, which was completely collected on May 6, 2010 and implemented pursuant to expected plan. As of the end of March 2010, the funds were actually applied to the repayment of the bank loan of NT\$137.2 million and the implementation progress was 91.5%, which is executed under the plan. The company had entered this capital increment related information to Market Observation Post System in accordance with regulations and disclosed related information in 2010 annual report.

c. Benefit analysis after implementation

The amount raised by this convertible bond was a total of NT\$150 million and is expected to be completed by June 30, 2010. Current progress of implementation is 91.5% and is expected to be completed under the plan and achieve expected benefit.

V. Overview of business operation

1. Principal activities

(1) Scope of Business

- ①. Major Business the Company has Engaged
 - i. Manufacture and sales of micro-drill bits exclusively for printed circuit boards
 - ii. Manufacture and sales of digital drilling machines exclusively for printed circuit boards
 - iii. Manufacture and sales of the peripheral facilities for the process of printed circuit boards
 - iv. General export/import trading and agency businesses

②. Major products and their ratios in the company's total businesses

Unit: NT\$1,000

Business items	2009		2010	
	Amount of sales	% in revenue	Amount of sales	% in revenue
Drill bit	789,139	86.17	904,755	74.66
Router bit	79,958	8.73	73,528	6.07
Others	46,704	5.10	233,460	19.27
Total	915,801	100.00	1,211,763	100.00

③. Major Products of the Company

Product		Specification
Drill bit	Micro size	Below 0.25mm
	Mini size	0.30mm~0.45mm
Router bit	Micro size	0.50 mm~0.75mm
	Mini size	0.80mm~3.175mm
	Large size	Over 3.175mm

④. New Products under Development

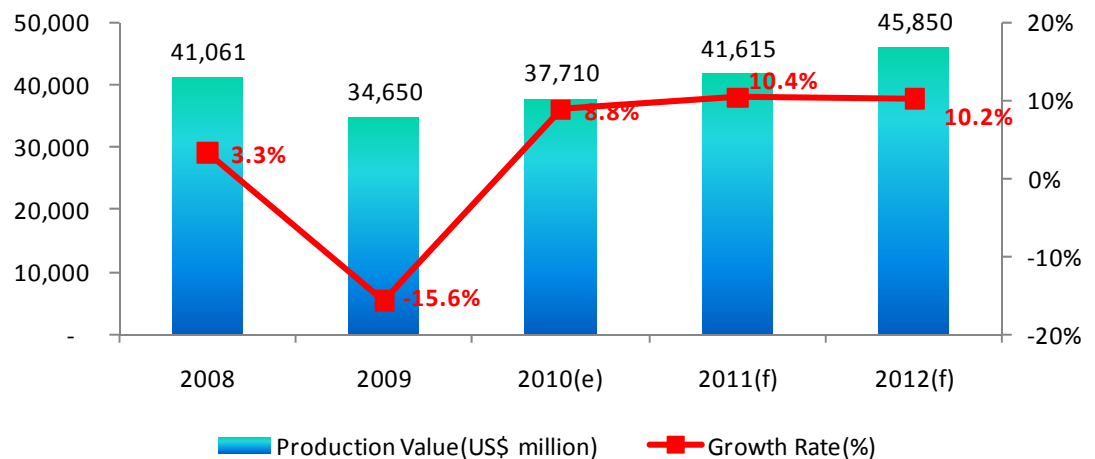
- i. Development of micro drills continuously
- ii. Development of micro routers continuously
- iii. Development of high aspect ratio drills and longer lifetime cutting tools

(2) Industry Overview

①. Industry Status and Development

Drills are one of critical material applied to the PCB manufacturing process. According to IEK survey, global PCB production value was US\$37.7 billion in 2010, representing 8.8% growth from a year earlier. IEK also estimates global PCB production value at US\$41.6 billion in 2011 and at US\$45.9 billion in 2012, up 10.4% and 10.2% YoY respectively.

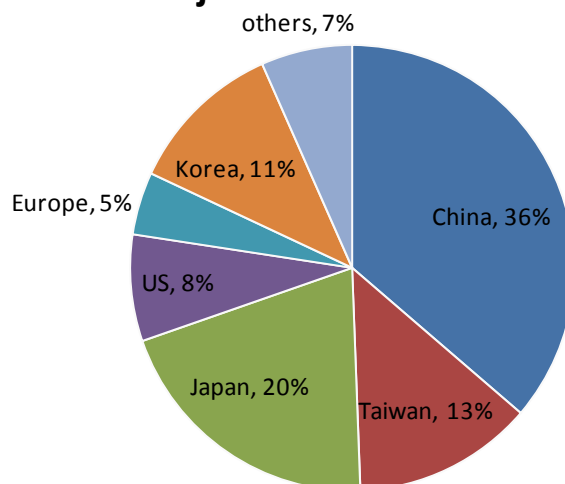
Global PCB Production Value



Data source : IEK(2010/12), compiled by the company

China has taken the lead to have 36% share among PCB production countries in 2010. Its production value is US\$18.3 billion with 28.2% growth. As estimated, the CAAGR of PCB production value in China is 10.4% from 2010 to 2015. Current production are mainly low-end products (e.g. traditional PCBs), but the percentage of mid-to-high end products (e.g. HDI and IC substrate) will gradually increase in China. Japan account for 20% of global PCB production value. The 5-year CAAGR of PCB production value in Japan since 2010 would be -1.8%. High-end HDI, IC substrates, and flexible boards are produced domestically in Japan, and the rest products are moving to the production base in South-East Asia. Taiwan takes 13% of global production value in 2010. PCB manufacturers in Taiwan are approaching higher HDI technology level, higher layer, and substrates. The CAAGR of PCB production value in Taiwan is estimated to be 6.1% from 2010 to 2015.

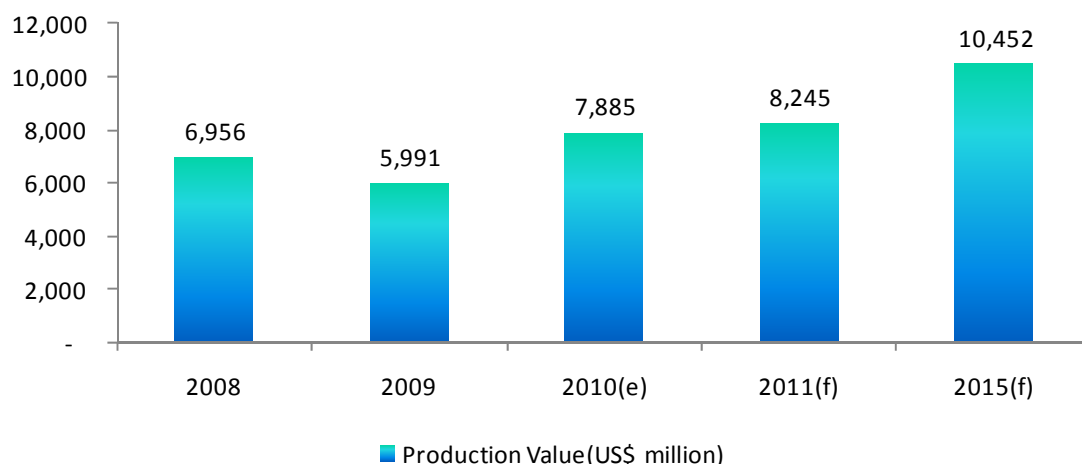
2010 Major PCB Production Region



Data source : Prismark(2010/12), compiled by the company

Micro-size drills are mainly applied to IC substrates. IC substrates are carriers for ICs of all kinds of electronic products. According to Prismark, the global production value of IC substrates in 2010 was US\$7.89 billion representing an annual growth of 31.6%. As estimated, IC substrates production value would reach US\$8.25 billion in 2011, up 4.6% over the previous year. The CAAGR of IC substrates production value would be 5.8% from 2010 to 2015.

Global IC Substrate Production Value

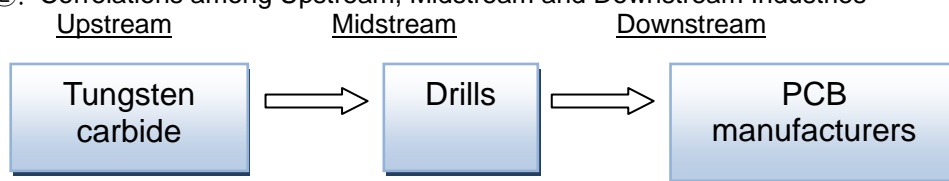


Data source : Prismark(2010/12), compiled by the company

Looking forward to 2011 and 2012, while global economy recover and new products launch to market (e.g. slate PC, smart phone, LED TV), more substrates and higher layers was applied in new product design. Moreover, "thinner and smaller" electronic products stimulate

WB substrates being replaced by FC substrates. These all drive the growth of IC substrate industry as well as micro-size drills.

②. Correlations among Upstream, Midstream and Downstream Industries



③. Product Development

- i. The market has continued rolling out “thinner and smaller” products, which has made the twin-high (high function and high speed) the mainstream. At the same time, the industry has also continued to develop products with high frequency, high speed and multiple IO chips. As a result, the design of PCB has to be developed towards the attributes of high hole density, finer line width/space, and multiple electrical components. Hence, the demand for drilling quality has become more critical.
- ii. Chipsets, memories or cell phones are major applications of high-end substrates. The major trend is toward smaller size and more units. It will increase the demand of micro-size drills.
- iii. Due to increasing worldwide consciousness of green environmental protection, higher norms (e.g. Halogen-Free, Lead-Free and High Tg, etc.) for PCB materials will be imposed. Under such circumstances, it is imperative for the company to take measures as early as possible to counter the change in materials, so our drilling quality can comply with the future market demand.

④. Competition Status

In the early days, Japan and Europe manufacturers were the mainstay of global drill production. However, in the face of new electronic products that keep rolling out in recent years, those electronic giants could no longer sustain intense price competition, so the production has gradually been moved to Asian area. Drills are indispensable materials in the overall electronic supply chain, so they have also shown some change in competition. Led by Union Tool, Japan-based drill production is still taking up the highest global market share. On the other hand, as strangled by the problems of cost and technology, Europe drill manufacturers have gradually lost their market share to Taiwan drill manufacturers. Currently, the market share taken by Taiwan drill manufacturers has continued to grow.

There is difference for the drills being applied to general PCB and IC substrates in terms of the hole diameter and technology level. The manufacturers in Taiwan and China have mainly produced the mini sizes (more than 0.30 mm) for traditional PCBs. Since there are too many competitors in this sector, it results in severe price competition. On the other hand, Japanese drill manufacturers have mainly produced micro sizes (lower than 0.25 mm) for HDIs and IC substrates. The company has also mainly produced drills with sizes lower than 0.25 mm. Except for Japanese manufacturers, the company currently has the highest micro-drill output in the world.

(3) Technology and R&D Overview

①. R&D personnel and their education as well as work experience

April 30, 2011

Item / Education	PhD / Masters	University graduates	Senior high school	Total	Service seniority
No. of personnel	2	8	0	10	7.33
Ratio	20%	80%	0%	100%	

②. Amounts invested in annual R&D in the recent five years

Unit: NT\$1,000

Item / year	2006	2007	2008	2009	2010
R&D expense	36,220	36,517	39,521	22,584	32,972
Sales revenue	1,241,680	1,545,089	1,161,163	915,801	1,211,763
Ratio	3%	2%	3%	2%	3%

③. The products and technology successfully developed

2005	Development and mass production of 2mm shank drills
2006	Development and mass production of 2 blade router type of BOC routing. Development and trial production of 0.05mm drills.
2007	Development and trial production of composite 2mm shank drills. Development and mass production of new generation composite material.
2008	Development and mass production of composite 2mm shank drills. Development and trial production of 0.03mm drills.
2009	Development and trial production of high aspect ratio drills.
2010	Development and trial production of high aspect ratio drills.

④. Long and Short-term Business Development Plans

i. Short-term Plan

a. Marketing Strategy

- Continuously increase market share from tier-1 clients in China and Taiwan.
- Profoundly develop the Japan, European and US market.
- Build up comprehensive customer service and technology supporting system, to provide integrated resolutions according to clients demand in a timely basis.

b. Production Strategy

- To keep the production across the straits flexible and agile considering lowest cost and gaining optimal production and sales benefits.
- To execute various projects to enhance output performance, improve production yield, and control every item of production cost.

c. R&D Strategy

- To develop drills with higher aspect ratio and longer lifetime in order to form higher entry barrier.
- To develop drills applicable to the use of green laminate material and grasp the trend of technology development.

ii. Long-term Plan

- a. Continue to devote its efforts to pursue the balance of the markets (Taiwan, China, Japan, Korea, Europe and US) and the applications (Computer, Communication and Consumer products) and being the leading drill manufacturer of the world.
- b. Continue to develop and promote high value-added cutting tools.
- c. Continue to seek any opportunity of strategic alliances to enforce the company's competitive capacity.

2. Market analysis and the condition of sale and production

(1) Market Analysis

①. Sales Breakdown by Region

Unit: NT\$1,000

Region Year		2009		2010	
		Amount of sales	% in revenue	Amount of sales	% in revenue
Domestic sales		665,889	72.71	707,234	58.36
Export sales	China	54,200	5.92	310,636	25.64
	Korea	167,089	18.24	173,399	14.31
	Japan	15,908	1.74	20,283	1.67
	Others	12,715	1.39	211	0.02
	Sub-total	249,912	27.29	504,529	41.64
Total		915,801	100.00	1,211,763	100.00

②. Market Share

According to the company's estimation, global monthly drill demand of second half 2010 is about 83 million pieces. The company's global market share was around 22% according to its monthly sales volume is 18 million pieces in the same period. In terms of market share, the company is the 2nd largest drill manufacturer throughout the world.

③. The Status of Future Market Demand and Supply and its Growth

i. Demand Side

With the trend of electronic products being thinner and smaller with multi-function, circuit layout miniaturization has naturally turned out to be a related trend. Thus, the growth of the annual demand for drills is equivalent to (the growth rate of PCB/IC substrates) X (the growth rate of layout density). As estimated by Prismark, the compound growth rate of global IC substrates for 2010 through 2015 would be about 5.8%. By multiplying it with the growth rate of layout density, the annual growth rate of drill demand is estimated to be around 10%.

ii. Supply Side

Total monthly capacity of top three drill suppliers which take over 70% of global shares is around 75 million pieces in the end of 2010. In 2010, besides Topoint expand another 3 million pieces by process optimization, there is no capacity expansion plan among drill manufacturers. It will be helpful for the balance of demand and supply situation when the market demand recover.

④. Competition Niche and Advantages/Disadvantages for the Future Development and Solutions

SWOT Analysis

Strength	Weakness
<ol style="list-style-type: none"> 1. Key technologies for micro-drill: the company accurately follows the development trend of IC substrates to become the only local manufacturer capable of giving mass production of 0.075mm products. Its technology level is at the same level with Japanese suppliers. 2. Good cost control ability: The company perfects its processing management system, uses automatic processing technology, accumulates its micro-drill mass production scale, enhances cost control efficiency and utilizes the edge of material cost to present its competitiveness. 3. Comprehensive customer base: Given that the existing clients are worldwide well-known manufacturers and the orders placed by them are very stable, the company will continue to develop new clients in the markets of Taiwan and China. 	<ol style="list-style-type: none"> 1. Influence of the condition of electronic supply chain and dependence on PCB cutting tool sales. 2. High proportion of sales is from Taiwan, China and Korea. Now the company is strengthening its business in the rest of overseas markets. 3. Main raw material of the company's products is tungsten carbide. The company's bargaining power is relatively weak because of its characteristic of rareness.
Opportunity	Threat
<ol style="list-style-type: none"> 1. New generation of electronic products and technology, like smart phones and high-end substrates, will increase the demands of extra-micro drills. 2. New clients development in the Japan, Europe, and US market will bring sales and profit to the company. 3. Special LED cutting tools will benefit company's sales and profit. 	<ol style="list-style-type: none"> 1. Severe price competition for the low-end products in the industry is likely to result in vicious competition in the market. 2. In the event of huge and drastic hike of raw material, the company's cost will be affected.
Solutions	

Strength	Weakness
1. To strengthen the company's global marketing and distribution deployment to develop tier 1 clients in Japan, Europe and US market. 2. To expedite R&D and give mass production of the drills with high aspect ratio. In order to use the high performance drills, more precision mass production technology shall be equipped. Thus, the manufacturers using our advanced drills can be more competitive than their rivals in the industry because it requires a higher threshold to have their competitors simulate the required skills. 3. To strengthen process management capability, enhance the yield rate and effectively reduce the production cost. 4. To develop new type of raw material, and further reduce the company's material cost.	

(2) Major Applications and Production Process of the Main Products

①. Major Applications of the Main Products

Item	Major Functions	Major Applications
Drills	Used to open through-holes for interlayer of IC substrate, HDI, traditional PCB and FPC	Computer : PC, notebook, server Communication: cell phones, PDA Consumer: TV, digital camera, game console, DVD, set-top box
Routers	Used to cut printed circuit board	

②. Production process



③. Supply Status of Major Materials

The major material of the company's products is tungsten carbide. Its material features and quality stability are the major concern of the company in purchase. The company has established good relationship with its suppliers, hence the supply has kept normal and stable.

Major material	Suppliers	Supply status
Tungsten carbide	Japan-based Mitsubishi Japan-based Sumitomo	Good

④. Major Customers with over 10% net sales and Suppliers with over 10% total purchases of the last two fiscal years:

a. Material supplier list

Unit: NT\$1,000

2009				2010				2011Q1			
Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer
Warspeed	65,786	32.80	subsidiary	Sumitomo	193,012	44.84	None	Sumitomo	78,281	59.56	None
Sumitomo	56,025	27.93	None	TECHRIDGE	60,524	14.06	None	None	None	None	None
None	None	None	None	Mitsubishi	57,794	13.43	None	None	None	None	None
Other	78,761	39.27		Other	119,148	27.68		Other	53,141	40.44	
Purchase Amount-Net	200,572	100.00		Purchase Amount-Net	430,478	100.00		Purchase Amount-Net	131,422	100.00	

Explanation for reason for increase or decrease: Mainly sales increase of 32% of 2010 years, resulting in increased purchase.

b. List of major clients

Unit: NT\$1,000

2009				2010				2011 Q1			
Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer
Customer A	55,554	6.07	subsidiary	Customer A	310,636	25.63	subsidiary	Customer A	64,455	22.93	subsidiary
Customer B	316,905	34.60	None	Customer B	338,595	27.94	None	Customer B	57,549	20.47	None
Customer C	131,043	14.31	None	Customer C	154,692	12.77	None	Customer C	43,134	15.35	None
Other	412,299	45.02		Other	407,840	33.66		Other	115,956	41.25	
Sales Amount-Net	915,801	100.00		Sales Amount-Net	1,211,763	100.00		Sales Amount-Net	281,094	100.00	

Explanation for reason for increase or decrease: Mainly to increase sales to subsidiaries.

⑤. Output values in the recent two years

Unit: NT\$1,000/1,000pcs.

Year/output value Major products	2009			2010		
	Production capacity	Output	Output value	Production capacity	Output	Output value
Precision drills	69,235	65,461	556,092	76,106	83,066	533,995
Precision milling cutters	5,203	4,919	53,235	5,797	5,482	45,144
Total	74,438	70,380	609,327	81,903	88,548	579,139

⑥. Sales turnovers in the recent two years

Unit: NT\$1,000/1,000 pcs

Year/sales turnover Major products	2009				2010			
	Domestic sales		Export sales		Domestic sales		Export sales	
	volume	value	Volume	Value	Volume	Value	Volume	value
Precision drills	48,184	585,695	16,486	203,317	59,293	639,999	24,327	274,854
Precision milling cutter	3,781	75,915	386	4,351	4,691	68,717	4,110	11,186
Others	658	9,356	4,654	37,168	101	3,073	5,350	213,933
Total	52,623	670,966	21,526	244,836	64,085	711,789	33,787	499,973

3. Status of employees:

Year		2009	2010	April 30,2011
Number of employees	Indirect	74	95	105
	Direct	181	173	151
	Total	255	268	256
Average age		32.3	32.8	33.2
Average service years		3.93	3.92	4.34
Education distribution ratio	PhD	0.0%	0.0%	0.4%
	Master	2.4%	2.0%	2.7%
	College	41.9%	45.0%	45.1%
	Senior high school graduate	49.4%	50.0%	48.5%
	senior high school and Below	6.3%	3%	3.3%

4. Expenditure on Environmental Protection:

(1) To elaborate on the amount the company spent on loss (including compensation) and punishment caused by environmental pollution for the recent two years and the current year as of the annual report publication date, and disclose the counter measures (including improvement measures) and possible disbursements (covering the estimated amounts of possible losses, punishments and compensation caused by not taking counter measures. If the amounts can not be appropriately estimated, please state why): N/A

(2) Influence of RoHS :

As confirmed by the Industrial Development Bureau of Ministry of Economic Affairs as per doc. Guang-Dian-Zi no. 09500240130 dated March 29, 2006, the company is free from the restriction of RoHS requested by EU for hazardous substances.

5. Employee / Employer relation:

(1) Working environment and personal safety

The Company deeply believes that "sustainable development" is the challenging goal encountered by businesses in the 21st century: we will never forget to exercise social responsibilities while pursuing growth. In addition to continuously enhancing production technology and product quality, we also actively establish an environmental management system and safety and health management system, establish social environmental responsibilities and safety and health policies and exercise responsibilities of good social citizens. We are not only devoted to environmental protection, but also establish a safe healthy and comfortable working environment. For standards and compliance rules regarding environmental protection, safety health policies, we commit to following the following execution guidelines:

- Comply with various environmental regulations – comply and satisfy environmental protection, labor safety and health regulations and other requirements promulgated by the government, respond to global green environment, labor rights and zero disaster exercise.
- Constant environmental improvement – keep the environmental management system in constant operation, meanwhile being devoted to current environment improvement to enhance overall performance.
- Ongoing waste reduction – reduce the creation of waste and reduce the waste volume created via recycle classification as much as possible
- Ongoing pollution prevention - launch overall planning via stream thinking to reduce the possibility of gerneation pollution

- Respect of life – safety is my responsibility, superiors in various degrees and all employees including OEM companies, contractors, suppliers, part-time students, contracted employees, temporary employees and outsourcing personnel shall comply with the governmental regulations and various work safety and environmental protection resolutions. In particular, superiors in different levels shall set a good example with their own conduct and execute good supervision.
- Risk management – identify risks and by danger assessment and risk evaluation and control the risk according to risk levels. Meanwhile, carry out safety and health self-management and establish an occupational safety and health management system (OHSAS 18001)
- Pollution Prevention - source management, carry out water reduction, energy saving, reuse, cleaning process, cost reduction, reduction impact to ecological environment and establishment of environmental management system (ISO 14001)
- Ongoing improvement – environmental protection popularization, safety and health training, environmental safety conscious reinforcement, environmental system and regulations implementation, systematic management, ongoing improvement, quality environmental protection construction, safe and healthy working place.
- Carry out health management and promote employees' physical and mental health

(2) Assessment of employees' behavioral ethics

The company has established "standards of conduct" as standards for compliance by directors, supervisors, managers and employees

- (i) Avoid conflict of interest: taking overall Company interest into consideration without intention to gain improper interest for themselves, spouse, parents, children or relative within the third-degree of kinship or impair the Company's interest
- (ii) Avoid chance to make money for one's own: avoid opportunities to make money for one's own by using Company property, information and or taking advantage of duties.
- (iii) Confidentiality: information regarding the Company itself or its businesses, unless it is publicized under authorization or legal regulations, shall be kept confidential
- (iv) Fair trade: treat the Company's customers, suppliers and competitors as fair as possible
- (v) Protect and properly use the Company's assets: protect the Company's assets to ensure that they can be efficiently and legally used for public affairs.
- (vi) Comply with laws and regulations: comply with all applicable regulations, rules and laws of the Company
- (vii) Encourage reporting of any illegal conduct or conduct violating ethical behavior standards.
- (viii) Punishment: the Company shall investigate the responsibilities of any person that neglects his/her duties according to the violation condition and take appropriate legal actions.

(3) Employees' welfare

To value employees and take good care of them, the Company has established an employee recreation area, and offered extra life and medical insurance to protect employees, in which the field personnel shall have accident insurance with a higher insurance amount.

There is an employee welfare committee organized to plan a variety of employee welfare matters. In addition to employee travel and various recreational activities, there are also subsidies for marriage, giving birth and education, solicitation money and gifts to three major holidays, birthdays, etc. provided.

(4) Employee advanced studies and training

Various training courses were implemented under the plan referring to “implementation and management procedures of educational training”, which allowed all employees to be capable of undertaking work. To ensure the efficiency of training, the training system is divided into: internal and external training courses and accreditation appraisal. The Company not only holds training courses for new comer and on service personnel, but also actively cultivates internal lecturers as well as a training system and advanced employee studies for the expectation to cultivate internal talents in different fields, enhance personnel quality and to achieve the goal of speed talent training, skill improvement and experience inheritance.

There were a total of 74 classes of various training courses held in 2010. The total curriculum hours were 2,499 hours with 395 employees participating and the total educational training expenditure was NT\$349,823 dollars.

Category	Class	Hours	Persons
Specialization training	51	1,249.5	151
Management training	4	444	26
New comer training	8	510	83
Computer skill training	2	35	2
Labor safety and health training	9	260.5	133
Total	74	2,499	395

(5) Retirement system

The Company follows Chapter 6 of the Labor Standard Law to implement employee retirement related affairs and contribute employee pension reserves as regulated in the old system and labor pension as required in the new system monthly pursuant to regulations.

(6) Labor relationship

The Company has emphasized employee welfare and interest since its establishment, and the labor relation is very cohesive. The Company holds labor meetings periodically and provides employee proposal and opinion boxes for employees to respond to problems and constitute good interaction. It is expected to establish a cohesive relationship between labor and capital.

(7) As of the printing date of the annual report, the losses suffered and possible estimate amount in the future arising from disputes between labor and capital and correspondent actions. If it is unable to make a reasonable estimate, please explain the fact that cannot be reasonably estimated: N/A

6. Important agreements (including supply and sales contracts, technical corporation contracts, engineering contracts, long-term loan contracts, and the important contracts which may influence shareholders' equity)

Contract characteristics	The interested party	Contract start and end dates	Major content	Restriction
Long-term loan contract	China Development Industrial Bank	2007.04.27~2012.4.27	Installments	N/A

Long-term loan contract	Taiwan Cooperative Bank	2004.9.24~2014.9.24	Installments	N/A
Long-term loan contract	Syndicated loan - Industrial Bank of Taiwan, etc.	2010.7.23~2013.7.23	Installments	N/A

VI. Financial information

1. Condensed balance sheet and Income statement of the last five years

A. Condensed Balance Sheet

Unit: NT\$ 1,000

Year Item		Condensed Balance Sheet of fiscal year 2006~2010					As of March 31, 2011(Audited by CPAs)
		2006	2007	2008	2009	2010	
Current Assets		997,918	1,183,344	1,254,899	887,010	877,228	679,443
Funds&investments		587,712	1,078,436	1,353,866	1,665,550	2,124,454	2,433,751
Fixed Assets		1,469,448	1,901,401	1,734,551	1,564,074	1,390,504	1,355,116
Intangible Assets		-	-	-	-	-	-
Other Assets		52,283	20,565	55,904	67,188	42,826	42,529
Total Assets		3,107,361	4,183,746	4,399,220	4,183,822	4,435,012	4,510,839
Current Liabilities	Before allocation	720,651	842,178	571,680	503,239	393,829	373,537
	After allocation	937,515	1,191,557	582,266	541,810	-	-
Long-term Liabilities		535,020	767,432	1,263,211	704,520	890,362	761,310
Other Liabilities		21,823	108,048	85,369	72,386	70,022	67,097
Total Liabilities	Before allocation	1,277,494	1,717,658	1,920,260	1,280,145	1,354,213	1,201,944
	After allocation	1,494,358	2,067,037	1,930,846	1,318,716	-	-
Capital Stock		773,882	954,692	1,070,566	1,275,578	1,340,604	1,393,699
Capital surplus		619,648	841,477	845,705	1,008,669	1,055,571	1,106,052
Retained earnings	Before allocation	417,596	603,314	398,461	482,904	681,309	781,728
	After allocation	200,732	253,935	387,875	444,333	-	-
Unrealized gain on financial instruments		-	932	-	27,100	18,309	12,890
Cumulative translation adjustments		18,742	65,673	164,228	109,426	(14,994)	14,526
Total shareholders' equity	Before allocation	1,829,867	2,466,088	2,478,960	2,903,677	3,080,799	3,308,895
	After allocation	1,613,003	2,116,709	2,468,374	2,865,106	-	-

B. Condensed Income Statement

Unit: NT\$1,000

Item \ Year	Condensed Income Statement of fiscal year 2006~2010					As of March 31, 2011 (Audited by CPAs)
	2006	2007	2008	2009	2010	
Net sales	1,241,680	1,545,089	1,161,163	915,801	1,211,763	281,094
Gross Profit	471,488	604,739	373,141	230,427	326,961	74,091
Operating Income	316,978	420,319	161,219	114,253	187,831	36,610
Non operating income	114,651	212,313	191,009	120,745	190,126	80,736
Non operating expenses	36,828	54,499	80,545	29,501	57,962	5,637
Income from continuing operations before Tax	394,801	578,133	271,683	205,497	319,995	111,709
Income from continuing operations	364,026	514,853	258,515	190,304	275,548	100,419
Income from discontinued operations	-	-	-	-	-	-
Extraordinary gain (loss)	-	-	-	-	-	-
Cumulative effect of change in accounting principle	964	-	-	-	-	-
Net Income	364,990	514,853	258,515	190,304	275,548	100,419
EPS(\$)	5.10	5.52	2.22	1.55	2.09	0.73

C. Auditing by CPAs

CPAs and their auditing opinions in the past five years

Year	CPAs	Opinions
2006	Shieh Chien-Shin, Wu En-Ming (Deloitte & Touche-Taiwan)	Amended Unqualified
2007	Shieh Chien-Shin, Wu En-Ming (Deloitte & Touche-Taiwan)	Unqualified
2008	Shieh Chien-Shin, Chen Chao-Mei (Deloitte & Touche-Taiwan)	Amended Unqualified
2009	Chen Chao-Mei, Lin Ku-Tung (Deloitte & Touche-Taiwan)	Amended Unqualified
2010	Chen Chao-Mei, Lin Ku-Tung (Deloitte & Touche-Taiwan)	Unqualified

2. Financial analysis in the past five years

<div> <div></div> <div>Year</div> <div>Item</div> </div>		Financial analysis in the past five years					As of March 31, 2011 (Audited by CPAs)
		2006	2007	2008	2009	2010	
Financial structure (%)	Ratio of liabilities to assets	41.11	41.06	43.65	30.60	30.53	26.65
	Ratio of long-term capital to fixed assets	160.94	170.06	215.74	230.69	285.59	300.36
Solvency (%)	Current Ratio	138.47	140.75	219.51	176.26	222.74	181.90
	Quick Ratio	89.12	99.90	145.47	129.16	182.69	133.42
	Times interest Earned Ratio	14.64	18.88	6.90	8.20	15.54	20.82
Operating ability	Account Receivables Turnover (times)	3.30	3.25	2.54	2.91	3.92	4.56
	Days sales in accounts receivable	110.71	112.24	146.70	125.43	93.11	80.04
	Inventory Turnover (times)	2.96	2.74	2.15	2.27	4.53	5.00
	Account Payable Turnover (times)	7.82	9.25	13.63	17.08	17.69	17.27
	Average days in sales	123.22	133.32	169.77	160.79	80.57	73.00
	Fixed Assets Turnover (times)	0.84	0.81	0.67	0.59	0.87	0.21
	Total Assets Turnover(times)	0.40	0.37	0.26	0.22	0.27	0.06
Profitability	Ratio of Return on assets (%)	15.38	14.73	6.82	4.93	6.48	2.27
	Ratio of Return on shareholders' equity (%)	26.02	23.97	10.44	7.06	9.21	3.14
	Ratio to issued capital stock (%)	Before allocation	41.64	44.03	15.06	9.02	14.03
		After allocation	51.87	60.56	25.38	16.13	23.87
	Profit ratio (%)	29.39	33.32	22.26	20.78	22.74	35.72
	EPS (\$)	5.10	5.52	2.22	1.55	2.09	0.73
Cash Flows (%)	Cash flow ratio (%)	31.89	51.16	72.56	78.44	100.66	42.17
	Cash flow adequacy ratio (%)	35.36	36.64	40.47	51.67	71.92	98.61
	Cash reinvestment ratio (%)	5.27	6.09	3.49	8.92	7.39	2.21
Balance	Degree of operating leverage	2.06	1.94	3.19	4.24	3.21	4.00
	Degree of financial leverage	1.09	1.08	1.27	1.33	1.13	1.18

Explanations for significant changes (over 20%) in operating results include:

- (1) Capital structure and Solvency:
The major reason was due to the increase on shareholders' equity and decrease of current liabilities.
- (2) Operating and profitability ability
The major reason was due to the increase on before allocation and after allocation.
- (3) Cash flow and Balance:
The major reason was due to the decrease on current liabilities, inventory, Capital expenditure and increase on before allocation.

Note 1: Equations:

1. Financial structure

- (1) Ratio of liabilities to assets = $\text{Total liabilities} / \text{Total assets}$
- (2) Ratio of long-term capital to fixed assets = $(\text{Net Shareholder's equity} + \text{Long-term liabilities}) / \text{Net fixed assets}$.

2. Debt-paying ability

- (1) Current Ratio = $\text{Current assets} / \text{Current liabilities}$
- (2) Quick Ratio = $(\text{Current assets} - \text{Inventory} - \text{Prepaid expense}) / \text{Current liabilities}$
- (3) Times interest Earned Ratio = $\text{Net profit before tax and interest expense} / \text{interest expense}$

3. Operating ability

- (1) Receivables (including accounts receivable and the notes receivable due to operation) turnover ratio = $\text{Net sales} / \text{Average receivables (including accounts receivable and the notes receivable due to operation) balance}$
- (2) Average cash receiving days = $365 / \text{Turnover rate of total assets}$.
- (3) Inventory Turnover Ratio = $\text{Cost of sales} / \text{Average amount of inventory}$
- (4) Payables (including accounts payable and the notes payable due to operation) turnover ratio = $\text{Cost of sales} / \text{Average Payables (including accounts payable and the notes payable due to operation) balance}$
- (5) Average period of sales = $365 / \text{Inventory Turnover Ratio}$
- (6) Ratio of Fixed Assets Turnover = $\text{Net sales} / \text{Net fixed assets}$
- (7) Ratio of Total Assets Turnover = $\text{Net sales} / \text{Total assets}$

4. Profitability

- (1) Return on assets = $[\text{gain and loss after tax} + \text{interest expense} \times (1 - \text{tax ratio})] / \text{Average Total assets}$
- (2) Return on shareholders' equity = $\text{gain and loss after tax} / \text{Average Net shareholders' equity}$.
- (3) Net profit margin = $\text{gain and loss after tax} / \text{Net sales}$
- (4) EPS = $(\text{Net income} - \text{Preferred dividend}) / \text{weighted average number of issued shares (Note 4)}$

5. Cash Flows

- (1) Cash flow ratio = $\text{Operating net Cash Flows} / \text{Current liabilities}$
- (2) Net Cash flow adequacy ratio = $\text{the past five years' operating net Cash Flows} / \text{the past five years' (capital expense} + \text{inventory increasing amount} + \text{cash dividend})$.
- (3) Ratio of cash reinvestment = $(\text{Operating net Cash Flows} - \text{cash dividend}) / (\text{Gross fixed assets} + \text{Long-term investment} + \text{other financial assets} + \text{operating capital})$ (Note 5)

6. Balance:

- (1) Degree of Operating leverage = $(\text{Net operating income} - \text{operating cost and expense changes}) / \text{Operating income (Note 6)}$
- (2) Degree of Financial leverage = $\text{Operating income} / (\text{Operating income} - \text{interest expense})$

Note 2: The notice items for calculating EPS are as follows:

1. Based on weighted average common shares, not the weighted average number of issued shares.
2. For capitalization with cash or Treasury stock trade, the stock circulation must be included for consideration to calculate weighted average stock shares.
3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred stock shares are not cumulative, preferred stock dividend should be deducted from net income if there is any but it needs not be added to net loss if there is any.

Note 3: The notice items for cash flow analysis are as follows:

1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Statement of Cash Flow.
2. Capital expenditure meant for the cash outflow of capital investment annually.
3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending

inventory is decreased, it is booked as zero value.

4. Cash dividend includes the amount for common stock and preferred stock.
5. Gross fixed assets meant for the total fixed assets before deducting the cumulative depreciation.

Note4: Issuers are to have operating cost and operating expenses classified into the category of fixed and variable. If the classification of operating cost and operating expense involves estimation or discretionary judgment, it must be made reasonably and consistently.

3. Supervisor's Report in the past five years: Please refer to P. 53 in the annual report for details.
4. Financial statements in the most recent years: Please refer to P.54~P.96 in the annual report for details.
5. Consolidated financial difficulties of the Company and related party on the Company's financial position: Please refer to P. 97~101 in the annual report for details.
6. Impact of financial difficulties of the Company and related party on the Company's financial position: N/A

Topoint Technology Co., Ltd.

Supervisor's Report

The 2010 consolidated financial statements, business report, and remuneration of the company and its subsidiaries has been audited and certified by the CPAs: Chen Chao-Mei, and Lin Ku-Tung of Deloitte & Touche-Taiwan. The supervisors have reviewed and audited the above-mentioned issued documents, composed and presented by the Board of Directors. It is concluded that the said documents are presented fairly; therefore, the Supervisor's Report is hereby issued in accordance with Article 219 of Company Law.

Sincerely yours,

2011 Shareholder's Meeting of TOP

Supervisor: Chen Ken-Ching

Independent supervisor: Liang Shwu-Jian

Independent supervisor: Niu Cheng-Chie

March 25, 2011

Topoint Technology Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2010 and 2009 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Topoint Technology Co., Ltd.

We have audited the accompanying balance sheets of Topoint Technology Co., Ltd. (the "Corporation") as of December 31, 2010 and 2009 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Topoint Technology Co., Ltd. as of December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, on January 1, 2009, the Corporation adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories."

We have also audited the consolidated financial statements of the Corporation and subsidiaries as of and for the years ended December 31, 2010 and 2009 and have issued a unqualified opinion thereon in our report dated February 24, 2011.

February 24, 2011

Notice to Readers

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

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

TOPOINT TECHNOLOGY CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010		2009	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 4)	\$ 259,607	6	\$ 238,325	6
Financial assets at fair value through profit or loss (Notes 2 and 5)	597	-	-	-
Available-for-sale financial assets (Notes 2 and 6)	23,204	1	33,425	1
Notes receivable (Note 2)	5,262	-	5,906	-
Accounts receivable (Notes 2 and 7)	267,127	6	287,819	7
Notes and accounts receivable - related parties (Note 20)	44,635	1	6,840	-
Other financial assets (Note 7)	9	-	16,168	-
Inventories (Notes 2 and 8)	154,333	3	234,771	6
Prepayments	23,974	1	16,903	-
Deferred income tax assets (Notes 2 and 17)	38,278	1	46,487	1
Certificates of deposits - restricted (Note 21)	60,000	1	-	-
Other current assets	202	-	366	-
Total current assets	877,228	20	887,010	21
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	2,124,454	48	1,665,550	40
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 21)				
Cost				
Land	75,652	2	75,652	2
Buildings	260,325	6	259,329	6
Machinery and equipment	1,799,667	40	1,807,717	43
Transportation equipment	2,054	-	1,911	-
Office equipment	3,027	-	2,931	-
Miscellaneous equipment	42,450	1	41,335	1
Total cost	2,183,175	49	2,188,875	52
Less: Accumulated depreciation	803,794	18	626,419	15
	1,379,381	31	1,562,456	37
Prepayments for equipment	11,123	-	1,618	-
Net property, plant and equipment	1,390,504	31	1,564,074	37
OTHER ASSETS				
Refundable deposits	5,540	-	7,280	-
Deferred income tax assets (Notes 2 and 17)	32,806	1	55,466	2
Miscellaneous (Notes 2 and 18)	4,480	-	4,442	-
Total other assets	42,826	1	67,188	2
TOTAL	\$ 4,435,012	100	\$ 4,183,822	100

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

(With Deloitte & Touche audit report dated February 24, 2011)

LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term loans (Note 11)	\$ 20,000	-	\$ 20,000	-
Accounts payable	51,012	1	36,919	1
Notes and accounts payable - related parties (Note 20)	271	-	11,428	-
Income tax payable (Notes 2 and 17)	13,961	-	25,128	1
Accrued expenses (Notes 2, 18 and 20)	109,194	3	106,026	3
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	-	-	6,052	-
Deferred income (Note 2)	23,368	1	19,977	-
Long-term loans - current portion (Notes 13, 20 and 21)	172,970	4	275,426	7
Other current liabilities	3,053	-	2,283	-
Total current liabilities	393,829	9	503,239	12
LONG-TERM LIABILITIES				
Bonds payable (Notes 2 and 12)	261,890	6	169,758	4
Long-term loans, net of current portion (Notes 13, 20 and 21)	628,472	14	534,762	13
Total long-term liabilities	890,362	20	704,520	17
OTHER LIABILITIES				
Guarantee deposits received (Note 20)	10,199	-	-	-
Deferred income (Note 2)	59,655	2	72,386	2
Credit balance of long-term investments (Notes 2 and 9)	168	-	-	-
Total other liabilities	70,022	2	72,386	2
Total liabilities	1,354,213	31	1,280,145	31
STOCKHOLDERS' EQUITY				
Capital stock, NT\$10.00 par value; authorized - 300,000 thousand shares in 2010 and 200,000 thousand shares in 2009; issued and outstanding - 133,922 thousand shares in 2010 and 126,672 thousand shares in 2009	1,339,216	30	1,266,718	30
Capital collected in advance	1,388	-	8,860	-
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	1,014,065	23	982,457	23
Option	41,506	1	26,212	1
Total capital surplus	1,055,571	24	1,008,669	24
Retained earnings				
Legal reserve	168,026	4	148,995	4
Special reserve	16,803	-	16,803	-
Unappropriated earnings	496,480	11	317,106	8
Total retained earnings	681,309	15	482,904	12
Other equity adjustments				
Cumulative translation adjustments	(14,994)	-	109,426	2
Unrealized gain on financial instruments	18,309	-	27,100	1
Total other equity adjustments	3,315	-	136,526	3
Total stockholders' equity	3,080,799	69	2,903,677	69
TOTAL	\$ 4,435,012	100	\$ 4,183,822	100

TOPOINT TECHNOLOGY CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
SALES (Note 20)	\$ 1,214,402	100	\$ 920,239	100
LESS: SALES RETURNS	2,214	-	2,748	-
SALES DISCOUNTS AND ALLOWANCES	<u>425</u>	<u>-</u>	<u>1,690</u>	<u>-</u>
NET SALES	1,211,763	100	915,801	100
COST OF SALES (Note 20)	<u>881,295</u>	<u>73</u>	<u>692,862</u>	<u>76</u>
GROSS PROFIT BEFORE REALIZED PROFIT ON INTERCOMPANY TRANSACTIONS	330,468	27	222,939	24
REALIZED (UNREALIZED) PROFIT ON INTERCOMPANY TRANSACTIONS (Note 2)	<u>(3,507)</u>	<u>-</u>	<u>7,488</u>	<u>1</u>
GROSS PROFIT	<u>326,961</u>	<u>27</u>	<u>230,427</u>	<u>25</u>
OPERATING EXPENSES				
Marketing and selling	31,075	2	29,511	3
General and administrative	75,083	6	64,079	7
Research and development	<u>32,972</u>	<u>3</u>	<u>22,584</u>	<u>2</u>
Total operating expenses	<u>139,130</u>	<u>11</u>	<u>116,174</u>	<u>12</u>
OPERATING INCOME	<u>187,831</u>	<u>16</u>	<u>114,253</u>	<u>13</u>
NONOPERATING INCOME AND GAINS				
Equity in net income of investees	161,684	13	93,101	10
Gain on disposal of property, plant and equipment (Note 20)	13,482	1	14,382	2
Gain from valuation of financial liabilities	6,511	1	-	-
Gain on sale of investments, net	5,856	1	4,334	-
Gain from valuation of financial assets	597	-	-	-
Interest income	322	-	771	-
Rental income (Note 20)	36	-	3	-
Exchange gain, net	-	-	7,715	1
Others	<u>1,638</u>	<u>-</u>	<u>439</u>	<u>-</u>
Total nonoperating income and gains	<u>190,126</u>	<u>16</u>	<u>120,745</u>	<u>13</u>

(Continued)

TOPOINT TECHNOLOGY CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Exchange loss, net	\$ 35,604	3	\$ -	-
Interest expenses (Note 20)	22,011	2	28,554	3
Loss on disposal of property, plant and equipment	347	-	63	-
Loss from valuation of financial liabilities	-	-	564	-
Others	<u>-</u>	<u>-</u>	<u>320</u>	<u>-</u>
Total nonoperating expenses and losses	<u>57,962</u>	<u>5</u>	<u>29,501</u>	<u>3</u>
INCOME BEFORE INCOME TAX	319,995	27	205,497	23
INCOME TAX EXPENSE (Notes 2 and 17)	<u>44,447</u>	<u>4</u>	<u>15,193</u>	<u>2</u>
NET INCOME	<u>\$ 275,548</u>	<u>23</u>	<u>\$ 190,304</u>	<u>21</u>
	2010		2009	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 16)				
Basic	<u>\$ 2.43</u>	<u>\$ 2.09</u>	<u>\$ 1.67</u>	<u>\$ 1.55</u>
Diluted	<u>\$ 2.21</u>	<u>\$ 1.90</u>	<u>\$ 1.64</u>	<u>\$ 1.52</u>

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

(With Deloitte & Touche audit report dated February 24, 2011)

(Concluded)

TOPOINT TECHNOLOGY CO., LTD.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Dividends Per Share and Issuance Price Per Share)

	Capital Surplus										
	Capital Stock Issued and Outstanding		Capital Collected in Advance	Additional Paid-in Capital from Share Issuance in Excess of Par Value (Note 12)	Option (Notes 2, 12 and 15)	Retained Earnings (Note 14)			Cumulative Translation Adjustments (Note 2)	Unrealized Gain on Financial Instruments (Notes 2 and 6)	Total Stockholders' Equity
						Legal Reserve	Special Reserve	Unappropriated Earnings			
	Shares (Thousands)	Amount									
BALANCE, JANUARY 1, 2009	107,057	\$ 1,070,566	\$ -	\$ 845,705	\$ -	\$ 123,143	\$ 16,803	\$ 258,515	\$ 164,228	\$ -	\$ 2,478,960
Appropriation of prior year's earnings											
Legal reserve	-	-	-	-	-	25,852	-	(25,852)	-	-	-
Stock dividend - NT\$0.8899 per share	9,527	95,275	-	-	-	-	-	(95,275)	-	-	-
Cash dividend - NT\$0.0988 per share	-	-	-	-	-	-	-	(10,586)	-	-	(10,586)
Compensation cost of employee stock option	-	-	-	-	8,251	-	-	-	-	-	8,251
Equity component of convertible bonds	-	-	-	-	26,212	-	-	-	-	-	26,212
Issuance of common stock for cash - April 11, 2009; issuance price of NT\$21.00 per share	10,000	100,000	-	118,251	(8,251)	-	-	-	-	-	210,000
Net income in 2009	-	-	-	-	-	-	-	190,304	-	-	190,304
Issuance of stock due to the exercise of stock options	88	877	8,860	18,501	-	-	-	-	-	-	28,238
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	(54,802)	-	(54,802)
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	27,100	27,100
BALANCE, DECEMBER 31, 2009	126,672	1,266,718	8,860	982,457	26,212	148,995	16,803	317,106	109,426	27,100	2,903,677
Appropriation of prior year's earnings											
Legal reserve	-	-	-	-	-	19,031	-	(19,031)	-	-	-
Stock dividend - NT\$0.302 per share	3,857	38,572	-	-	-	-	-	(38,572)	-	-	-
Cash dividend - NT\$0.302 per share	-	-	-	-	-	-	-	(38,571)	-	-	(38,571)
Equity component of convertible bonds	-	-	-	-	21,847	-	-	-	-	-	21,847
Capital collected in advance transferred to capital stock	886	8,860	(8,860)	-	-	-	-	-	-	-	-
Conversion of convertible bonds	2,370	23,696	-	26,527	(6,553)	-	-	-	-	-	43,670
Net income in 2010	-	-	-	-	-	-	-	275,548	-	-	275,548
Issuance of stock due to the exercise of stock options	137	1,370	1,388	5,081	-	-	-	-	-	-	7,839
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	(124,420)	-	(124,420)
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	(8,791)	(8,791)
BALANCE, DECEMBER 31, 2010	133,922	\$ 1,339,216	\$ 1,388	\$ 1,014,065	\$ 41,506	\$ 168,026	\$ 16,803	\$ 496,480	\$ (14,994)	\$ 18,309	\$ 3,080,799

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

(With Deloitte & Touche audit report dated February 24, 2011)

TOPOINT TECHNOLOGY CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 275,548	\$ 190,304
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	188,145	192,710
Compensation cost of employee stock options	-	8,251
Gain on sale of investments, net	(5,856)	(4,334)
Equity in net income of investees	(161,684)	(93,101)
Unrealized (realized) gain on intercompany transactions	3,507	(7,488)
Net gain on disposal of property, plant and equipment	(13,135)	(14,319)
Gain from valuation of financial assets	(597)	-
Loss (gain) from valuation of financial liabilities	(6,511)	564
Provision for reversed pension costs	102	588
Deferred income tax	30,869	(11,629)
Amortization of discount on corporate bonds payable	8,108	1,458
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	376
Notes receivable	644	4,847
Accounts receivable	20,692	(83,901)
Notes and accounts receivable - related parties	(37,795)	107,594
Other financial assets	16,159	(14,785)
Inventories	80,438	141,376
Prepayments	(7,071)	(15,066)
Other current assets	164	(360)
Notes payable	-	(10,733)
Accounts payable	14,093	14,880
Notes and accounts payable - related parties	(11,157)	11,428
Income tax payable	(11,167)	(6,402)
Accrued expenses	13,364	(18,009)
Other current liabilities	<u>(414)</u>	<u>511</u>
Net cash provided by operating activities	<u>396,446</u>	<u>394,760</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(78,000)
Proceeds from disposal of available-for-sale financial assets	7,286	94,260
Decrease (increase) in certificates of deposits - restricted	(60,000)	53,864
Acquisition of long-term equity investments	(421,472)	(273,385)
Acquisition of property, plant and equipment	(18,948)	(24,094)
Proceeds of the disposal of property, plant and equipment	7,135	1,673
Decrease (increase) in refundable deposits	1,740	(1,998)
Increase in miscellaneous assets	<u>(1,430)</u>	<u>(323)</u>
Net cash used in investing activities	<u>(485,689)</u>	<u>(228,003)</u>

(Continued)

TOPOINT TECHNOLOGY CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in short-term loans	\$ -	\$ 20,000
Increase in long-term loans	770,000	-
Repayment of long-term loans	(778,746)	(804,663)
Cash dividends paid	(38,571)	(10,586)
Proceeds from the exercise of employee stock options	7,839	28,238
Issuance of convertible bonds	150,000	200,000
Increase in guarantee deposits received	3	-
Issuance of common stock for cash	<u>-</u>	<u>210,000</u>
Net cash provided by (used in) financing activities	<u>110,525</u>	<u>(357,011)</u>
NET INCREASE (DECREASE) IN CASH	21,282	(190,254)
CASH, BEGINNING OF YEAR	<u>238,325</u>	<u>428,579</u>
CASH, END OF YEAR	<u>\$ 259,607</u>	<u>\$ 238,325</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 13,885	\$ 27,675
Income tax paid	\$ 24,745	\$ 33,224
NONCASH FINANCING ACTIVITIES		
Current portion of long-term loans	\$ 172,970	\$ 275,426
Conversion of convertible bonds	\$ 43,670	\$ -
CASH PAID FOR PROPERTY ACQUISITION		
Increase in property, plant and equipment	\$ 20,132	\$ 21,594
Net decrease (increase) in payables on equipment	(1,184)	2,500
Cash paid	<u>\$ 18,948</u>	<u>\$ 24,094</u>

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

(With Deloitte & Touche audit report dated February 24, 2011)

(Concluded)

TOPOINT TECHNOLOGY CO., LTD.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Topoint Technology Co., Ltd. (the “Corporation”) was incorporated in 1996. It manufactures and markets micro-drills for printed circuit boards (PCBs), numerically controlled drilling machines for PCBs and peripheral equipment used in PCB manufacture. On May 10, 2000, the Securities and Futures Commission (SFC) approved the Corporation’s application to become a public company. Since December 21, 2004, the Corporation’s shares have been traded on the GreTai Securities Market (over-the-counter securities exchange). Later, when the Corporation’s shares ceased to be traded over the counter, the Corporation’s shares became listed on the Taiwan Stock Exchange on January 21, 2008.

As of December 31, 2010 and 2009, the Corporation had 268 and 255 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China (ROC). In preparing financial statements in conformity with these guidelines and principles, the Corporation is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts; inventory devaluation; property, plant and equipment depreciation; income tax, pension, bonuses to employees and remuneration to directors and supervisors; etc. Actual results could differ from these estimates.

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

The Corporation’s significant accounting policies are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets are cash and those assets held for trading, converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due within one year from the balance sheet date. Assets and liabilities that are not classified as current are non-current assets and liabilities, respectively.

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets or financial liabilities classified as held for trading and financial instruments that are designated on initial recognition as at fair value through profit or loss, with direct instrument acquisition costs expensed as incurred. After initial recognition, financial instruments are remeasured at fair value, with the changes in fair value recognized in as gain or loss. A regular purchase or sale of financial assets is recognized and de-recognized using trade date accounting.

Derivative financial instruments that need not be subjected to hedge accounting are classified as financial assets when their fair value exceeds zero and are classified as financial liabilities when their fair value is lower than zero.

For bond conversion option and forward contracts, the valuation method is used to determine their fair value.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus direct asset acquisition costs. At each balance sheet date after the initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of. On asset disposal, the cumulative gain or loss previously recognized in equity is included in gain or loss for the year. All regular purchases or sales of financial assets are recognized and de-recognized on a trade date basis.

The fair value bases of available-for-sale financial assets are the same with those of financial instruments at fair value through profit or loss.

Cash dividends are recognized on the ex-dividend date; however, dividends distributed from the pre-acquisition earnings are treated as a reduction of investment cost. Stock dividends received are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares after the increase is used to recalculate the cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any decrease in impairment loss on an equity instrument classified as available for sale is recognized directly under equity.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Sales are recognized when titles to products and risks of ownerships are transferred to customers because the earning process has been completed or substantially completed and revenue have been realized or realizable. Sales are determined at fair value, taking into account business and quantity discounts agreed upon by the Corporation and customer. The imputed interest rate is not included in calculating fair value because the fair value of receivables approximates the nominal amount of payments and sales transactions are frequent.

Allowance for doubtful accounts is provided on the basis of a review of the collectibility of receivables.

Inventories

Inventories consist of raw materials, supplies, finished goods, work-in-process and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and then adjusted to approximate the weighted-average cost on the balance sheet date. Cost of sales includes the cost of inventories sold, unallocated overheads, abnormal costs, write-downs of inventories to net realizable value and any reversal of write-downs.

Long-term Equity Investments Accounted for by the Equity Method

Under the equity method, long-term investments are stated at cost on the acquisition date and subsequently adjusted for the Corporation's equity in the investee's net income or net loss. Any cash dividends received from investees are accounted for as reduction of the carrying value of the related investments.

Stock dividends received from an investee are accounted for as increases in the number of shares held and are not recognized as investment income.

The costs of equity investments sold are determined using the weighted-average method.

An impairment loss is recognized when there are objective evidences of the recoverable amount of an asset is less than its carrying amount.

When the Corporation's share in losses of an investee over which the Corporation has control exceeds its investment in the investee, unless the other shareholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Corporation has to bear all of the losses in excess of the capital contributed by shareholders of the investee and reclassify the credit balance of long-term investments to other liabilities. If the investee subsequently reports profits, such profits are first attributed to the Corporation to the extent of the excess losses previously borne by the Corporation.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Major additions or betterments are capitalized, while maintenance and repairs are expensed currently.

Depreciation expense is calculated based on service life of asset using the straight-line method estimated as follows: buildings, 3 to 50 years; machinery and equipment, 3 to 10 years; transportation equipment, 3 to 5 years; office equipment, 3 to 5 years; and miscellaneous equipment, 3 to 7 years. Property, plant and equipment still in use beyond their originally estimated service life are depreciated over their newly estimated service life.

When property, plant and equipment are retired or disposed of, the related cost and accumulated depreciation are removed from the accounts, and gains or losses are recognized as nonoperating income or expenses.

Impairment losses are recognized when the carrying values of property, plant and equipment exceed their recoverable amounts on the balance sheet date. If the recoverable amount increases, the increase in carrying value is recognized as gain. However, this increase should not exceed the carrying value that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

Convertible Bonds

The Corporation first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding embedded derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon bond conversion, the Corporation uses the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued.

Deferred Income

Unrealized gains or losses from downstream transactions with equity-method investees are deferred at the percentage of the Corporation's equity interest in the investee if the Corporation has no control over the investees. Unrealized gains or losses on sales to investees over the Corporation has a control which are totally eliminated. Gains or losses arising from equipment purchases from equity-method investees are eliminated and recognized over the estimated remaining useful life of the equipment.

Compensatory Stock Options

Employee stock options granted on or after January 1, 2008 are accounted for under Statement of Financial Accounting Standards No. 39 - "Share-based Payment."

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation (ARDF). Until 2007, the Corporation used the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period. Based on Interpretation 96-330 issued by ARDF in December 2007, the compensation cost remains the same if the revised plan meets the related criteria stated in this interpretation. Otherwise, the revised plan would replace the original plan and the Corporation should calculate the incremental compensation cost using the intrinsic value method and amortize this cost over the vesting period.

Pension Costs

Pension costs subject to the defined benefit plan are recognized according to actuarial reports. Unrecognized net transition obligation is amortized within 25 years. Prior service cost and pension gain (loss) are amortized using the straight-line method over the average remaining service years of employees. Pension costs subject to the defined contribution plan are recognized according to the amount of required contributions by the Corporation during the employees' service period.

Income Tax

The Corporation accounts for income tax using the inter-period allocation method. Under this method, deferred income tax is recognized for investment tax credits and tax consequences of differences between financial statement carrying amounts and their respective tax bases. A valuation allowance is recognized if evidence indicates that it is more likely than not that a portion or the entire deferred tax asset will not be realized. A deferred tax asset or liability is classified as current or noncurrent according to the classification of the related asset or liability. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected reversal date of the temporary difference.

If the Corporation can control the reversal timing of temporary difference arising from the long-term equity investment in a foreign subsidiary and if the temporary difference is not expected to reverse in the foreseeable future and will, in effect, exist indefinitely, then a deferred tax liability or asset is not recognized.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

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

An additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Foreign-currency Transactions

Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange rates in effect when the transactions occur. Gains or losses from settling foreign-currency assets and liabilities at prevailing rates are credited or charged to current income. Year-end balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are credited or charged to current income. However, differences pertaining to foreign-currency long-term stock investments accounted for the equity method are reported as cumulative translation adjustments under stockholders' equity.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Inventories

On January 1, 2009, the Corporation adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Inventories." The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item, except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period.

4. CASH

	December 31	
	2010	2009
Cash on hand	\$ 693	\$ 866
Checking accounts and demand deposits	101,784	92,910
Domestic foreign-currency demand deposits	117,855	28,544
Overseas foreign-currency demand deposits	29,275	42,005
Time deposits, annual yield rate - 0.59% in 2010; 0.26%-0.56% in 2009	<u>10,000</u>	<u>74,000</u>
	<u>\$ 259,607</u>	<u>\$ 238,325</u>

The overseas foreign-currency demand deposits are deposited in the Bank of Korea.

5. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2010	2009
Financial assets held for trading		
Bond conversion option	<u>\$ 597</u>	<u>\$ -</u>
Financial liabilities held for trading		
Bond conversion option	<u>\$ -</u>	<u>\$ 6,052</u>

The Corporation issued convertible bonds on May 19, 2010 and September 23, 2009. The Corporation has bifurcated the bonds into a liability component and an equity component. As of December 31, 2010 and 2009, the bond conversion option were measured at fair value and recognized as a financial assets held for trading and financial liabilities held for trading, respectively.

The Corporation did not use forward exchange contracts in 2010.

The Corporation used derivative contracts in 2009 to manage exposures due to exchange rate fluctuations.

The Corporation's hedge strategy is to use instruments with negative correlation to the values of the hedged items.

As of December 31, 2009, the Corporation had no outstanding forward exchange contracts.

On financial assets held for trading, there were a net gain of \$7,108 thousand in 2010 and a net loss of \$4,226 thousand in 2009.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2010	2009
Quoted domestic stocks	<u>\$ 23,204</u>	<u>\$ 33,425</u>

Movements of unrealized gain (loss) on financial instruments were as follows:

	December 31	
	2010	2009
Balance, beginning of year	\$ 27,100	\$ -
Reported as a separate component of stockholders' equity	(2,935)	31,434
Recognized in earnings	<u>(5,856)</u>	<u>(4,334)</u>
Balance, end of year	<u>\$ 18,309</u>	<u>\$ 27,100</u>

7. ACCOUNTS RECEIVABLE

In 2010 and 2009, the Corporation used nonrecourse maturity factoring by selling to a bank its accounts receivable amounting to \$3,765 thousand in 2010 and \$40,325 thousand in 2009.

The above factored accounts receivable had been received as of December 31, 2010.

As of December 31, 2009, the receivables on the factored accounts that had not been received by the Corporation amounted to \$16,168 thousand, which was reclassified to other financial assets.

8. INVENTORIES

	December 31	
	2010	2009
Raw materials	\$ 55,141	\$ 95,598
Supplies	35,485	40,100
Work in process	12,569	9,631
Finished goods	49,311	85,965
Merchandises	<u>1,827</u>	<u>3,477</u>
	<u>\$ 154,333</u>	<u>\$ 234,771</u>

The cost of inventories recognized as cost of goods sold was as follows: (a) \$881,295 thousand in 2010, which included a loss of \$9,198 thousand on inventory obsolescence and a gain of \$356 thousand on physical inventory; and (b) \$692,862 thousand in 2009, which included a loss \$7,483 thousand and loss of \$405 thousand on inventory obsolescence and on physical inventory.

9. LONG-TERM EQUITY INVESTMENTS

	2010		2009	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
<u>Unlisted companies</u>				
Topoint Technology Co., Ltd. (B.V.I.)	\$ 1,967,733	100	\$ 1,661,713	100
Unipoint Technology Co., Ltd.	155,586	58	2,498	55
Warpspeed Corporation (B.V.I.)	1,135	100	1,291	100
Topoint Japan Co., Ltd.	(168)	100	48	100
	<u>2,124,286</u>		<u>1,665,550</u>	
Add: Credit balance of long-term investments reclassified to other liabilities	<u>168</u>		<u>-</u>	
	<u>\$ 2,124,454</u>		<u>\$ 1,665,550</u>	

The Corporation indirectly invested in Shanghai Topoint Precision Technology Co., Ltd. through Topoint Technology Co., Ltd. (B.V.I.). The Corporation resolved to make capital transfer to Topoint Technology Co., Ltd. (B.V.I.) in 2010 and these transfers totaled US\$7,800 thousand. Topoint Technology Co., Ltd. (B.V.I.) invested in US\$7,800 thousand to establish Sharponit Technology (Qinhuangdao) Co., Ltd. in 2010.

Unipoint Technology Co., Ltd. ("Unipoint") was incorporated in November 2009. The Corporation invested \$2,750 thousand to get a 55% equity interest in Unipoint, which tests drill bits and mounting plate bolt holes. Unipoint issued common stocks for \$295,000 thousand, and the Corporation invested \$171,250 thousand in 2010. So the Corporation held 58% equity interest in Unipoint as of December 31, 2010. In March 2010, Unipoint invested in and established Unipoint Technology Holdings Co., Ltd. (B.V.I.), and invested \$5,600 thousand in Unipoint Technology Shenzhen Co., Ltd. through Unipoint Technology Holdings Co., Ltd. (B.V.I.).

Warpspeed Corporation (B.V.I.) engaged in international trading.

In May 2007, the Corporation invested \$4,337 thousand in Topoint Japan Co., Ltd to get a 52% equity interest. Later, the Corporation invested \$2,894 thousand on May 12, 2008 and \$436 thousand on June 12, 2008 interest in Topoint Japan Co., Ltd. to get another 48% equity, which sells electronic components. The Corporation recognized the deficit of Topoint Japan Co., Ltd. with the result that the Corporation had to reclassify the credit balance of long-term investments to other liabilities as of December 31, 2010.

The investees' financial statements for the same reporting periods as those of the Corporation, which were used to calculate the carrying values of the investments, had all been audited by the Corporation's independent auditors.

All of the Corporation's subsidiaries were included in the Corporation's consolidated financial statements of 2010 and 2009.

10. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of:

	December 31	
	2010	2009
Buildings	\$ 92,203	\$ 74,403
Machinery and equipment	673,934	521,250
Transportation equipment	1,219	1,014
Office equipment	2,540	2,074
Miscellaneous equipment	<u>33,898</u>	<u>27,678</u>
	<u>\$ 803,794</u>	<u>\$ 626,419</u>

Depreciation expenses of property, plant and equipment amount to \$186,861 thousand in 2010 and \$191,189 thousand in 2009.

11. SHORT-TERM LOANS

	December 31	
	2010	2009
Unsecured loans - annual interest rate - 1.40%	<u>\$ 20,000</u>	<u>\$ 20,000</u>

12. CONVERTIBLE BONDS

a. Domestic convertible bonds (first issuance)

On September 23, 2009, the Corporation issued five-year unsecured zero-coupon domestic convertible bonds with an aggregate face value of \$200,000 thousand, each with a face value of \$100 thousand. The Corporation bifurcated the bonds into bond conversion option (equity component) and bond liability component. On the initial recognition of these components, the amounts of the liability and option components were \$168,300 thousand and \$5,488 thousand, respectively, with an effective rate of 3.46%. The related equity account amounted to \$26,212 thousand, which was included in capital surplus - bond conversion option and was evaluated on initial face value of bonds minus fair value of the liability account.

Bondholders may exercise their put options at the conversion price from a month after the issuance date to the 10th day before the expiry date. After holding the bonds for three years, bondholders may also ask the Corporation to buy back the conversion bonds at face value in cash plus the accrued interest compensation expense. The interest rate of 3.03% is used for the interest compensation expense for the third year from bond issuance. If the quoted market price exceeds 30% of the conversion price for 30 consecutive trading days within a period from a month after the issuance date to the 11th day before the maturity date, the Corporation may cash in the bonds within 30 trading days. The Corporation may also cash in the bonds at face value at any time when the outstanding amount is 10% below the aggregate face value.

As of December 31, 2010, bonds with a face value of \$50,000 thousand had been converted into 2,370 thousand common shares at \$21.1 per share, and the bonds outstanding amounted to \$131,790 thousand.

b. Domestic convertible bonds (second issuance)

On May 19, 2010, the Corporation issued five-year unsecured zero-coupon domestic convertible bonds with an aggregate face value of \$150,000 thousand, each with a face value of \$100 thousand. The Corporation bifurcated the bonds into the bond conversion option (equity component) and the bond liability component. On the initial recognition of these components, the amounts of the liability and option components were \$127,535 thousand and \$618 thousand, respectively, with an effective rate of 3.25%. The related equity account amounted to \$21,847 thousand, which was included in capital surplus - bond conversion option and was evaluated on initial face value of bonds minus fair value of the liability account.

Bondholders may exercise their put options at the conversion price from a month after the issuance date to the 10th day before the expiry date. After holding the bonds for three years, bondholders may also ask the Corporation to buy back the conversion bonds at face value in cash plus the accrued interest compensation expense. The interest rate of 3.03% is used for the interest compensation expense for the third year from bond issuance. If the quoted market price exceeds 30% of the conversion price for 30 consecutive trading days within a period from a month after the issuance date to the 11th day before the maturity date, the Corporation may cash in the bonds within 30 trading days. The Corporation may also cash in the bonds at face value at any time when the outstanding amount is 10% below the aggregate face value.

As of December 31, 2010, convertible bonds had not been converted into common shares, and the bonds outstanding amounted to \$130,100 thousand.

13. LONG-TERM LOANS

December 31, 2010			
	Current Portion	Long-term Loans	Total
Credit bank			
Syndicated loan - Industrial Bank of Taiwan, etc.	\$ -	\$ 500,000	\$ 500,000
Taiwan Cooperative Bank	102,383	93,175	195,558
China Development Industrial Bank	<u>70,587</u>	<u>35,297</u>	<u>105,884</u>
	<u>\$ 172,970</u>	<u>\$ 628,472</u>	<u>\$ 801,442</u>
December 31, 2009			
	Current Portion	Long-term Loans	Total
Credit bank			
Syndicated loan - Industrial Bank of Taiwan, etc.	\$ 133,333	\$ 233,334	\$ 366,667
Taiwan Cooperative Bank	124,446	195,544	319,990
China Development Industrial Bank	<u>17,647</u>	<u>105,884</u>	<u>123,531</u>
	<u>\$ 275,426</u>	<u>\$ 534,762</u>	<u>\$ 810,188</u>

a. Syndicated loan - Industrial Bank of Taiwan, etc.:

On August 15, 2008, the Corporation obtained an unsecured loan of \$900,000 thousand from a banking syndicate comprising Industrial Bank of Taiwan, Chinatrust Commercial Bank, Taipei Fubon Commercial Bank, Chang Hwa Bank, Hua Nan Bank, Mega International Commercial Bank and Cathay United Bank. In December 2010, the Corporation had redeemed the installment which will be due in August 2011. In July 2010, the Corporation obtained another unsecured loan of \$1,000,000 thousand from a banking syndicate comprising the Industrial Bank of Taiwan, Taipei Fubon Commercial Bank, Chinatrust Commercial Bank, Taiwan Cooperative Bank, Taiwan Land Bank and other five banks. Related information as of December 31, 2010 and 2009 is as follows:

	Credit Line	Amount to Be Paid	Interest Rate	Repayment
<u>December 31, 2010</u>				
Unsecured loan	\$ 1,000,000	\$ 500,000	1.45%	Credit lines may be used on a revolving basis and are due in July 2013

Under the loan agreement, certain financial ratios based on audited annual and semiannual consolidated financial statements of the Corporation must be in accordance with the criteria stated in the agreements.

	Credit Line	Amount to Be Paid	Interest Rate	Repayment
<u>December 31, 2009</u>				
Unsecured loan - type A	\$ 400,000	\$ 266,667	1.21%	Interest and principal are repayable semiannually from February 2009 to August 2011
Unsecured loan - type B	500,000	100,000	1.21%	Credit lines may be used on a revolving basis and are due in August 2011

Under the loan agreement, certain financial ratios based on audited annual consolidated financial statements of the Corporation must be in accordance with the criteria stated in the agreements.

- b. Taiwan Cooperative Bank: Secured loan; repayable monthly from October 2004 to September 2014; annual interest - 2.16%-2.21% in 2010 and 2.09%-2.21% in 2009.
- c. China Development Industrial Bank: Secured loan; repayable quarterly from April 2008 to April 2012; under the loan agreement, certain financial ratios based on audited annual standalone and consolidated financial statements of the Corporation must be in accordance with the criteria stated in the agreements; annual interest - 1.82%-1.83% in 2010 and 1.69%-1.70% in 2009.

14. STOCKHOLDERS' EQUITY

As of December 31, 2010, the Corporation's Article of Incorporation stipulated that the Corporation's total authorized capital should be \$3,000,000 thousand, or a total of 300,000 thousand shares with NT\$10.00 par value. The Corporation's board of directors is entitled either to issue these shares in batches or to make a one-time issuance of all the shares. Of the authorized capital, \$300,000 thousand, or a total of 30,000 thousand shares, should be reserved for an employee stock option plan, preferred stock with warrant, and bonds with warrants attached. As of December 31, 2010, the Corporation's paid-in capital was \$1,339,216 thousand.

Under the Corporation's Articles of Incorporation, the Corporation should make appropriations from its net income in following order:

- a. Pay all taxes.
- b. Offset its losses in previous years.
- c. Set aside a legal reserve at 10% of annual net income.
- d. Set aside or return the special reserve.
- e. Remuneration of 3% (maximum) to directors and supervisors;
- f. Bonuses of 1% to 25% to employees; and
- g. The remainder, together with the unappropriated earnings of prior years, to be distributed to the stockholders.

These appropriations should be approved by the stockholders in, and given effect to in the financial statements of, the year following the year of earnings generation.

To meet the requirements for present and future operational expansion and to satisfy the stockholders' need for cash inflow, the Corporation's dividend policy states that dividends will be in the form of shares and/or cash, with cash dividends to be at least 10% of total dividends.

Based on past experience, the bonus to the Corporation's employees and the remuneration to directors and supervisors for 2010 was calculated at 15% and 3%, respectively, of net income net of the 10% deduction for legal reserve.

Based on past experience, the bonus to the Corporation's employees and the remuneration to directors and supervisors for 2009 was calculated at 15% and 3%, respectively, of 50% of net income net of the 10% deduction for legal reserve.

If a bonus estimate differs from the amount approved by the stockholders, the difference is recorded in the year of stockholders' resolution as a change in accounting estimate.

If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding stockholders' meeting.

Under the Company law, capital surplus resulting from long-term equity investments should not be used for any purpose. In addition, other components of capital surplus may be used only for transfer to capital or for offsetting deficit. This transfer should be made within certain limits.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under the Company Law, legal reserve should be appropriated until the accumulated reserve equals the Corporation's authorized capital. The reserve may only be used to offset deficit. When the reserve reaches 50% of the Corporation's paid-in capital, up to 50% of the reserve may be transferred to capital.

As of February 24, 2011, the date of the accompanying independent auditors' report, the board of directors had not yet approved the proposal on the distribution of the 2010 earnings. Information on the appropriation of earnings, including the bonus to employees and remuneration to directors and supervisors, can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

The appropriations from the 2009 and 2008 earnings were approved by the stockholders on June 15, 2010 and June 10, 2009, respectively, as follows:

	Appropriation of Earnings and Capitalization of Capital Surplus		Dividends Per Share	
	2009	2008	2009	2008
Legal reserve	\$ 19,031	\$ 25,852		
Stock dividends	38,572	95,275	\$0.302	\$0.8899
Cash dividends	38,571	10,586	0.302	0.0988

The cash bonus to employees of \$14,164 thousand and remuneration to directors and supervisors of \$2,824 thousand for 2009 were approved in the stockholders' meeting on June 15, 2010. The approved amount of the cash bonus to employees and remuneration directors and supervisors was not different from the accrued amount reflected in the financial statements for the year ended December 31, 2009.

The cash bonus to employees of \$17,450 thousand and remuneration to directors and supervisors of \$3,490 thousand for 2008 were approved in the stockholders' meeting on June 10, 2009. The approved amount of the cash bonus to employees and remuneration to directors and supervisors was not different from the accrued amount reflected in the financial statements for the year ended December 31, 2008.

15. COMPENSATORY STOCK OPTIONS

a. Stock options arising from share issuance for cash

On April 21, 2009, the board of directors approved the issuance of 10,000 thousand common shares a NT\$10.00 par value. Under the Company Law, the Corporation retained 1,500 thousand shares for employee subscription at \$21 per share.

In 2009, the Corporation recognized a compensation cost of \$8,251 thousand for this share issuance and classified this cost under capital surplus. The capital surplus-employee stock options had been reclassified to additional paid in capital from issuance of common shares at the date of issuance of common shares.

b. Issuance of stock options.

Effective Date	Resolution Date	Units	Exercise Price (In New Taiwan Dollars)
2006.03.29	2006.04.07	5,520	\$27.86 (original price - \$57.20)
2007.12.13	2007.12.18	<u>5,000</u>	\$48.08 (original price - \$68.20)
		<u>10,520</u>	

Each of the option represented 1,000 common shares of the Corporation. The term of these options is five years. These options may be exercised after two years from the grant date. Under the terms of the stock option plan, if the number of the Corporation's common shares changes, the exercise price will be revised.

The Corporation's stock options in 2010 and 2009 are summarized as follows:

	2010			
	2007.12.18 Issued		2006.04.07 Issued	
	Thousand Units	Weighted-average Exercise Price (In Dollars)	Thousand Units	Weighted-average Exercise Price (In Dollars)
Outstanding units, beginning of year	4,041	\$ 49.53	2,912	\$ 29.00
Granted units	-	-	-	-
Exercised units	-	-	(276)	28.43
Canceled units	<u>(496)</u>	48.22	<u>(281)</u>	27.86
Outstanding units, end of year	<u>3,545</u>	48.08	<u>2,355</u>	27.86
Exercisable units, end of year	<u>2,543</u>	48.08	<u>2,195</u>	27.86

	2009			
	2007.12.18 Issued		2006.04.07 Issued	
	Thousand Units	Weighted-average Exercise Price (In Dollars)	Thousand Units	Weighted-average Exercise Price (In Dollars)
Outstanding units, beginning of year	4,256	\$ 56.60	4,479	\$ 32.43
Granted units	-	-	-	-
Exercised units	-	-	(974)	29.00
Canceled units	<u>(215)</u>	50.25	<u>(593)</u>	32.39
Outstanding units, end of year	<u>4,041</u>	49.53	<u>2,912</u>	29.00
Exercisable units, end of year	<u>2,021</u>	49.53	<u>1,799</u>	29.00

Stock options outstanding as of December 31, 2010 are summarized as follows:

Exercise Price	Outstanding Stock Options as of December 31, 2010			Exercisable Stock Options as of December 31, 2010	
	Thousand Units	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (In Dollars)	Thousand Units	Weighted- average Exercise Price (In Dollars)
NT\$48.08	3,545	1.96 years	\$ 48.08	2,543	\$ 48.08
27.86	2,355	0.26 years	27.86	2,195	27.86

Stock options outstanding as of December 31, 2009 are summarized as follows:

Exercise Price	Outstanding Stock Options as of December 31, 2009			Exercisable Stock Options as of December 31, 2009	
	Thousand Units	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (In Dollars)	Thousand Units	Weighted- average Exercise Price (In Dollars)
NT\$49.53	4,041	2.96 years	\$ 49.53	2,021	\$ 49.53
29.00	2,912	1.26 years	29.00	1,799	29.00

No compensation cost under the intrinsic value method was recognized for 2010 and 2009.

Had the Corporation used the fair value method, the pro forma net income and basic and diluted earnings per share (EPS) of the Corporation in 2010 and 2009 would have been as follows:

		2010	2009
		New Taiwan Dollars	New Taiwan Dollars
Net income	Actual	\$275,548 thousand	\$190,304 thousand
	Pro forma	\$265,704 thousand	\$147,437 thousand
EPS - basic	Actual	\$2.09	\$1.60
	Pro forma	\$2.02	\$1.24
EPS - diluted	Actual	\$1.90	\$1.57
	Pro forma	\$1.79	\$1.22

Had the Black-Scholes pricing model been used to calculate compensation cost using the fair value method, the assumptions would have been as follows:

		2007.12.18 Issued	2006.04.07 Issued
Assumptions	Expected dividend yield	-	-
	Risk-free interest rate	2.43%	1.82%
	Expected duration	3.875 years	4 years
	Expected volatility	44.35%	30.25%
	Weighted-average fair value (in dollars)	\$25.17	\$15.22

16. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	<u>Amounts (Numerator)</u>		<u>Weighted- average Number of Outstanding Shares (Denominator; Thousands)</u>	<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>2010</u>					
Basic EPS					
Net income of common stockholders	\$ 319,995	\$ 275,548	131,854	<u>\$ 2.43</u>	<u>\$ 2.09</u>
Effect of dilutive potential common stock					
Convertible bonds	8,108	6,730	15,995		
Bonus to employees	-	-	572		
Employee stock options	<u>-</u>	<u>-</u>	<u>91</u>		
Diluted EPS					
Income available to common stockholders (including effect of dilutive potential common stock)	<u>\$ 328,103</u>	<u>\$ 282,278</u>	<u>148,512</u>	<u>\$ 2.21</u>	<u>\$ 1.90</u>
<u>2009</u>					
Basic EPS					
Net income of common stockholders	\$ 205,497	\$ 190,304	122,963	<u>\$ 1.67</u>	<u>\$ 1.55</u>
Effect of dilutive potential common stock					
Convertible bonds	1,458	1,094	2,483		
Bonus to employees	<u>-</u>	<u>-</u>	<u>584</u>		
Diluted EPS					
Income available to common stockholders (including effect of dilutive potential common stock)	<u>\$ 206,955</u>	<u>\$ 191,398</u>	<u>126,030</u>	<u>\$ 1.64</u>	<u>\$ 1.52</u>

If compensation cost of 2009 will be included in calculating the diluted EPS, this inclusion will have an anti-dilutive effect.

The average number of shares outstanding used for EPS calculation was adjusted retroactively for the issuance of stock dividends. Due to this adjustment, the basic net income per share before and after income tax in 2009 decreased from NT\$1.73 to NT\$1.67 and from NT\$1.60 to NT\$1.55, respectively, and the diluted net income per share before and after income tax in 2009 decreased from NT\$1.69 to NT\$1.64 and from NT\$1.57 to NT\$1.52, respectively.

17. INCOME TAX

- a. The reconciliation of income tax on pretax accounting income at statutory rate and income tax expense - current was as follows:

	2010	2009
Tax on pretax accounting income at statutory rate	\$ 54,399	\$ 51,364
Adjusted for:		
Tax-free income	(996)	(38,171)
Permanent differences	(28,311)	(711)
Temporary differences	(1,959)	12,183
		(Continued)

	2010	2009
Investment tax credit	\$ (18,553)	\$ (12,680)
Additional income tax under the Alternative Minimum Tax Act	-	546
Additional 10% income tax on unappropriated earnings	<u>9,413</u>	<u>12,680</u>
Income tax expense - current	<u>\$ 13,993</u>	<u>\$ 25,211</u> (Concluded)

Income tax expense - current minus the prepaid tax as of December 31, 2010 and 2009 was shown under income tax payable.

b. Income tax expense consisted of the following:

	2010	2009
Income tax expense - current	\$ 13,993	\$ 25,211
Prior year's income tax adjustments	(415)	1,611
Deferred income tax	<u>30,869</u>	<u>(11,629)</u>
Income tax expense	<u>\$ 44,447</u>	<u>\$ 15,193</u>

Under Article 5 of the "Regulations Governing the Application for Profit-seeking Enterprise Income Tax Exemption on a Capital Increase of the Manufacturing Industry and the Technological Services Industry," which took effect on March 20, 2003, for the Corporation's investment plan of expanding its capacity to produce micro drills and micro routers, the Corporation was exempted for five years from the profit-seeking enterprise income tax on the increased income as a result of this expansion. The exemption period was from January 1, 2005 to December 31, 2009. The calculation of the tax-exempt income was based on the "Guidelines Governing the Calculation of the Profit-seeking Enterprise's Income Tax Exemption on a Capital Increase of the Manufacturing Industry and the Technological Services Industry."

In May 2009, the Legislative Yuan of the ROC passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate to 20%, effective from January 1, 2010. The Corporation recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax benefit or expense.

c. Deferred income tax assets (liabilities) consisted of the following:

	December 31	
	2010	2009
Current		
Investment tax credits	\$ 38,626	\$ 36,321
Deferred unrealized gain, net	3,972	3,994
Unrealized exchange losses	2,539	536
Allowance for inventory losses	1,102	5,284
Provision for doubtful accounts	151	239
Loss (gain) on valuation of financial assets, net	<u>(1,112)</u>	<u>113</u>
Net deferred income tax assets	45,278	46,487
Less: Valuation allowance	<u>7,000</u>	<u>-</u>
	<u>\$ 38,278</u>	<u>\$ 46,487</u> (Continued)

	December 31	
	2010	2009
Noncurrent		
Investment tax credits	\$ 19,334	\$ 59,049
Deferred unrealized gain	10,140	14,474
Equity in net loss (income) of investees	3,771	(17,521)
Accrued pension cost	<u>(439)</u>	<u>(536)</u>
Net deferred income tax assets	<u>\$ 32,806</u>	<u>\$ 55,466</u> (Concluded)

As of December 31, 2010, the unused investment tax credits were as follows:

Item	Total Tax Credits	Unused Tax Credits	Year of Expiration
Machinery and equipment	\$ 28,659	\$ 28,659	2011
Machinery and equipment	5,393	5,393	2012
Machinery and equipment	<u>599</u>	<u>599</u>	2013
	<u>34,651</u>	<u>34,651</u>	
Research and development	9,331	9,331	2011
Research and development	8,388	8,388	2012
Research and development	<u>4,940</u>	<u>4,940</u>	2013
	<u>22,659</u>	<u>22,659</u>	
Training	636	636	2011
Training	<u>14</u>	<u>14</u>	2013
	<u>650</u>	<u>650</u>	
	<u>\$ 57,960</u>	<u>\$ 57,960</u>	

Income tax returns through 2008 had been examined and cleared by the tax authorities.

- d. Information on the Imputation Income Tax System is as follows:

	December 31	
	2010	2009
Balances of the imputation credit account	<u>\$ 28,670</u>	<u>\$ 16,415</u>

The estimated and actual ratios of imputation tax credits to undistributed earnings as of December 31, 2010 and 2009 were 8.59% and 12.97%.

The credit available for allocation to the stockholders is calculated on the basis of the balance of ICA on the date of dividend distribution. Thus, the estimated rate as of December 31, 2009 may differ from the actual rate depending on the ICA balance on the dividend distribution date.

- e. Information on integrated income tax is as follows:

	December 31	
	2010	2009
Unappropriated earnings generated before January 1, 1998	\$ -	\$ -
Unappropriated earnings generated on and after January 1, 1998	<u>496,480</u>	<u>317,106</u>
	<u>\$ 496,480</u>	<u>\$ 317,106</u>

- f. Under the Integrated Income Tax System, which took effect on January 1, 1998, resident stockholders are allowed a tax credit for the income tax paid by the Corporation on earnings generated since 1998. An imputation credit account is maintained by the Corporation for such income tax and the tax credit allocated to each stockholder.

18. PENSION PLAN

The pension calculation under the Labor Pension Act is considered as a defined contribution plan. The rate of contribution by an employer to the Labor Pension Fund per month shall not be less than 6% of each employee's monthly salary or wage. The Company contributes amounts equal to 6% of each employee's monthly salary beginning July 1, 2005.

Pension expense recognized under the defined contribution plan were \$7,239 thousand and \$6,160 thousand of 2010 and 2009, respectively. Accrued pension liabilities under the defined contribution plan, which were accounted for as accrued expenses, amounted to \$1,225 thousand and \$1,212 thousand as of December 31, 2010 and 2009, respectively.

Following the provision of the Labor Standards Law, which was promulgated earlier than the Act, the Corporation set up a defined benefit plan, which provides benefits based on length of service and average basic salaries or wages of the last six months before retirement. Before September 1, 2007, the Corporation made monthly contributions to a retirement fund equal to 2% of salaries and wages. The fund is administered by the employees' pension plan committee and deposited in the committee's name in the Bank of Taiwan. The registration of the Taipei County (New Taipei City) Government of the cessation of pension fund contributions was completed on September 1, 2007.

Other information on the defined benefit pension plan is as follows:

a. Pension cost (benefit) components

	2010	2009
Service cost	\$ -	\$ -
Interest cost	302	268
Expected return on plan assets	(262)	(325)
Amortization	<u>62</u>	<u>12</u>
Net pension cost (benefit)	<u>\$ 102</u>	<u>\$ (45)</u>

b. Reconciliation of the fund status of the plan and accrued pension cost

	December 31	
	2010	2009
Benefit obligation		
Vested benefit obligation	\$ 152	\$ 147
Non-vested benefit obligation	<u>12,148</u>	<u>10,739</u>
Accumulated benefit obligation	12,300	10,886
Additional benefits based on future salaries	<u>2,754</u>	<u>2,554</u>
Projected benefit obligation	15,054	13,440
Fair value of plan assets	<u>(13,328)</u>	<u>(13,113)</u>
Funded status	1,726	327
Unrecognized net transition obligation	(173)	(185)
Unrecognized net benefit	<u>(3,789)</u>	<u>(2,480)</u>
Prepaid pension (classified under other assets - miscellaneous)	<u>\$ (2,236)</u>	<u>\$ (2,338)</u>

		December 31	
		2010	2009
c.	Vested benefit	<u>\$ 163</u>	<u>\$ 157</u>
d.	Actuarial assumptions		
	Discount rate	2.25%	2.25%
	Future salary increase rate	1%	1%
	Expected rate of return on plan assets	2%	2%
e.	Contributions and payments		
		2010	2009
	Contributions	<u>\$ -</u>	<u>\$ -</u>
	Payments	<u>\$ -</u>	<u>\$ -</u>

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

		2010		
		Operating Cost	Operating Expense	Total
Personnel expenses				
	Payroll	\$ 137,879	\$ 68,464	\$ 206,343
	Labor and health insurance	9,255	2,834	12,089
	Pension	5,429	1,912	7,341
	Others	<u>140</u>	<u>2,604</u>	<u>2,744</u>
		<u>\$ 152,703</u>	<u>\$ 75,814</u>	<u>\$ 228,517</u>
Depreciation		<u>\$ 176,972</u>	<u>\$ 9,889</u>	<u>\$ 186,861</u>
Amortization		<u>\$ 384</u>	<u>\$ 900</u>	<u>\$ 1,284</u>
		2009		
		Operating Cost	Operating Expense	Total
Personnel expenses				
	Payroll	\$ 111,295	\$ 58,912	\$ 170,207
	Labor and health insurance	7,078	2,745	9,823
	Pension	4,276	1,839	6,115
	Others	<u>129</u>	<u>1,386</u>	<u>1,515</u>
		<u>\$ 122,778</u>	<u>\$ 64,882</u>	<u>\$ 187,660</u>
Depreciation		<u>\$ 180,448</u>	<u>\$ 10,741</u>	<u>\$ 191,189</u>
Amortization		<u>\$ 573</u>	<u>\$ 948</u>	<u>\$ 1,521</u>

20. RELATED-PARTY TRANSACTIONS

- a. The Corporation's related parties were as follows:

Related Party	Relationship with the Corporation
China Development Industrial Bank	Director and stockholder
Warpspeed Corporation (B.V.I.)	Subsidiary
Topoint Technology Co., Ltd. (B.V.I.)	Subsidiary
Topoint Japan Co., Ltd.	Subsidiary
Unipoint Technology Co., Ltd.	Subsidiary
Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd. (B.V.I.)
Sharpoint Technology (Qinhuangdao) Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd. (B.V.I.)
Unipoint Technology Holdings Co., Ltd. (B.V.I.)	Subsidiary of Unipoint Technology Co., Ltd.
Unipoint Technology Shenzhen Co., Ltd.	Subsidiary of Unipoint Technology Holdings Co., Ltd. (B.V.I.)

- b. Significant transactions with the related parties were as follows:

	2010		2009	
	Amount	% to Total	Amount	% to Total
<u>For the year</u>				
Sales				
Warpspeed Corporation (B.V.I.)	<u>\$ 310,636</u>	<u>26</u>	<u>\$ 55,554</u>	<u>6</u>
Purchase of materials				
Warpspeed Corporation (B.V.I.)	<u>\$ 3,750</u>	<u>1</u>	<u>\$ 62,857</u>	<u>34</u>
Conversion cost				
Warpspeed Corporation (B.V.I.)	<u>\$ -</u>	<u>-</u>	<u>\$ 21,503</u>	<u>79</u>
Rental income				
Unipoint Technology Co., Ltd.	<u>\$ 36</u>	<u>100</u>	<u>\$ 3</u>	<u>100</u>
Interest expense				
China Development Industrial Bank	<u>\$ 2,078</u>	<u>9</u>	<u>\$ 4,140</u>	<u>14</u>

The Corporation has leased the office to Unipoint Technology Co., Ltd. and receives the rental monthly.

	2010		2009	
	Amount	% to Total	Amount	% to Total
<u>At end of year</u>				
Notes and accounts receivable - related parties				
Warpspeed Corporation (B.V.I.)				
Accounts receivable	\$ 38,226	86	\$ 3,507	51
Receivables on equipment	5,971	13	-	-
Payment on behalf of others	<u>270</u>	<u>1</u>	<u>3,333</u>	<u>49</u>
	<u>44,467</u>	<u>100</u>	<u>6,840</u>	<u>100</u>
Topoint Japan Co., Ltd.				
Payment on behalf of others	<u>168</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 44,635</u>	<u>100</u>	<u>\$ 6,840</u>	<u>100</u>
Interest payable (classified under accrued expenses)				
China Development Industrial Bank	<u>\$ 21</u>	<u>-</u>	<u>\$ 23</u>	<u>-</u>
Notes and accounts payable - related parties				
Warpspeed Corporation (B.V.I.)	\$ 271	100	\$ 11,380	100
Topoint Japan Co., Ltd.	<u>-</u>	<u>-</u>	<u>48</u>	<u>-</u>
	<u>\$ 271</u>	<u>100</u>	<u>\$ 11,428</u>	<u>100</u>
Current portion of long-term loans				
China Development Industrial Bank	<u>\$ 70,587</u>	<u>41</u>	<u>\$ 17,647</u>	<u>6</u>
Long-term loans				
China Development Industrial Bank	<u>\$ 35,297</u>	<u>6</u>	<u>\$ 105,884</u>	<u>20</u>
Guarantee deposits received				
Unipoint Technology Co., Ltd.	<u>\$ 3</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

In 2010, the Corporation sold equipment to Warpspeed Corporation (B.V.I.) at their net book values of \$5,664 thousand with selling prices of \$6,207 thousand (US\$205 thousand). The gain on this sale was \$543 thousand.

Except for the selling price, purchase cost and other payment terms of the transactions with Warpspeed Corporation (B.V.I.) the terms and conditions of related-party transactions were similar to those for third parties.

c. Compensation of directors, supervisors and management personnel:

	Year Ended December 31	
	2010	2009
Salaries	\$ 12,648	\$ 9,594
Incentives	327	3,758
Bonus	<u>7,161</u>	<u>2,762</u>
	<u>\$ 20,136</u>	<u>\$ 16,114</u>

The compensation of directors, supervisors and management personnel for the year ended December 31, 2010 were estimated; the compensation of directors, supervisors and management personnel for the year ended December 31, 2009 included the bonuses appropriated from earnings for 2009, which were approved in the stockholders meeting on June 15, 2010.

21. ASSETS PLEDGED OR MORTGAGED

The following assets had been pledged or mortgaged as collaterals for short-term and long-term bank loans:

	December 31	
	2010	2009
Net property, plant and equipment	\$ 1,035,211	\$ 1,280,796
Certificates of deposits - restricted	<u>60,000</u>	<u>-</u>
	<u>\$ 1,095,211</u>	<u>\$ 1,280,796</u>

Of the above pledge certificates of deposits, collateral amounting to \$60,000 thousand was used to guarantee letter of credit of Sharpoint Technology (Qinuangdao) Co., Ltd. in 2010.

22. SIGNIFICANT COMMITMENTS AS OF DECEMBER 31, 2010

- a. The Corporation guaranteed bank loans of \$10,924 thousand of Shanghai Topoint Precision Technology Co., Ltd., \$87,390 thousand of Topoint Technology Co., Ltd. (B.V.I.), \$211,222 thousand of Sharpoint Technology (Qinhuangdao) Co., Ltd., and \$48,356 thousand of Unipoint Technology Shenzhen Co., Ltd.
- b. The Corporation had a commitment to buy machinery and equipment for \$13,961 thousand.

23. OTHERS

Significant financial assets and liabilities in foreign currency are summarized as follows

(In Thousands of New Taiwan Dollars and Foreign Currencies)

	December 31					
	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
KRW	\$ 2,924,328	0.0262	\$ 76,617	\$ 2,711,916	0.0276	\$ 74,849
USD	10,460	29.1300	304,700	6,533	31.9900	208,991
JPY	13,884	0.3582	4,973	1,462	0.3472	508
EUR	3	38.9200	117	106	46.1000	4,887
RMB	14	4.4405	62	28	4.6858	131
CHF	1	31.0700	31	147	31.0300	4,561
THB	28	0.9753	27	28	0.9646	27
Long-term equity investments						
USD	67,556	29.1300	1,967,899	51,949	31.9900	1,661,854
JPY	-	-	-	140	0.3472	48

(Continued)

December 31						
	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>						
Monetary items						
USD	\$ 811	29.1300	\$ 23,624	\$ -	-	\$ -
JPY	673	0.3582	241	222	0.3472	77
EUR	7	38.9200	272	1	46.1000	46
CHF	51	31.0700	1,585	18	31.0300	559
Credit balance of long-term investment						
JPY	469	0.3582	168	-	-	-
(Concluded)						

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments:

	December 31			
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
Assets				
Cash	\$ 259,607	\$ 259,607	\$ 238,325	\$ 238,325
Available-for-sale financial assets	23,204	23,204	33,425	33,425
Notes receivable	5,262	5,262	5,906	5,906
Accounts receivable	267,127	267,127	287,819	287,819
Notes and accounts receivable - related parties	44,635	44,635	6,840	6,840
Other financial assets	9	9	16,168	16,168
Certificates of deposits - restricted	60,000	60,000	-	-
Long-term equity investments accounted for by the equity method	2,124,454	2,124,620	1,665,550	1,665,691
Refundable deposits	5,540	5,540	7,280	7,280
Liabilities				
Short-term loans	20,000	20,000	20,000	20,000
Accounts payable	51,012	51,012	36,919	36,919
Notes and accounts payable - related parties	271	271	11,428	11,428
Income tax payable	13,961	13,961	25,128	25,128
Accrued expenses	109,194	109,194	106,026	106,026
Current portion of long-term loans	172,970	172,970	275,426	275,426
Bonds payable	261,890	261,890	169,758	169,758
Long-term loans	628,472	628,472	534,762	534,762
Guarantee deposits received	10,199	10,199	-	-
Credit balance of long-term investments	168	168	-	-
<u>Financial derivatives are classified in accordance with the geographic location of the trading transaction</u>				
In Taiwan				
Financial assets	597	597	-	-
Financial liabilities	-	-	6,052	6,052

b. The Corporation uses the following methods and assumptions to estimate the fair values of its financial instruments:

- 1) For financial instruments, except those mentioned in (2), (3) and (4) below, the carrying values reported in the balance sheet approximate their fair values because of their short maturities.
- 2) The fair values of financial assets at fair value through profit or loss and available-for-sale financial assets are based on quoted prices. The fair value of long-term investments and the fair value of credit balance of long-term investments are based on the net asset value of the investment.
- 3) The fair value of refundable deposits and guarantee deposits received are determined using their carry amounts.
- 4) The fair value of long-term loans is estimated using the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans.

c. The fair values of financial instruments were as follows:

	Amount Based on Quoted Market Price		Amount Determined Using Valuation Techniques	
	December 31		December 31	
	2010	2009	2010	2009
Assets				
Financial assets at fair value through profit or loss (FVTPL)	\$ -	\$ -	\$ 597	\$ -
Available-for-sale financial assets	23,204	33,425	-	-
Liabilities				
Financial liabilities at FVTPL	-	-	-	6,052

d. On financial assets at FVTPL that had fair values based on estimates obtained through valuation techniques, there were a gain of \$7,108 thousand in 2010 and a loss of \$564 thousand in 2009 due to the changes in fair values.

e. Financial risks

1) Market risk

The Corporation's available-for-sale assets were publicly traded securities, with fair values that are affected by changes in market prices.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Corporation if the counter-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The maximum of credit risk of financial instruments held by the Corporation is equal to its carrying values.

3) Liquidity risk

The Corporation's available-for-sale financial instruments are publicly traded in an active market and can be sold in the market at their fair values. Thus, no significant demand for extra cash is expected.

25. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau, Financial Supervisory Commission for the Corporation and its investees:

- a. Financing provided: Table 1 (attached)
- b. Endorsement/guarantee provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: None
- f. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: None
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 6 (attached)
- j. Derivative financial transactions:
 - 1) The Corporation held or issued derivative financial instruments in 2010 and 2009: Notes 5 and 24.
 - 2) In the Corporation's investees, only Shanghai Topoint Precision Technology Co., Ltd. (STPT) used derivative contracts in 2009 to manage exposures because of exchange rate fluctuations. STPT's hedge strategy was to use instruments with negative correlation to the values of the hedged items.

STPT did not use forward exchange contracts in 2010.

STPT had no outstanding forward exchange contracts as of December 31, 2009.

Net gains on forward exchange contracts held for trading were \$12,378 thousand in 2009.

a) Market risk

STPT uses forward exchange contracts to hedge against adverse exchange rate fluctuations of net assets, net liabilities or firm commitments. Thus, no significant market risk is anticipated.

b) Credit risk

STPT is exposed to credit risk on the default by counter-parties and third parties to forward contracts. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. The maximum of credit risk of financial instruments held by STPT is equal to its carrying values.

c) Liquidity risk

STPT uses forward exchange contracts to hedge against adverse exchange rate fluctuations of net assets, net liabilities or firm commitments. In addition, it has enough operating capital to meet cash demand. Thus, no significant demand for extra cash is expected.

k. Investment in Mainland China

- 1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 7 (attached)
- 2) Significant direct or indirect transactions with the investee company, prices, payment terms, and unrealized gain or loss:
 - a) Amount and percentage of sales; the balance and percentage of related accounts payables: Table 8 (attached)
 - b) Amount and percentage of purchase; the balance and percentage of related accounts receivables: Table 8 (attached)
 - c) Gain (loss) on and amounts of assets: Table 8 (attached)
 - d) The balance and purpose of note endorsement/guarantee provided or collateral security pledged: Table 2 (attached)
 - e) Maximum balance for the period, ending balance, interest rate and amount of financing provision: Table 1 (attached)
 - f) Other transactions which have significant influence over current year's gain or loss or financial status: None

26. SEGMENT INFORMATION

- a. Industry segment: The Corporation operates in a single industry - the manufacture and markets micro-drills, router and slot drill for printed circuit boards (PCBs), and mounting plate bolt roles for PCB manufacture.
- b. Geographic area information: The Corporation has no foreign operations.
- c. Export sales

Geographic Area	2010	2009
Asia	\$ 504,529	\$ 241,391
Europe	<u>-</u>	<u>1,669</u>
	<u>\$ 504,529</u>	<u>\$ 243,060</u>

d. Major customers

	2010		2009	
	Amount	% to Net Sales	Amount	% to Net Sales
Master dealer - A	\$ 338,595	28	\$ 316,905	35
Master dealer - B	<u>310,636</u>	<u>26</u>	<u>55,554</u>	<u>6</u>
	<u>\$ 649,231</u>	<u>54</u>	<u>\$ 372,459</u>	<u>41</u>

TABLE 1

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company Name	Counter-Party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Reasons	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
											Item	Value		
1	Topoint Technology Co., Ltd. (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Other receivables	US\$ 3,000	US\$ 3,000	1.73%	Short-term financing	\$ -	Operating turnover	\$ -	-	\$ -	(Note 3)	(Note 3)
2	Shanghai Topoint Precision Technology Co., Ltd.	Sharpoint Technology (Qinhuangdao) Co., Ltd.	Other receivables	RMB 9,000	RMB 9,000	5.31%	Short-term financing	-	Operating turnover	-	-	-	(Note 3)	(Note 3)
3	Unipoint Technology Co., Ltd.	Unipoint Technology Holdings Co., Ltd. (B.V.I.)	Other receivables	81,564 (US\$ 2,800)	81,564 (US\$ 2,800)	2.31%	Short-term financing (Note 2)	-	Operating turnover	-	-	-	\$ 107,301 (Note 1)	\$ 107,301 (Note 2)
4	Unipoint Technology Holdings Co., Ltd. (B.V.I.)	Unipoint Technology Shenzhen Co., Ltd.	Other receivables	US\$ 2,800	US\$ 2,800	2.31%	Short-term financing (Note 2)	-	Operating turnover	-	-	-	(Note 3)	(Note 3)

Note 1: The maximum financing allowed for a single party is limited to 40% of the net value of Unipoint Technology Co., Ltd. as of December 31, 2010.

Note 2: The maximum total financing provided is limited to 40% of the net value of Unipoint Technology Co., Ltd. as of December 31, 2010.

Note 3: The maximum financing allowed for foreign company which the Corporation and Unipoint Technology Co., Ltd. directly and indirectly held 100% voting shares of are unlimited.

TABLE 2

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEEES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts (Note 2)	Maximum Balance for the Period	Ending Balance	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement (%) (Note 4)	Maximum Collateral/Guarantee Amounts Allowable
		Name	Nature of Relationship						
0	Topoint Technology Co., Ltd. (the “Corporation”)	Shanghai Topoint Precision Technology Co., Ltd.	(Note 1)	\$ 1,848,479 (Note 2)	\$ 159,487 (US\$ 5,475)	\$ 10,924 (US\$ 375)	\$ -	-	\$ 3,080,799 (Note 2)
		Topoint Technology Co., Ltd. (B.V.I.)	Subsidiary	1,848,479 (Note 2)	87,390 (US\$ 3,000)	87,390 (US\$ 3,000)	-	3	3,080,799 (Note 2)
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	(Note 1)	1,848,479 (Note 2)	257,538 (US\$ 8,841)	211,222 (US\$ 7,251)	60,000	7	3,080,799 (Note 2)
		Unipoint Technology Shenzhen Co., Ltd.	(Note 1)	1,848,479 (Note 2)	48,356 (US\$ 1,660)	48,356 (US\$ 1,660)	-	2	3,080,799 (Note 2)
3	Unipont Technology Co., Ltd.	Unipoint Technology Shenzhen Co., Ltd.	(Note 1)	268,253 (Note 3)	87,390 (US\$ 3,000)	87,390 (US\$ 3,000)	-	33	268,253 (Note 3)

Note 1: Foreign company which the Corporation or Unipoint Technology Co., Ltd. indirectly held over 50% voting shares.

Note 2: The maximum total endorsement/guarantee provided is limited to the net value of the Corporation as of December 31, 2010. The maximum endorsement/guarantee provided for a single party is limited to 60% of the net value of the Corporation as of December 31, 2010.

Note 3: The maximum total endorsement/guarantee provided and the maximum endorsement/guarantee provided for a single party are limited to the net value of Unipoint Technology Co., Ltd.

Note 4: The rate is calculated in accordance with the financial statement of endorsement/guarantee provider.

TABLE 3**TOPOINT TECHNOLOGY CO., LTD. AND INVESTEEES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2010****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2010				
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value/ Net Asset Value	Note
Topoint Technology Co., Ltd.	<u>Stock</u>							
	Key Ware Electronics Co., Ltd.	-	Available-for-sale financial assets	2,536,000	\$ 4,895	2	\$ 23,204	Note 1
	Topoint Technology Co., Ltd. (B.V.I.)	Subsidiary	Long-term equity Investments accounted for by the equity method	5,180	1,967,733	100	1,967,899	Notes 2 and 3
	Unipoint Technology Co., Ltd.	Subsidiary	Long-term equity investments accounted for by the equity method	17,400,000	155,586	58	155,586	Note 2
	Warpspeed Corporation (B.V.I.)	Subsidiary	Long-term equity investments accounted for by the equity method	50,000	1,135	100	1,135	Note 2
	Topoint Japan Co., Ltd.	Subsidiary	Long-term equity investments accounted for by the equity method	600	(168)	100	(168)	Note 2
Topoint Technology Co., Ltd. (B.V.I.)	<u>Share certificates</u>							
	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary	Long-term equity investments accounted for by the equity method	-	US\$ 59,985	100	US\$ 59,985	Note 2
	Sharpoin Technology (Qinhuangdao) Co., Ltd.	Subsidiary	Long-term equity investments accounted for by the equity method	-	US\$ 8,119	100	US\$ 8,119	Note 2
Unipoint Technology Co., Ltd.	<u>Share certificates</u>							
	Unipoint Technology Holdings Co., Ltd. (B.V.I.)	Subsidiary	Long-term equity investments accounted for by the equity method	11,200	159,797	100	159,797	Note 2
Unipoint Technology Holdings Co., Ltd. (B.V.I.)	<u>Share certificates</u>							
	Unipoint Technology Shenzhen Co., Ltd.	Subsidiary	Long-term equity investments accounted for by the equity method	-	US\$ 5,486	100	US\$ 5,486	Note 2

Note 1: The market value was calculated at the closing price of the investee's shares as of December 31, 2010.

Note 2: All investment carrying values were based on audited financial statements.

Note 3: The difference between carrying value and net asset value was an unrealized profit of \$166 thousand from upstream and sidestream intercompany transactions.

TABLE 4

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEEES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain on Disposal	Shares (Thousands)	Amount (Note)
Topoint Technology Co., Ltd. (the “Corporation”)	Stock Unipoint Technology Co., Ltd.	Long-term equity investments accounted for by the equity method	-	Subsidiary	275,000	\$ 2,750	17,125,000	\$ 171,250	-	\$ -	\$ -	\$ -	17,400,000	\$ 174,000
	Topoint Technology Co., Ltd (B.V.I)	Long-term equity investments accounted for by the equity method	-	Subsidiary	4,400	914,337 (US\$ 27,300)	780	250,222 (US\$ 7,800)	-	-	-	-	5,180	1,164,559 (US\$ 35,100)
Topoint Technology Co., Ltd (B.V.I)	Sharpoin Technology (Qinhuangdao) Co., Ltd.	Long-term equity investments accounted for by the equity method	-	Subsidiary	-	-	-	250,222 (US\$ 7,800)	-	-	-	-	-	250,222 (US\$ 7,800)
Unipoint Technology Co., Ltd.	Unipoint Technology Holdings Co., Ltd. (B.V.I.)	Long-term equity investments accounted for by the equity method	-	Subsidiary	-	-	11,200	178,814 (US\$ 5,600)	-	-	-	-	11,200	178,814 (US\$ 5,600)
Unipoint Technology Holdings Co., Ltd. (B.V.I.)	Unipoint Technology Shenzhen Co., Ltd.	Long-term equity investments accounted for by the equity method	-	Subsidiary	-	-	-	178,814 (US\$ 5,600)	-	-	-	-	-	178,814 (US\$ 5,600)

Note: The ending balance is the initial investment cost.

TABLE 5

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEES

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE CAPITAL
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name (Note 2)	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Account Payable or Receivable	
			Purchase/ Sale	Amount	% to Total (Note)	Payment Terms	Unit Price	Payment Terms	Ending Balance(Note 1)	% to Total (Note 2)
Topoint Technology Co., Ltd.	Warpspeed Corporation (B.V.I.)	Subsidiary	Sale	\$ 310,636	26	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	\$ 38,226	12
Warpspeed Corporation (B.V.I.)	Topoint Technology Co., Ltd.	Parent company	Purchase	310,636	95	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(38,226)	81
	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd. (B.V.I.)	Sale	322,009	99	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	40,789	86
Shanghai Topoint Precision Technology Co., Ltd.	Warpspeed Corporation (B.V.I.)	Subsidiary of Topoint Technology Co., Ltd. (B.V.I.)	Purchase	322,009	60	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(40,789)	21

Note: The rate is calculated in accordance with individual financial statements of the corporation.

TABLE 6

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2010			Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 2)
				December 31, 2010	December 31, 2009	Shares	Percentage of Ownership	Carrying Value (Note 2)		
Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd. (B.V.I.)	British Virgin Islands	International investment	\$ 1,164,559	\$ 914,337	5,180	100	\$ 1,967,733	\$ 174,670	\$ 174,645 (Note 1)
	Unipont Technology Co., Ltd.	Republic of China	Testing of drill bits and mounting plate bolt holes	174,000	2,750	17,400,000	58	155,586	(21,676)	(12,586)
	Warpspeed Corporation (B.V.I.)	British Virgin Islands	International trade	1,569	1,569	50,000	100	1,135	(156)	(156)
	Topoint Japan Co., Ltd.	Japan	Selling electronic components	7,667	7,667	600	100	(168)	(219)	(219)
Topoint Technology Co., Ltd. (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Mainland China	Manufacturing and selling precision equipment and measurement facilities	921,271 (US\$ 27,500)	921,271 (US\$ 27,500)	-	100	1,747,363 (US\$ 59,985)	203,635 (US\$ 6,461)	203,635 (US\$ 6,461)
	Sharpoint Technology (Qinhuangdao) Co., Ltd.	Mainland China	Testing of drill bits and mounting plate bolt holes	250,222 (US\$ 7,800)	-	-	100	236,506 (US\$ 8,119)	2,647 (US\$ 84)	2,647 (US\$ 84)
Unipoint Technology Co., Ltd.	Unipoint Technology Holdings Co., Ltd. (B.V.I.)	British Virgin Islands	International investment	178,814 (US\$ 5,600)	-	11,200	100	159,797	(9,404)	(9,404)
Unipoint Technology Holdings Co., Ltd. (B.V.I.)	Unipoint Technology Shenzhen Co., Ltd.	Mainland China	Testing of drill bits and mounting plate bolt holes	178,814 (US\$ 5,600)	-	-	100	159,807 (US\$ 5,486)	(9,392) (US\$ -298)	(9,392) (US\$ -298)

Note 1: Investment gain is the investee’s net income of \$174,670 thousand plus unrealized profits of \$131 thousand from upstream intercompany transactions, and minus unrealized profits of \$156 thousand from sidestream intercompany transactions..

Note 2: The investees’ financial statements used as basis for calculating investment gains (losses) recognized had all been audited.

TABLE 7**TOPOINT TECHNOLOGY CO., LTD. AND INVESTEEES****INVESTMENT IN MAINLAND CHINA****YEAR ENDED DECEMBER 31, 2010****(In Thousands of New Taiwan Dollars and U.S. Dollars, Unless Stated Otherwise)**

Investee Company Name	Investor Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of January 1, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2010 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2010
						Outflow	Inflow					
Topoint Technology Co., Ltd. (the “Corporation”)	Shanghai Topoint Precision Technology Co., Ltd.	Manufacturing and selling precision equipment and measurement facilities	\$ 1,443,066 (US\$ 44,200)	Indirect: Through an investment company registered in a third region	\$ 914,337 (US\$ 27,300)	\$ -	\$ -	\$ 914,337 (US\$ 27,300)	100	\$ 203,635 (US\$ 6,461)	\$ 1,747,363 (US\$ 59,985)	\$ -
	Sharpoin Technology (Qinhuangdao) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	250,222 (US\$ 7,800)	Indirect: Through an investment company registered in a third region	-	250,222 (US\$ 7,800)	-	250,222 (US\$ 7,800)	100	2,647 (US\$ 84)	236,506 (US\$ 8,119)	-
Unipoint Technology Co., Ltd.	Unipoint Technology Shenzhen Co., Ltd.	Testing of drill bits and mounting plate bolt holes	178,814 (US\$ 5,600)	Indirect: Through an investment company registered in a third region	-	178,814 (US\$ 5,600)	-	178,814 (US\$ 5,600)	58	(9,392) (US\$ -298)	159,807 (US\$ 5,486)	-

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2010	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Stipulated by Investment Commission, MOEA (Note 4)
Topoint Technology Co., Ltd. (the “Corporation”)	\$ 1,164,559 (US\$ 35,100)	\$ 1,699,521 (US\$ 52,000) (Note 3)	\$ 1,848,479
Unipoint Technology Co., Ltd.	178,814 (US\$ 5,600)	178,814 (US\$ 5,600)	160,952

Note 1: Including the capitalization of retained earnings of US\$16,700 of Shanghai Topoint Precision Technology Co., Ltd.

Note 2: Investment gains (losses) and carrying values were recognized on the basis of the investee’s financial statements audited by the CPA of the Corporation.

Note 3: Investment amounts authorized by Investment Commission under the Ministry of Economic Affairs (MOEA) included the capitalization of retained earnings of US\$16,700 thousand of Shanghai Topoint Precision Technology Co., Ltd. and US\$200 thousand invested by Topoint Technology Co., Ltd.

Note 4: According to the Investment Commission under the MOEA, the Corporation’s issued capital is between \$80,000 thousand and \$5,000,000 thousand, and the upper limit on the Corporation’s investment is at the higher of 60% of the capital or \$80,000 thousand.

TABLE 8

TOPOINT TECHNOLOGY CO., LTD. AND INVESTEEES

**SIGNIFICANT TRANSACTIONS WITH THE INVESTEE COMPANY IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investor Company	Investee Company	Transaction Details	Amount	% to Total of Sales or Purchase	Deferred Gain	Note/Accounts Payable or Receivable		Note
							Ending Balance	% to Total	
0	Topoint Technology Co., Ltd. (the “Corporation”)	Shanghai Topoint Precision Technology Co., Ltd.	Sales	\$ 310,636	26	\$ 3,507	\$ 38,226	12	Note 1
			Purchase of materials	3,750	1	-	(271)	1	Note 1
		Sharpont Technology (Qinhuangdao) Co., Ltd.	Payment on behalf of others	-	-	-	270	-	Notes 1 and 2
			Sale of equipment	6,207	-	-	5,971	2	Note 1

Note 1: The Corporation’s transaction with Shanghai Topoint Precision Technology Co., Ltd. and sharpont Technology (Qinhuangdao) Co., Ltd. was made indirectly through Warpspeed Corporation (B.V.I.). The prices and payment terms were based on mutual agreement.

Note 2: The transaction refers to the Corporation’s purchase of new parts, material and supplies for Shanghai Topoint Precision Technology Co., Ltd.

TOPOINT TECHNOLOGY CO., LTD.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010/12/31		2009/12/31		LIABILITIES AND STOCKHOLDERS' EQUITY	2010/12/31		2009/12/31	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 765,294	14	\$ 638,379	13	Short-term loans	\$ 107,390	2	\$ 115,970	3
Financial assets at fair value through profit or loss	597	-	-	-	Notes payable	-	-	-	-
Available-for-sale financial assets	23,204	1	33,425	1	Accounts payable	121,597	2	80,743	2
Notes receivable	13,321	-	15,364	-	Income tax payable	22,209	1	56,968	1
Accounts receivable	773,845	14	560,146	11	Accrued expenses	176,728	3	145,891	3
Other financial assets	7,675	-	27,591	1	Financial liabilities at fair value through profit or loss	-	-	6,052	-
Inventories, net	360,095	7	426,004	9	Balance payable-machinery and equipment	197,951	4	9,733	-
Prepayments	73,621	1	24,957	-	Long-term loans - current portion	343,777	6	506,986	10
Deferred income tax assets	50,768	1	53,041	1	Other current liabilities	<u>3,094</u>	-	<u>2,125</u>	-
Certificates of deposits - restricted	60,000	1	-	-					
Other current assets	<u>197</u>	-	<u>363</u>	-	Total current liabilities	<u>972,746</u>	<u>18</u>	<u>924,468</u>	<u>19</u>
Total current assets	<u>2,128,617</u>	<u>39</u>	<u>1,779,270</u>	<u>36</u>	LONG-TERM LIABILITIES				
					Bonds payable	261,890	5	169,758	3
					Lont-term loans	<u>915,100</u>	<u>17</u>	<u>983,536</u>	<u>20</u>
					Total long-term liabilities	<u>1,176,990</u>	<u>22</u>	<u>1,153,294</u>	<u>23</u>
PROPERTY, PLANT AND EQUIPMENT					OTHER LIABILITIES				
Cost					Guarantee deposits	10,346	1	160	-
Land	75,652	2	75,652	2	Deferred income tax liabilities	<u>29,057</u>	-	<u>83</u>	-
Buildings and equipment	554,510	10	570,107	12	Total other liabilities	<u>39,403</u>	<u>1</u>	<u>243</u>	-
Machinery and equipment	4,085,956	76	3,743,905	75					
Transportation equipment	7,914	-	7,417	-	Total liabilities	<u>2,189,139</u>	<u>41</u>	<u>2,078,005</u>	<u>42</u>
Office equipment	6,754	-	6,671	-					
Miscellaneous equipment	<u>56,929</u>	<u>1</u>	<u>54,924</u>	<u>1</u>	STOCKHOLDERS' EQUITY				
Total cost	4,787,715	89	4,458,676	90	Capital stock, NT\$10.00 par value; authorized – 300,000 thousand				
Less: Accumulated depreciation	<u>1,710,509</u>	<u>32</u>	<u>1,393,507</u>	<u>28</u>	shares in 2010 and 200,000 thousand shares in 2009;				
	3,077,206	57	3,065,169	62	issued and outstanding - 133,922 thousand shares in 2010 and				
Construction in progress and prepayments for equipment	<u>31,163</u>	<u>1</u>	<u>17,824</u>	-	126,672 thousand shares in 2009	<u>1,339,216</u>	<u>25</u>	<u>1,266,718</u>	<u>25</u>
					Capital collected in advance	<u>1,388</u>	-	<u>8,860</u>	-
Net property, plant and equipment	<u>3,108,369</u>	<u>58</u>	<u>3,082,993</u>	<u>62</u>	Capital Surplus				
					Additional paid-in capital from share issuance in excess of par				
OTHER ASSETS					value	1,014,065	19	982,457	20
Refundable deposits	40,462	1	11,310	-	Bond conversion option	<u>41,506</u>	-	<u>26,212</u>	-
Deferred expenses	57,985	1	41,085	1	Total capital surplus	<u>1,055,571</u>	<u>19</u>	<u>1,008,669</u>	<u>20</u>
Deferred income tax assets	42,327	1	55,466	1	Retained Earnings				
Certificates of deposits - restricted	2,608	-	11,264	-	Legal reserve	168,026	3	148,995	3
Miscellaneous	<u>2,236</u>	-	<u>2,338</u>	-	Special reserve	16,803	1	16,803	-
					Unappropriated retained earnings	<u>496,480</u>	<u>9</u>	<u>317,106</u>	<u>7</u>
Total other assets	<u>145,618</u>	<u>3</u>	<u>121,463</u>	<u>2</u>	Total retained earnings	<u>681,309</u>	<u>13</u>	<u>482,904</u>	<u>10</u>
					Stockholders' equity and other adjustment				
					Cumulative translation adjustments	(14,994)		109,426	2
					Unrealized gains (losses) on financial instruments	<u>18,309</u>	-	<u>27,100</u>	<u>1</u>
					Total other equity adjustments	<u>3,315</u>	-	<u>136,526</u>	<u>3</u>
					Equity attributable to shareholders of the parent	3,080,799	57	2,903,677	58
					Minority interest	<u>112,666</u>	<u>2</u>	<u>2,044</u>	-
					Total stockholders' equity	<u>3,193,465</u>	<u>59</u>	<u>2,905,721</u>	<u>58</u>
TOTAL	<u>\$ 5,382,604</u>	<u>100</u>	<u>\$ 4,983,726</u>	<u>100</u>	TOTAL	<u>\$ 5,382,604</u>	<u>100</u>	<u>\$ 4,983,726</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 24, 2011)

TOPOINT TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF INCOME

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
SALES	\$ 2,147,294	100	\$ 1,718,702	100
LESS: SALES RETURNS	2,214	-	2,748	-
SALES DISCOUNTS AND ALLOWANCES	<u>422</u>	<u>-</u>	<u>1,126</u>	<u>-</u>
NET SALES	2,144,658	100	1,714,828	100
COST OF SALES	<u>1,392,206</u>	<u>65</u>	<u>1,215,047</u>	<u>71</u>
GROSS PROFIT	<u>752,452</u>	<u>35</u>	<u>499,781</u>	<u>29</u>
OPERATING EXPENSES				
Marketing and selling	99,449	5	73,593	4
General and administrative	150,006	7	101,693	6
Research and development	<u>68,988</u>	<u>3</u>	<u>22,584</u>	<u>1</u>
Total operating expenses	<u>318,443</u>	<u>15</u>	<u>197,870</u>	<u>11</u>
OPERATING INCOME	<u>434,009</u>	<u>20</u>	<u>301,911</u>	<u>18</u>
NONOPERATING INCOME AND GAINS				
Gain from valuation of financial liabilities	6,511		-	-
Foreign exchange gain, net			23,914	2
Gain on sale of investments, net	5,856	-	4,334	-
Interest income	5,401	-	1,704	-
Gain on disposal of property, plant and equipment	758	-	859	-
Gain from valuation of financial assets	597	-	-	-
Others	<u>6,235</u>	<u>-</u>	<u>2,720</u>	<u>-</u>
Total nonoperating income and gains	<u>25,358</u>	<u>1</u>	<u>33,531</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expenses	55,573	2	69,214	4
Foreign exchange loss	38,046	2		
Loss on disposal of property, plant and equipment	448	-	3,000	-

(Continued)

TOPOINT TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF INCOME

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
Loss on valuation of financial liability	-	-	564	-
Others	<u>631</u>		<u>3,640</u>	<u>1</u>
Total nonoperating expenses and losses	<u>94,698</u>	<u>4</u>	<u>76,418</u>	<u>5</u>
INCOME BEFORE INCOME TAX	364,669	17	259,024	15
INCOME TAX EXPENSE	<u>98,225</u>	<u>5</u>	<u>69,023</u>	4
NET INCOME	<u>\$ 266,444</u>	<u>12</u>	<u>\$ 190,001</u>	<u>11</u>
ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 275,548	13	\$ 190,304	11
Minority interests	(<u>9,104</u>)	(1)	(<u>303</u>)	-
	<u>\$ 266,444</u>	<u>12</u>	<u>\$ 190,001</u>	<u>11</u>
	2010/12/31		2009/12/31	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE				
Basic	<u>\$ 2.77</u>	<u>\$ 2.09</u>	<u>\$ 2.11</u>	<u>\$ 1.55</u>
Diluted	<u>\$ 2.51</u>	<u>\$ 1.90</u>	<u>\$ 2.07</u>	<u>\$ 1.52</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 24, 2011)

(Concluded)

TOPOINT TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 266,444	\$ 190,001
Adjustments to reconcile net income to net cash provided by operating activities:		
Allowance for Bad Debts(rotary)	(726)	227
Depreciation and amortization	365,520	352,171
Impairment loss		2,739
Employee Compensatory Cost		8,251
Gain on sale of investments, net	(5,856)	(4,334)
Net loss on disposal of property, plant and equipment	(310)	2,141
Gain from valuation of financial assets	(597)	-
Loss on valuation of financial liability	(6,511)	564
Provision for reversed pension costs	102	588
Deferred income tax	45,795	(21,914)
Discount on corporate bonds payable	8,108	1,458
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	2,146
Notes receivable	2,043	18,028
Accounts receivable	(212,583)	(129,602)
Other financial assets	19,916	22,678
Inventories	66,872	228,838
Prepayments	(48,664)	(17,066)
Other current assets	166	(359)
Other assets	-	-
Notes payable		(10,733)
Accounts payable	40,854	8,578
Income tax payable	(34,759)	21,657
Accrued expenses	41,033	(31,025)
Other current liabilities	969	350
Net cash provided by operating activities	<u>547,816</u>	<u>645,382</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets		(78,000)
Proceeds from disposal of available-for-sale financial assets	7,286	94,260
Decrease (increase)in certificates of deposits - restricted	(51,344)	45,758
Acquisition of property, plant and equipment	(311,782)	(441,772)
Proceeds of the disposal of property, plant and equipment	7,865	53,139
Decrease (increase) in refundable deposits	(29,152)	(4,558)
Increase from deferred assets	(24,144)	(1,214)
Decrease in miscellaneous assets	-	-
Net cash used in investing activities	<u>(401,271)</u>	<u>(332,387)</u>

(Continued)

TOPOINT TECHNOLOGY CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(8,580)	(59,346)
Net decrease in commercial paper	-	-
Increase in long-term loans	831,675	351,407
Repayment of long-term loans	(1,034,632)	(1,023,650)
Decrease in deposits received	(10)	(4)
Cash dividends paid	(38,571)	(10,586)
Proceeds from exercise of employee stock options	7,839	28,238
Proceeds from issuance of convertible bonds	150,000	200,000
Proceeds from issuance of capital stock	-	210,000
Increase from minority interest	123,764	2,250
Purchase minority interest	-	(3,330)
Net cash provided by financing activities	<u>31,485</u>	<u>(305,021)</u>
NET INCREASE(DECREASE) IN CASH	178,030	7,974
CASH, BEGINNING OF YEAR	638,379	673,073
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(51,115)	(42,668)
CASH, END OF YEAR	<u>\$ 765,294</u>	<u>\$ 638,379</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 47,613	\$ 73,337
Less: Interest capitalized	-	(4,535)
Interest paid excluding capitalized interest	<u>\$ 47,613</u>	<u>\$ 68,802</u>
Income tax paid	<u>\$ 87,188</u>	<u>\$ 69,281</u>
NONCASH FINANCING ACTIVITIES		
Current portion of long-term loans	<u>\$ 343,777</u>	<u>\$ 506,986</u>
Conversion of convertible bonds	<u>\$ 43,670</u>	<u>\$ -</u>
CASH PAID FOR PROPERTY ACQUISITION		
Increase in properties	\$ 500,000	\$ 86,646
Net decrease (increase) in payables on equipment	(188,218)	355,126
Cash paid	<u>\$ 311,782</u>	<u>\$ 441,772</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 24, 2011)

(Concluded)

VII. Review of financial position, management performance and risk management

1. Financial position

A. Financial status comparison analysis

Unit:NT\$1,000

Item \ Year	2010	2009	Difference	
			Amount	%
Current assets	\$877,228	\$887,010	(9,782)	(1.10)
Fixed assets	1,390,504	1,564,074	(173,570)	(11.10)
Other assets	42,826	67,188	(24,362)	(36.26)
Total assets	4,435,012	4,183,822	251,190	6.00
Current liabilities	393,829	503,239	(109,410)	(21.74)
Long-term liabilities	890,362	704,520	185,842	26.38
Other liabilities	70,022	72,386	(2,364)	(3.27)
Total liabilities	1,354,213	1,280,145	74,068	5.79
Common stock	1,340,604	1,275,578	65,026	5.10
Capital surplus	1,055,571	1,008,669	46,902	4.65
Retained earnings	681,309	482,904	198,405	41.09
Total shareholders' equity	3,080,799	2,903,677	177,122	6.10
<p>Note:</p> <p>(1) Other assets decrease is mainly due to the decrease of deferred income tax assets in 2010.</p> <p>(2) Current liabilities decrease is mainly due to the decrease of Long-term loans - current portion in 2010.</p> <p>(3) Long-term liabilities increase is mainly due to the Bonds payable in 2010.</p> <p>(4) Retained earnings increase is mainly due to the increase of NET INCOME in 2010.</p>				

2. Management performance

A. Comparison of business performance

Unit: NT\$ 1,000

Item \ Year	2010	2009	Amount change	Ratio change (%)
Net operating income	\$1,211,763	\$915,801	295,962	32.32
Operating cost	881,295	692,862	188,433	27.20
Gross profit	326,961	230,427	96,534	41.89
Operating expense	139,130	116,174	22,956	19.76
Operating income	187,831	114,253	73,578	64.40
Non-operating income and gain	190,126	120,745	69,381	57.46
Non-operating expense and loss	57,962	29,501	28,461	96.47
Net income before tax	319,995	205,497	114,498	55.72
Income tax expense(gain)	44,447	15,193	29,254	192.55
Net income	275,548	190,304	85,244	44.79

Analysis of financial ratio change:

- (1) Sales revenue increase is mainly due to the increase customer demand in 2010.
- (2) For gross margin increase, please refer to B. Analysis of Gross profit.
- (3) Non-operating income and gain increase is mainly due to the increase of gain of investments in 2010.
- (4) Non-operating expense and loss increase is mainly due to the increase of foreign exchange loss in 2010.

B. Analysis of Gross profit

Unit: NT\$ 1,000

Item	Change amount	Root cause			
		Price	Cost	Sales	Quantity
Gross margin	107,529	34,451	203	(1,201)	74,076
Remark	1. Selling difference was between the price of selling price adjustments in 2010. 2. Cost difference between price and no significant change in sales mix. 3. The quantity difference is mainly due to the increase of the total sales .				

C. KPI

Industry-specific Key Performance Indicator (KPI):

The Company periodically reviews various financial and industrial key performance indicators among businesses in the same industry to control the competitive advantages and industrial movements in a timely manner. The key performance indicator analyses in 2010 are as follows (consolidated number):

Market Share (%)	22%
Quality Yield Rate (%)	97.5%
Production Utilization (%)	91%

3. Analysis of Cash Flows

A. Liquidity analysis of the last two years

Item \ Year	2010	2009	Fluctuation ratio %
Cash flow ratio	100.66	78.44	28.33%
Cash adequacy ratio	71.92	51.67	39.19%
Cash reinvestment ratio	7.39	8.92	(17.15)%
Analysis of financial ratio change: (1) The cash adequacy ratio increase is mainly due to the decrease of current liabilities in 2010. (2) The cash reinvestment ratio increase is mainly due to the increase of cash flows from operating activities, decrease of Capital expenditure and Inventories.			

B. Analysis of cash liquidity in one year

Unit:NT\$ 1,000

Beginning cash balance	Expected net cash flow from operating activity of the year	Expected cash outflow of the year	Expected cash surplus (deficit)	Remedial measures for the expected insufficient cash	
				Investing activity	Financing activity
259,607	354,789	281,311	333,085	-	-
Remedial measures for the expected insufficient cash and liquidity analysis: N/A					

4. Impact of major capital expenditure on finance and business: N/A

5. Most recent fiscal year investment policies, reasons for gain or loss and action plan in regard to investment plans in current year and the next year:

- (1) Most recent fiscal year investment policies: The degree of reinvestment profit, mainly integrated platform to increase revenues and profits as the main policies.
- (2) The main reason for reinvestment profit: The company in 2010 under the equity method Investment income is NT\$161,684,000, mainly overseas investee companies operating in good condition, due to profit.
- (3) Investment plans next year:Based on "discipline, insistence and innovation", the perspective of long-term strategic investment plan carefully assessed.

6. Risk Management

(1) Organization structure of risk management:

Name	Responsibility
High-ranked management level (CEO, president)	-Establish risk management decision and structure -Ensure the effectiveness of risk management policy
Chairman's Office	-Implement risk management policy -Coordinate the risk management interaction and communication between cross departments -Organize the implementation results of risk management activity -Assist and supervise the risk management activities of the branches
Headquarters and the various departments	-Implement daily risk management activities -Self-evaluate the process of risk control activity

(2) Risk Factors

- ①. Management of Economy Risk: the impact of changes of recent annual interest rate and exchange rate, and inflation on company income and future countermeasures:
 - a. Interest rate: The Company's interest expenses in 2010 and 2009 are respectively \$22,011,000 and \$28,554,000, which is reduce the amount of borrowing and interest rates. The company is in accordance with the fund demand and received a more favorable market loan financing interest rate and fund raising pathway, and has the most effective fund scheduling to reduce the interest expense.
 - b. Exchange rate: The Company's exchange profit in 2010 and 2009 are respectively \$(35,604 ,000)and \$7,715 ,000,therefore, the exchange profit does not have a significant influence on company profit. In exchange rate fluctuations, the company closely monitors the changes in foreign exchange rate, the foreign currency assets and liabilities adopted long-term foreign exchange risk hedging trading strategy to reduce currency exchange risk.
 - c. Inflation: There is no significant influence on the company's profit due to inflation this year.
 - d. Future corresponding measures: The Company has grasped the changing situation of the upstream raw material price to reduce the impact on the company profit due to the raw material cost difference.

The economic risks control is responsible by the finance department.

- ②. Management of Finance Risk: transactions of high risk, high leverage investment, loan funds to others, endorsement, and derivatives commodity:
 - a. Transactions of high risk or high leverage investment: N/A.
 - b. The company has set up "loan funds to others", "endorsement" and "transaction of derivatives commodity", etc. operation measures to be the base of the operation. Transactions of loaning funds to others is due to the invested subsidiary having the demand for short-term financing, therefore, until the end of December 31, 2010, the balance of loan funds to others See pages 89 of the annual report. The balance of endorsement for subsidiaries, due to business relations, is See pages 90 of the annual report till the end of December 31, 2010. The balance of transaction of derivatives commodity for subsidiaries, due to business relations, is See pages 86~87 of the annual report till the end of December 31, 2010.
The finance risks control is responsible by the finance department.
- ③. Future R&D plans and expected R&D investment expense
The future research and development still focuses on micro drills (0.03mm), the expected investment amount is about 3% of the operating revenue. This will help to cope with the industrial technology demand to increase the development of Flipchip drill performance and DDRII tools.
- ④. The impact of change in major policies, and laws, in Taiwan, and abroad, upon the financial standing of the company and the countermeasures:
In accordance with the implementation of Financial Accounting Standards No.34 and No.36, the company has met the relevant laws and regulations; therefore, there is no significant impact on the company's financial operation. The operations of the company have all followed the relevant laws and regulations, and noticed the policy direction and corresponded with the strategy appropriately; therefore, the company can always effectively correspond and grasp the domestic and international important policy and legal changes.
- ⑤. The impact of change in technology and industry upon the financial standing of the company and the countermeasures:
The company always attaches great attention to the relevant technology changes of the industry to grasp the market trend and assess the impact it may cause to the company operations.
- ⑥. The impact of change in corporate image upon corporate risk management and the countermeasures:
Since the establishment of the company, it has been actively strengthening internal management, improving management quality and effectiveness, continuing to follow and implement various corporate governance requirements, setting up independent directors and supervisors, and appointing relevant experts to provide timely advice to reduce the occurrence of risks and the impact of risks to the company.
- ⑦. Expected benefit(s) and possible risk(s) for M&A activities: N/A
- ⑧. Expected profit and possible risk of plant expansion: N/A
- ⑨. Purchase and sales risks and the countermeasures: The Company sought to scatter suppliers or customers to reduce its risk caused by excessive concentration.
- ⑩. The impact upon and potential risks for the company due to a significant transfer and the impact upon and potential risks for the company due to a significant transfer and change in shareholding

of the directors and supervisors or major shareholders holding over 10%: N/A

⑪. The impact of change in management and its potential risks: N/A

⑫. Litigation and non-litigation matters:

a. The company's major legal issues, non-legal issues, or administrative lawsuits settled or pending that may have a significant impact on shareholders' equity or security price in the past two years: N/A

b. The major legal issues, non-legal issues, or administrative lawsuits settled or pending involved with the directors, supervisors, president and essential persons in charge, shareholders holding over 10% of shares that may have a significant impact on shareholders' equity or security price in the past two years:

i. The director- China Development Industrial Bank was the director and supervisor of Cheng I Co., Ltd. (herein as Cheng I Co.) in 1998, and was accused of falsifying Cheng I Co.'s financial statements and prospectus and has resulted in investment losses by He Jin-Xia, etc. 389 people, therefore, the amount of \$71,018,000 was requested (51 plaintiffs settled out of court for the amount of \$69,780,000), and China Development Industrial Bank is jointly and severally liable. The Taipei District Court dismissed the plaintiff's claim on November 30, 2006; 321 plaintiffs filed an appeal for the claim amount of NT\$68,382, which is currently being processed in the Taiwan High Court.

ii. The director Cheng Tun-Chien appointed by Hong Cheng Venture Capital was prosecuted by a prosecutor of the Taiwan Taipei District Court, Prosecutors Office as a suspect of violating the Securities Trading Act on August 18, 2008. The Taiwan Taipei District Court made acquitted judgment on April 23, 2010. prosecutor filed an appeal for the claim which is currently being processed in the Taiwan High Court on August 3, 2010.

iii. Hong Cheng Venture Capital and its representative, Cheng Tun-Chien was accused by the Securities and Futures Investors Protection Center for violating the Securities Trading Act on July 14, 2009. Hong Cheng Venture Capital and Cheng Tun-Chie were jointly requested to pay NT\$26,623,500 dollars and the interest calculated by 5% per annum from the next day of receiving the complaint to the settlement day. The case is now under investigation of the Taiwan Taipei District Court. Securities and Futures Investors Protection Center filed an appeal for the claim which is currently being processed in the Taiwan High Court on December 21, 2010.

⑬. Other major risks and countermeasures:

a. Market risk

The Corporation's available-for-sale assets were publicly traded securities, with fair values that are affected by changes in market prices. Since the Corporation carefully chooses its investments, there is no significant market risk. In addition, the Corporation uses forward exchange contracts to offset the exchange rate fluctuations of net assets, net liabilities or firm commitments. Thus, no significant market risk is anticipated.

b. Credit risk

The Corporation is exposed to credit risk on the default by counter-parties to forward contracts. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. As a result, no material losses resulting from counter-party defaults are anticipated.

c. Liquidity risk

The Corporation's available-for-sale financial instruments are publicly traded in an active market and can be sold in the market at their fair values. In addition, the Corporation has enough operating capital to meet cash demand. Thus, no significant demand for extra cash is expected.

The Other major risks control is responsible by the finance department.

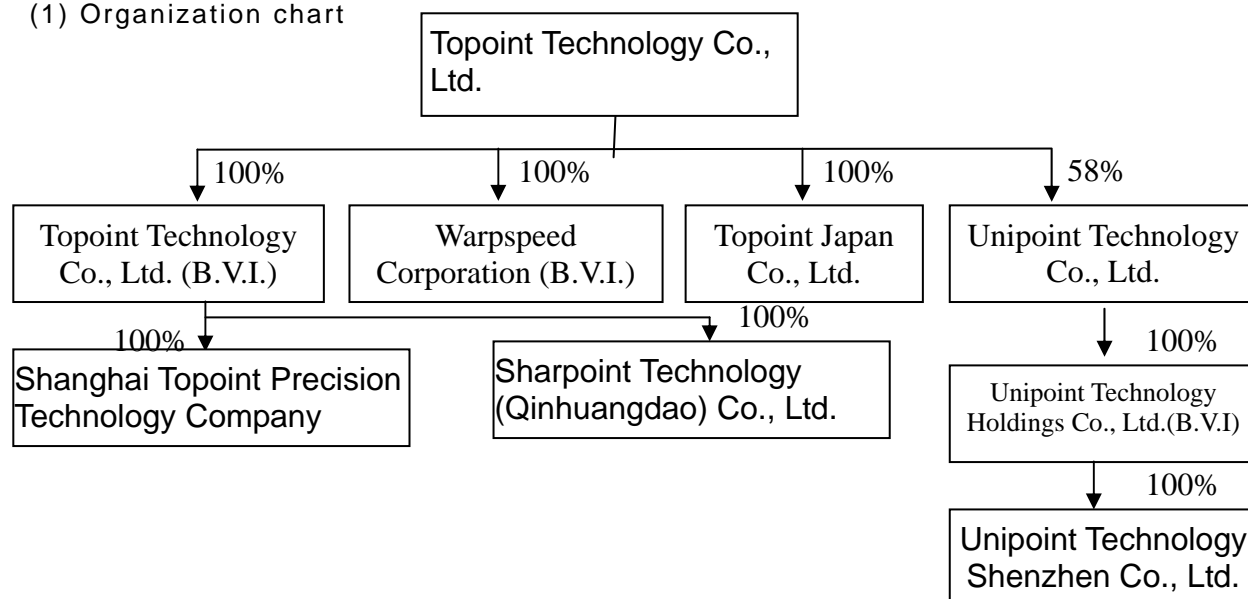
7. Other important matters: N/A

VIII. Special Disclosures

1. Information of Affiliated Firms

A. Affiliates Consolidated Business Report

(1) Organization chart



(2) Basic information

Name of the invested company	Area	Major business	Paid-up capital Unit: NT\$ 1,000
Topoint Technology Co., Ltd.(B.V.I.)	British Virgin Islands	International Investment	1,164,559
Unipoint Technology Co., Ltd.	Republic of China	Hole drilling service & drill bits test	300,000
Warp speed Corporation (B.V.I.)	British Virgin Islands	International Trade	1,569
Topoint Japan Co., Ltd.	Japan	Sales of electronic components	7,667
Shanghai Topoint Precision Technology Company	China	The production and sales of precision cutting tools and automatic measuring tools	1,443,066
Sharp point Technology (Qinhuangdao) Co., Ltd.	China	Hole drilling service & drill bits test	250,222
Unipoint Technology Holdings Co., Ltd.(B.V.I)	British Virgin Islands	International Trade	178,814
Unipoint Technology Shenzhen Co., Ltd.	China	Hole drilling service & drill bits test	178,814

(3) The shareholder's information presumed to have control and subordination: N/A

(4) The industry covered by the overall affiliates operating business

The operating business of the company and its affiliated enterprises

include the R&D, manufacture, and sales of drills, etc.

(5) Affiliated enterprises directors, supervisors, and presidents

Company Name	Position	Name/Representative	Share holding	
			Amount	%
Topoint Technology Co., Ltd.(B.V.I.)	Major Shareholder	Topoint Technology/ Lin Shu-Ting	5,180	100%
Unipoint Technology Co., Ltd.	Major Shareholder	Topoint Technology/ Lin Shu-Ting	17,400,000	58%
Warspeed Corporation (B.V.I.)	Major Shareholder	Topoint Technology/ Lin Shu-Ting	50,000	100%
Topoint Japan Co., Ltd.	Director	Topoint Technology/ Lin Shu-Ting	600	100%
Shanghai Topoint Precision Technology Company	Director	Lin Shu-Ting	-	-
	Director	Wang Chia-Hong	-	-
	Director	Chen Shiu-Tao	-	-
Sharpoint Technology (Qinhuangdao) Co., Ltd.	Director	Wang Chia-Hong	-	-
	Director	Lin Shu-Ting	-	-
	Director	Yen Chang-Lung	-	-
Unipoint Technology Holdings Co., Ltd.(B.V.I)	Major Shareholder	Unipoint Technology / Lin Shu-Ting	11,200	100%
Unipoint Technology Shenzhen Co., Ltd.	Director	Liu Chen-hsien	-	-
	Director	Lin Shu-Ting	-	-
	Director	Chen Guan-Fu	-	-

B. Affiliates Consolidated Financial Statements: See P.97~P.101

The affiliates of Topoint Technology Co., Ltd., which should have been included in the combined financial statements of Topoint Technology and its affiliates, as of 2010 (from January 1, 2010 to December 31, 2010), based on the “Principles and Guidelines for Preparation of the Affiliates Consolidated Business Report, Affiliates Consolidated Financial Statements, and the Report.”, are the same as those included in the consolidated financial statements of Topoint Technology and its subsidiaries as of 2010, prepared under the Statement of Financial Accounting Standards No.7. The information required to be disclosed in the consolidated financial statements has already been disclosed in the above consolidated financial statements. Consequently, there is no need to prepare a separate consolidated financial statement of Topoint Technology and its affiliates.

C. Affiliation Report: N/A

2. Subscription of marketable securities privately in the most recent years:

Securities Offered by Private Placement

April 30, 2010

	2009 First Private Placement (note 1) Issuing Date: September 23, 2009	2010 Second Private Placement (note 1) Issuing Date: May 19, 2010
Category (note 2)	Convertible corporate bond	Convertible corporate bond
Date and amount approved by the shareholders' meeting (note 3)	June 10, 2009; private fund limit: NT\$350 million	June 10, 2009; private fund limit: NT\$350 million
Pricing base and rationality	<p>(1) The reference price shall be the simple average closing price of either one, three or five days prior to the pricing date for common shares of the Corporation trading in the stock exchange market deducted by the ex-right of stock dividend plus the stock price reversed from the ex-right stock against capital reduction.</p> <p>(2) The conversion price of this convertible corporation bond shall be at least the 70% of the reference price. If the actual subscription price is lower than 80% of reference price, the expert shall be commissioned to issue the opinions pursuant to laws. The board of directors is authorized to determine the actual pricing date and subscription price depending on consulting with specific persons and market condition upon approval of shareholders' meeting</p> <p>(3) The conversion price of this convertible corporation bond shall be based on the pricing date, which is one day prior to the board meeting for discussion of this private placement proposal.</p>	
Selection of specific persons (note 4)	The specific persons are selected in accordance with regulations set forth in Article 43-6 of Securities and Exchange Act	
The Justification of the Private Placement	<p>(1) The reason that public offering was not adopted: in consideration of time efficiency, convenience, issuing cost and share stability such factors as raising capital, therefore the private placement was adopted.</p> <p>(2) The purpose of capital and expected effect: this privately raised fund will be used to replenish working capital, repayment of bank loans and capital demand for future development of the Company. It is expected to improve the financial structure, help stable growth of operation and positively affect shareholders' equity</p>	

Date of contribution	September 13, 2009					May 7, 2010				
Subscriber information	Target (note 5)	Qualification	Amount (Unit:NT\$ 1,000)	Relation to the Company	Involvement in Operation	Target	Qualification	Amount (Unit:NT\$ 1,000)	Relation to the Company	Involvement in Operation
	Foxconn Advanced Technology, Inc.	The company with total assets exceeding NT\$50 million in the latest financial statements audited by CPA	100,000	Downstream industry	None	ASUSPOWER Investment Co., LTD.	The company with total assets exceeding NT\$50 million in the latest financial statements audited by CPA	100,000	None	None
	UMC Capital Corporation	Director of the Corporation	50,000	Internal personnel	BOD Member	CDIB Venture Capital Corporation	The company with total assets exceeding NT\$50 million in the latest financial statements audited by CPA	50,000	None	None

	Shin Yang Investment	The company with total assets exceeding NT\$50 million in the latest financial statements audited by CPA	40,000	None	None	-	-	-	-	-
	Subtron Corporation	Same as above	10,000	Downstream industry	None	-	-	-	-	-
Actual Subscription (or Conversion) Price (note 7)	NT\$21.7					NT\$21.7				
The difference between the Actual and Referential Subscription (or Conversion) Price (note 7)	The convertible price of this bond offered by private placement will be 70% of the reference price					The convertible price of this bond offered by private placement will be 70.7% of the reference price				
Influence of Private Funds on Shareholders' Equity (such as increasing accumulated deficit)	As to shareholders, though the convertible corporate bond issuance may slightly increase the liabilities of the Corporation, the liabilities will be reduced and the shareholders' equity will increase by converting the corporate bond into common shares.									

Drawing on the private fund and progress of project implementation	See pages 34~35 of the annual report	See pages 35~36 of the annual report
Emergence of Private Fund Effect	See pages 34~35of the annual report	See pages 35~36 of the annual report

Note 1: The number of columns will be adjusted in accordance with the number of projects actually processed. It shall be listed separately for private funds offered in installments.

Note 2: It refers to common shares, preferred shares, convertible preferred shares, preferred shares with warrants, common corporate bond, convertible corporate bond, corporate bond with warrants, Euro-Convertible Bond (ECB), Global Deposit Receipt (GDR) and stock option types of private placement.

Note 3: Fill out the date and amount approved by the board of directors if the corporate bond offered by private placement is not required for the approval of the shareholders' meeting.

Note 4: When subscribers of private placement fund have been consulted with, the name of the subscriber and their relation to the Company shall be specified.

Note 5: The number of columns will be adjusted in accordance with the actual number as required.

Note 6: Fill out sections 1, 2, or 3 of paragraph 1 of Article 46-1 of the Securities and Exchange Law

Note 7: The actual subscription (conversion) price means the subscription (conversion) price stipulated as issuance of securities offered by private placement.

3. The stock shares of the company held or disposed by the subsidiaries in the most recent years: N/A

4. Supplementary disclosures: N/A

5. Occurrence of events defined in Securities Transaction Law Article 36.2.2 that has great impact on shareholder's equity or security price in the most years and up to the date of the report printed: N/A

TOPOINT TECHNOLOGY CO., LTD.

Chairman: Xu-Ting Lin