Systex Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Systex Corporation

We have audited the accompanying consolidated balance sheets of Systex Corporation (the "Corporation") and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation and subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements as of and for the years ended December 31, 2010 and 2009 of Systex Information (H.K.) Ltd., which is a consolidated subsidiary. The aggregate assets of this subsidiary as of December 31, 2010 and 2009 amounted to NT$289,204 thousand and NT$219,367 thousand, respectively, or about 1.68% and 1.35% of the respective consolidated assets. The aggregate net operating revenues of this subsidiary in 2010 and 2009 were about NT$582,433 thousand and NT$440,361 thousand, respectively, or about 4.55% and 3.51% of the respective consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2010 of AFE Solutions Limited and Enrichment I Venture Capital Corporation, and the financial statements as of and for the year ended December 31, 2009 of AFE Solutions Limited, Enrichment I Venture Capital Corporation and Taifon Computer Co., Ltd., the investments in which were accounted for by the equity method, as shown in the accompanying consolidated financial statements. The aggregate carrying values of these equity-method investments as of December 31, 2010 and 2009 were NT$387,825 thousand and NT$436,004 thousand, respectively, or about 2.25% and 2.68% of the respective consolidated assets. The amounts of the equity in their net income were NT$86,541 thousand and NT$114,848 thousand, or about 7.38% and 7.25% of the consolidated pretax income of 2010 and 2009, respectively. The subsidiary and investees' financial statements were audited by other auditors whose reports have been furnished to us and, our opinion, insofar as it relates to the amounts included for these subsidiary and investees, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Systex Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

March 1, 2011

Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2010		2009	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,699,088	10	$ 2,456,615	15
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	5,885,383	34	5,010,789	31
Available-for-sale financial assets - current (Notes 2 and 6)	276,220	2	351,610	2
Notes receivable, net (Notes 2 and 7)	120,414	1	144,354	1
Accounts receivable, net (Notes 2 and 7)	2,295,090	13	1,905,256	12
Lease receivables, net (Notes 2 and 8)	26,640	-	26,631	-
Receivables from related parties (Note 25)	16,412	-	5,986	-
Other receivables	26,613	-	33,273	-
Inventories (Notes 2, 3 and 9)	1,169,569	7	1,010,746	6
Prepayments	280,307	2	165,136	1
Deferred income tax assets - current (Notes 2 and 21)	33,794	-	61,386	1
Pledged time deposits - current (Note 26)	306,496	2	217,556	1
Refundable deposits - current (Note 27)	96,866	-	102,978	1
Other current assets	21,359	-	26,318	-
Total current assets	12,254,251	71	11,518,634	71
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Notes 2 and 10)	589,463	3	1,105,169	7
Investments accounted for by the equity method (Notes 2 and 11)	1,158,381	7	742,410	4
Total long-term investments	1,747,844	10	1,847,579	11
PROPERTY AND EQUIPMENT (Notes 2, 12 and 26)				
Cost				
Land	1,041,697	6	946,220	6
Buildings	1,512,741	9	1,517,748	9
Computer equipment	644,729	4	684,919	4
Transportation equipment	13,808	-	20,111	-
Leasehold improvements	113,894	-	137,006	1
Other equipment	135,258	1	157,241	1
Total cost	3,462,127	20	3,463,245	21
Less: Accumulated depreciation	1,003,617	6	1,042,759	6
Less: Accumulated impairment loss	32,832	-	32,195	-
Prepayments for equipment	2,449	-	16,287	-
Net property and equipment	2,428,127	14	2,404,578	15
INTANGIBLE ASSETS (Note 2)				
Computer software	58,385	-	56,675	-
Goodwill	79,259	1	67,481	1
Technological expertise	211,743	1	-	-
Total intangible assets	349,387	2	124,156	1
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 13)	123,102	1	37,121	-
Idle assets, net (Notes 2 and 14)	14,962	-	45,017	-
Refundable deposits - noncurrent (Note 27)	148,963	1	126,640	1
Deferred charges, net (Note 2)	14,669	-	14,611	-
Long-term lease receivables, net (Notes 2 and 8)	12,096	-	24,981	-
Long-term receivables from related parties (Note 25)	16,249	-	-	-
Deferred income tax assets - noncurrent (Notes 2 and 21)	72,158	1	75,308	1
Pledged time deposits - noncurrent (Note 26)	48,993	-	69,772	-
Others (Notes 2 and 18)	10,445	-	3,963	-
Total other assets	461,637	3	397,413	2
TOTAL	$ 17,241,246	100	$ 16,292,360	100

	2010		2009	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 15)	$ 98,239	1	$ 79,000	1
Short-term bills payable (Note 16)	9,948	-	19,986	-
Notes and accounts payable	2,013,532	12	1,660,499	10
Payables to related parties (Note 25)	1,700	-	19,487	-
Income tax payable (Notes 2 and 21)	75,704	-	18,213	-
Accrued expenses (Note 19)	561,959	3	564,095	4
Other payables	10,598	-	26,969	-
Receipts in advance	392,901	2	228,758	1
Current portion of long-term bank loans (Notes 17 and 26)	7,377	-	-	-
Other current liabilities	118,321	1	96,792	1
Total current liabilities	3,290,279	19	2,713,799	17
LONG-TERM LIABILITIES				
Long-term bank loans (Notes 17 and 26)	57,171	-	-	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 18)	71,316	1	70,428	-
Others (Notes 2 and 25)	23,191	-	13,841	-
Total other liabilities	94,507	1	84,269	-
Total liabilities	3,441,957	20	2,798,068	17
EQUITY ATTRIBUTABLE TO THE PARENT'S STOCKHOLDERS (Notes 2, 19 and 20)				
Capital stock - par value NT$10, authorized - 400,000 thousand shares; issued and outstanding - 266,549 thousand shares in 2010 and 265,320 thousand shares in 2009	2,665,493	16	2,653,194	16
Advance receipts for common stock - 16 thousand shares in 2010 and 151 thousand shares in 2009	162	-	1,512	-
Total capital stock	2,665,655	16	2,654,706	16
Capital surplus				
Additional paid-in capital	8,597,169	50	8,570,993	52
Treasury stock transactions	821,744	5	772,738	5
Gain on sale of property and equipment	4,493	-	4,493	-
Donations	544	-	544	-
Long-term investments	56,015	-	6,216	-
Employee stock options	24,422	-	14,364	-
Total capital surplus	9,504,387	55	9,369,348	57
Retained earnings				
Legal reserve	423,513	2	283,073	2
Special reserve	-	-	233,051	1
Unappropriated earnings	2,007,058	12	1,404,394	9
Total retained earnings	2,430,571	14	1,920,518	12
Other equity				
Cumulative translation adjustments	(399,144)	(3)	(37,223)	-
Unrealized gain (loss) on financial instruments	(44,446)	-	13,076	-
Unrealized revaluation increment	56	-	56	-
Treasury stock - 24,520 thousand shares	(869,672)	(5)	(869,672)	(5)
Total other equity	(1,313,206)	(8)	(893,763)	(5)
Total equity attributable to the parent's stockholders	13,287,407	77	13,050,809	80
MINORITY INTEREST	511,882	3	443,483	3
Total stockholders' equity	13,799,289	80	13,494,292	83
TOTAL	$ 17,241,246	100	$ 16,292,360	100

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

(With Deloitte & Touche audit report dated March 1, 2011)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2, 5, 11 and 25)				
Sales	$ 8,636,270	67	$ 8,140,983	65
Less: Sales returns and allowances	21,708	-	26,057	-
Net sales	8,614,562	67	8,114,926	65
Service revenue	3,526,602	28	3,312,766	26
Others	654,875	5	1,119,783	9
Total operating revenues	12,796,039	100	12,547,475	100
OPERATING COSTS (Notes 2, 3, 10, 22 and 25)				
Cost of goods sold	6,951,677	54	6,550,230	52
Service cost	1,708,922	13	1,537,599	12
Others	56,110	1	83,757	1
Total operating costs	8,716,709	68	8,171,586	65
GROSS PROFIT	4,079,330	32	4,375,889	35
UNREALIZED GROSS PROFIT (Notes 2 and 25)	13,672	-	-	-
REALIZED GROSS PROFIT	4,065,658	32	4,375,889	35
OPERATING EXPENSES (Notes 19 and 22)				
Selling expenses	2,265,735	18	2,228,550	18
General and administrative expenses	372,984	3	439,357	4
Research and development expenses	432,453	3	418,412	3
Total operating expenses	3,071,172	24	3,086,319	25
OPERATING INCOME	994,486	8	1,289,570	10
NON-OPERATING INCOME AND GAINS				
Interest income	3,751	-	4,777	-
Investment income recognized under equity method, net (Notes 2 and 11)	6,390	-	36,665	-
Dividend income	21,938	-	15,685	-
Gain on sale of investments, net (Note 2)	116,847	1	-	-
Exchange gain, net (Note 2)	-	-	13,377	-
Reversal of allowance for doubtful accounts	14,585	-	60,928	1
Valuation gain on financial assets, net (Notes 2 and 5)	-	-	146,944	1
Others	55,943	1	59,966	1
Total non-operating income and gains	219,454	2	338,342	3

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	**%**	**Amount**	**%**
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	$ 5,981	-	$ 2,195	-
Loss on sale of investments, net (Note 2)	-	-	14,634	-
Exchange loss, net (Note 2)	9,632	-	-	-
Impairment loss on financial assets carried at cost (Notes 2 and 10)	11,081	1	8,402	-
Valuation loss on financial assets, net (Notes 2 and 5)	5,306	-	-	-
Others	9,180	-	18,117	1
Total non-operating expenses and losses	41,180	1	43,348	1
INCOME BEFORE INCOME TAX	1,172,760	9	1,584,564	12
INCOME TAX (Notes 2 and 21)	104,008	1	146,889	1
CONSOLIDATED NET INCOME	$ 1,068,752	8	$ 1,437,675	11
ATTRIBUTABLE TO:				
Stockholders of the parent	$ 1,041,961	8	$ 1,404,394	11
Minority interest	26,791	-	33,281	-
	$ 1,068,752	8	$ 1,437,675	11

	2010		2009	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 23)				
Basic	$ 4.69	$ 4.31	$ 6.44	$ 5.83
Diluted	$ 4.68	$ 4.30	$ 6.37	$ 5.77

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Pro forma information assuming the Corporation's shares held by its subsidiaries were accounted for as an investment instead of treasury stock is as follows (Notes 2, 20 and 23):

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
PRO FORMA EARNINGS PER SHARE				
Basic	$ 4.44	$ 4.09	$ 5.85	$ 5.30
Diluted	$ 4.43	$ 4.08	$ 5.79	$ 5.24

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

(With Deloitte & Touche audit report dated March 1, 2011) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Capital Stock Issued and Outstanding		Advance Receipts for Common Stock	Capital Surplus (Notes 2 and 19)	Retained Earnings (Notes 2 and 19)				Other Equity				Minority Interest	Total Stockholders' Equity
	Shares (Thousands)	Amount			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Unrealized Gain (Loss) on Financial Instruments (Notes 2 and 19)	Unrealized Revaluation Increment	Treasury Stock (Notes 2 and 20)		
BALANCE, JANUARY 1, 2009	288,242	$ 2,882,419	$ -	$ 9,597,287	$ 283,073	$ -	$ 233,051	$ 516,124	$ 68,079	$ 13,643	$ 56	$ (1,302,652)	$ 431,874	$ 12,206,830
Appropriations of earnings														
Special reserve	-	-	-	-	-	233,051	(233,051)	-	-	-	-	-	-	-
Issuance of stock from exercising employee stock options	667	6,665	1,512	15,814	-	-	-	-	-	-	-	-	-	23,991
Compensation recognized for employee stock options	-	-	-	3,713	-	-	-	-	-	-	-	-	-	3,713
Adjustments arising from changes in percentage of ownership in investees	-	-	-	6,216	-	-	-	-	-	-	-	-	-	6,216
Consolidated net income for the year ended December 31, 2009	-	-	-	-	-	-	1,404,394	1,404,394	-	-	-	-	33,281	1,437,675
Change in translation adjustments on investments accounted for by the equity method	-	-	-	-	-	-	-	-	(105,302)	-	-	-	-	(105,302)
Equity in changes in investees' unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	(12,940)	-	-	-	(12,940)
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	12,373	-	-	-	12,373
Acquisition of treasury stock - 3,029 thousand shares	-	-	-	-	-	-	-	-	-	-	-	(56,592)	-	(56,592)
Retirement of treasury stock - 23,589 thousand shares	(23,589)	(235,890)	-	(253,682)	-	-	-	-	-	-	-	489,572	-	-
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(21,672)	(21,672)
BALANCE, DECEMBER 31, 2009	265,320	2,653,194	1,512	9,369,348	283,073	233,051	1,404,394	1,920,518	(37,223)	13,076	56	(869,672)	443,483	13,494,292
Appropriations of earnings (Note 19)														
Reversal of special reserve	-	-	-	-	-	(233,051)	233,051	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	140,440	-	(140,440)	-	-	-	-	-	-	-
Cash dividends - NT$1.9986 per share	-	-	-	-	-	-	(531,908)	(531,908)	-	-	-	-	-	(531,908)
Issuance of stock from exercising employee stock options	1,229	12,299	(1,350)	24,233	-	-	-	-	-	-	-	-	-	35,182
Compensation recognized for employee stock options	-	-	-	12,001	-	-	-	-	-	-	-	-	-	12,001
Adjustments arising from changes in percentage of ownership in investees	-	-	-	49,799	-	-	-	-	-	-	-	-	-	49,799
Consolidated net income for the year ended December 31, 2010	-	-	-	-	-	-	1,041,961	1,041,961	-	-	-	-	26,791	1,068,752
Change in translation adjustments on investments accounted for by the equity method	-	-	-	-	-	-	-	-	(361,921)	-	-	-	-	(361,921)
Equity in changes in investees' unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	(59,652)	-	-	-	(59,652)
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	2,130	-	-	-	2,130
Cash dividends received by subsidiaries from the Corporation	-	-	-	49,006	-	-	-	-	-	-	-	-	-	49,006
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	41,608	41,608
BALANCE, DECEMBER 31, 2010	266,549	$ 2,665,493	$ 162	$ 9,504,387	$ 423,513	$ -	$ 2,007,058	$ 2,430,571	$ (399,144)	$ (44,446)	$ 56	$ (869,672)	$ 511,882	$ 13,799,289

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

(With Deloitte & Touche audit report dated March 1, 2011)

SYSTEX CORPORATION AND SUBSIDIARIES

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

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 1,068,752	$ 1,437,675
Unrealized gross profit	13,672	-
Depreciation and amortization	172,929	187,396
Reversal of allowance for doubtful accounts	(14,585)	(60,928)
Compensation cost of employee stock options	12,001	3,713
Interest amortization for short-term bills payable	60	18
Reversal of losses on inventories	(36,426)	(23,748)
Valuation gain on financial assets, net	(63,337)	(868,946)
Impairment loss on financial assets carried at cost	32,830	52,575
Gain on sale of available-for-sale financial assets	(14,227)	(258,797)
Gain on sale of financial assets carried at cost	(228,257)	-
Loss on sale of investments accounted for by the equity method	971	-
Investment income recognized under the equity method	(139,669)	(128,401)
Cash dividends received from investees under the equity method	2,523	28,023
Gain on liquidation of investee	-	(3,719)
Change in cumulative translation adjustments due to liquidation of investee	-	(2,702)
Loss (gain) on sale of property and equipment, assets leased to others, idle assets, deferred charges and computer software, net	(12,755)	4,649
Impairment loss of property and equipment	1,610	-
Amortization of unearned gain on sales - leaseback	(4,226)	(4,226)
Deferred income tax	32,692	136,388
Net changes in operating assets and liabilities		
Financial assets held for trading	(939,621)	(967,394)
Notes receivable	23,109	4,603
Accounts receivable	(241,682)	256,120
Lease receivables	18,399	(20,096)
Receivables from related parties	(11,760)	13,370
Other receivables	5,470	197,002
Inventories	(109,689)	254,100
Prepayments	(29,377)	16,806
Other current assets	4,195	(2,577)
Notes and accounts payable	248,666	(383,245)
Payables to related parties	(35,425)	9,041
Income tax payable	54,895	(7,057)
Accrued expenses	(21,944)	(30,473)
Other payables	(15,925)	(104,370)
Receipts in advance	158,626	(77,426)
Other current liabilities	5,223	8,976
Deferred debits/deferred credits	(2,222)	(682)
Prepaid pension cost/accrued pension cost	(7,028)	(13,706)
Net cash used in operating activities	(71,532)	(348,038)

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SYSTEX CORPORATION AND SUBSIDIARIES

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

	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(92,890)
Proceeds from sale of available-for-sale financial assets	24,015	309,407
Acquisition of financial assets carried at cost	(1,774)	(71,955)
Proceeds from sale of financial assets carried at cost	689,065	-
Acquisition of investments accounted for by the equity method	(456,315)	(97,140)
Return of capital through investees' capital reduction and liquidation	54,653	16,124
Acquisition of property and equipment and assets leased to others	(170,927)	(138,486)
Proceeds from sale of property and equipment, assets leased to others, idle assets, deferred charges and computer software	82,265	14,115
Increase in computer software	(29,594)	(8,249)
Increase in deferred charges	(1,969)	(2,354)
Decrease in refundable deposits	9,995	5,681
Increase in pledged time deposits	(50,522)	(73,586)
Net cash paid for acquisition of subsidiaries	(68,048)	-
Net cash provided by (used in) investing activities	80,844	(139,333)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(61,283)	53,000
Increase (decrease) in short-term bills payable	(10,098)	19,968
Decrease in long-term bank loans	(3,689)	-
Cash dividends paid	(531,908)	-
Acquisition of treasury stock	-	(56,592)
Decrease in guarantee deposits received	(925)	(384)
Cash dividends received by subsidiaries from the Corporation	49,006	-
Proceeds from exercise of employee stock options	35,182	23,991
Decrease in minority interest	(131,447)	-
Net cash provided by (used in) financing activities	(655,162)	39,983
EFFECT OF EXCHANGE RATE CHANGES	(111,677)	(43,112)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(757,527)	(490,500)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,456,615	2,947,115
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,699,088	$ 2,456,615
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 4,893	$ 2,261
Income tax paid	$ 16,743	$ 23,286

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SYSTEX CORPORATION AND SUBSIDIARIES

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

	2010	2009
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property and equipment and assets leased to others	$ 170,927	$ 58,692
Decrease in payable for equipment purchased (included in accrued expenses)	-	79,794
Cash paid for acquisition of property and equipment and assets leased to others	$ 170,927	$ 138,486
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Issuance of a subsidiary's new shares in acquiring technological expertise	$ 211,743	$ -
Current portion of long-term bank loans	$ 7,377	$ -

The Corporation acquired 98.9% equity interest of Taifon Computer Co., Ltd. in 2010. The fair value of the acquired assets and liabilities are summarized as follows:

Cash	$ 22,803
Notes receivable and accounts receivable, net	152,757
Inventories, net	20,168
Other current assets	87,034
Investment accounted for by the equity method	53,810
Property and equipment, net	190,193
Other assets	14,799
Short-term loans	(80,522)
Accounts payable	(95,478)
Income tax payable	(1,352)
Receipts in advance	(8,588)
Current portion of long-term bank loans payable	(7,377)
Accrued expenses and other current liabilities	(25,353)
Long-term bank loans payable	(60,860)
Other liabilities (including accrued pension cost)	(6,515)
	255,519
Percentage of ownership acquired	98.9%
	252,708
Excess of the fair value of the net identifiable assets acquired over the acquisition cost	(54,564)
	198,144
Less: Cash paid by the Corporation for the acquisition of the equity interest owned by Taiwan Electronic Data Processing Corporation, a subsidiary	(69,607)
Cash paid	$ 128,537

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

(With Deloitte & Touche audit report dated March 1, 2011) (Concluded)

1. ORGANIZATION AND OPERATIONS

Systex Corporation (the "Corporation") was incorporated on January 7, 1997. The Corporation provides advanced software and information-based solutions, sells and leases computer hardware and software, and renders related services.

The shares of the Corporation had been traded on the Taiwan GreTai Securities Market since January 6, 2003. On December 30, 2010, the Corporation has changed the listing and trading of its shares to the Taiwan Stock Exchange.

The consolidated financial statements include the accounts of the Corporation and these subsidiaries: (a) Concord System Management Corporation, Taiwan Electronic Data Processing Corporation, Medincom Technology Corporation, Systex Information (H.K.) Ltd., Systek Information (Shanghai) Ltd., UCOM Information Ltd., Systex SDC China Ltd., TaiwanPay Corporation, Beijing Sysware Asia Pacific Ltd., UCOM Information Ltd. (Shanghai), Systime Technology Corporation, ICT-Systex Information Systems Co., Ltd. (formerly Beijing Systex Shenglong Information Systems Co., Ltd.), Beijing Yisheng Financial and Economic Information Consulting Co., Ltd., Sysware Shenglong Information Systems Co., Ltd., Optima Financial Software Company, Taifon Computer Co., Ltd., Etech Corporation, Sysware (Thailand) Co., Ltd., Systex South Asia Pte. Ltd., Sysware Singapore Pte. Ltd., and PT. Sysware Indonesia, which provide advanced software and information-based solutions, sell and lease computer hardware and software, provide data-processing services, and render various related services; and (b) Hanmore Investment Corporation, Ching Pu Investment Corporation, TEDPC Information (HK) Limited, Systex Capital Group Inc., and Kimo.com (BVI) Corporation, which engage in investment activities.

As of December 31, 2010 and 2009, the Corporation and subsidiaries had 2,711 and 2,565 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretation between the two versions, the Chinese version of the consolidated financial statements shall prevail. However, the consolidated financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for its oversight purposes.

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China. Under these guidelines and principles, certain estimates and assumptions have been used for allowance for doubtful accounts; provision for loss on inventories; depreciation of property and equipment, assets leased to others and idle assets; amortization of intangible assets and deferred charges; impairment loss; pension cost; income tax; loss on breach of contracts; loss on pending or threatened litigations; bonus to employees, remuneration to directors and compensation cost of employee stock options, etc. Actual results may differ from these estimates.

Significant accounting policies are summarized as follows:

Basis of Consolidation

The consolidated companies are the Corporation's direct or indirect subsidiaries of which the Corporation holds more than 50% of its common shares and all other direct or indirect investees over which the Corporation has substantive control. All significant intercompany transactions or balances were eliminated during the consolidation.

The consolidated financial statements of 2010 and 2009 include the accounts of the Corporation and of the following subsidiaries and other investees:

Companies	Relationship with the Corporation
Concord System Management Corporation (CSMC)	40.3% of equity was owned by the Corporation, 6.5% by Hanmore, and 43.3% by Ching Pu, totaling 90.1%.
Systex Capital Group Inc. (SCGI)	Wholly owned by the Corporation.
Hanmore Investment Corporation (Hanmore)	48.9% of equity was owned by the Corporation; Hanmore and the Corporation were under the same management.
Ching Pu Investment Corporation (Ching Pu)	Wholly owned subsidiary.
TaiwanPay Corporation (TaiwanPay)	58.3% of equity was owned by Ching Pu.
Taiwan Electronic Data Processing Corporation (TEDP)	69.6% of equity was owned by Ching Pu.
Medincom Technology Corporation (Medincom)	Incorporated in March 2009, wholly owned by TEDP.
TEDPC Information (HK) Limited (TEDP HK)	Incorporated in May 2010, wholly owned by TEDP.
Kimo.com (BVI) Corp. (Kimo BVI)	Wholly owned by the Corporation.
Sysware Singapore Pte. Ltd. (Sysware Singapore)	Wholly owned by Kimo BVI.
Sysware (Thailand) Co., Ltd. (Sysware Thailand)	Wholly owned by Kimo BVI.
PT. Sysware Indonesia (Sysware Indonesia)	Incorporated in July 2010; 99.7% of equity was owned by Kimo BVI.
Systex Information (H.K.) Limited (Systex Info)	Wholly owned by Kimo BVI.
ICT-Systex Information Systems Co., Ltd. (formerly Beijing Systex Shenglong Information Systems Co., Ltd.) (ICT Systex)	Wholly owned by Kimo BVI since January 2010; 71.2% of equity was owned by Kimo BVI until January 2010; 49% of equity was owned by Kimo BVI in November 2010 but Kimo BVI appointed majority of the board members.
Beijing Yisheng Financial and Economic Information Consulting Co., Ltd. (Yisheng)	Wholly owned by ICT Systex.
Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Wholly owned by Kimo BVI.
Optima Financial Software Company (Optima)	Wholly owned by Sysware Shenglong.
UCOM Information Ltd. (Shanghai) (UCOM Shanghai)	Wholly owned by Kimo BVI.
Systek Information (Shanghai) Ltd. (Systek)	Wholly owned by Kimo BVI.
Beijing Sysware Asia Pacific Ltd. (Beijing Sysware)	Wholly owned by Kimo BVI. Dissolved in March 2010 after merged with Systek.

(Continued)

Company	Relationship with the Corporation
Systex SDC China Ltd. (SDC)	Wholly owned by Kimo BVI.
Taifon Computer Co., Ltd. (Taifon)	98.9% of equity was acquired by the Corporation during 2010 (Note 11).
Etech Corporation (Etech)	Wholly owned by Taifon.
Systime Technology Corp. (Systime)	Wholly owned by the Corporation, dissolved in October 2009, and completed liquidation process in December 2009.
UCOM Information Ltd. (UCOM)	Wholly owned by the Corporation, dissolved in December 2008, and completed liquidation process in February 2009.
OpenPower Information Co., Ltd. (OpenPower)	Wholly owned by the Corporation, sold in January 2009.
Systex South Asia Pte. Ltd. (SSAP)	Wholly owned by Kimo BVI, sold in May 2009.

(Concluded)

The consolidated financial statements for the year ended December 31, 2009 included the following entities: The Corporation, CSMC, Ching Pu, Hanmore, TaiwanPay, Systex Info, Systek, SCGI, ICT Systex, Yisheng, SDC, UCOM, Systime, Kimo BVI, Sysware Singapore, Sysware Thailand, SSAP, Beijing Sysware, UCOM Shanghai, TEDP, Medincom, Sysware Shenglong and Optima.

TEDP HK was incorporated in May 2010 and included in the consolidated financial statements since that date.

Sysware Indonesia was incorporated in July 2010 and included in the consolidated financial statements since that date.

The Corporation acquired 98.9% of Taifon's stocks in July 2010. Taifon and Etech are included in the consolidated financial statements since that date.

Among the abovementioned entities, the financial statements for the year ended December 31, 2010 of Sysware Singapore, Sysware Thailand, Sysware Indonesia, and Yisheng, and the financial statements for the year ended December 31, 2009 of Sysware Singapore, Sysware Thailand, and SSAP have not been audited. The aggregate assets of these subsidiaries as of December 31, 2010 and 2009 amounted to \$90,654 thousand and \$94,853 thousand, respectively, which were about 0.53% and 0.58% of the respective consolidated assets, and the aggregate liabilities amounted to \$21,500 thousand and \$17,816 thousand, respectively, which were about 0.62% and 0.64% of the respective consolidated liabilities. The aggregate net operating revenues of these subsidiaries in 2010 and 2009 amounted to \$104,890 thousand and \$64,604 thousand, respectively, which were about 0.82% and 0.51% of the respective net consolidated operating revenues, and the aggregate net loss totaled \$8,402 thousand and \$16,209 thousand in 2010 and 2009, respectively, which were about (0.79) % and (1.13) % of the respective consolidated net income. The Corporation believes that any adjustment that might have resulted had the financial statements of these subsidiaries been audited would not be material to the consolidated financial statements taken as a whole.

Current and Noncurrent Assets and Liabilities

Current assets included cash and cash equivalents, and those held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

Commercial papers purchased under resell agreements with maturities of not more than three months are classified as cash equivalents.

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments at fair value through profit or loss (FVTPL) are financial assets held for trading, and on initial recognition, are measured at fair value, including the acquisition costs. Subsequent changes in fair value are recognized as current gain or loss. Cash dividends received subsequently (including those received in the year of investment) are accounted for as investment income for the year. On derecognition of a financial asset, the difference between its carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized or derecognized on a trade date basis.

On the balance sheet date, the fair values of listed securities are measured at their closing prices and those of open-ended mutual funds, at their net asset values.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to 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, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized or derecognized on a trade date basis.

On the balance sheet date, the fair values of listed securities are measured at their closing prices and those of open-ended mutual funds, at their net asset values.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss on available-for-sale financial assets is recognized directly in equity.

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

Revenue from sales of hardware and software are recognized when the items, and the risks and rewards associated with the items are transferred to the customers. Revenue from integrated hardware and software solutions are generally recognized incrementally after delivery, installation and testing or on customers' acceptance, depending on contract terms.

Service income is generally recognized when service is rendered or is recognized over the term of the service contract under the straight-line method or the percentage-of-completion method. Contract profit for the current period is the difference between the cumulative profit at the end of the current period and the cumulative profit recognized in the prior periods. However, if the cumulative profit recognized in prior periods is greater than the cumulative profit calculated using the percentage of completion method at the end of the current period, the excess should be recognized as a loss in the current period and recorded in the operating costs.

Other revenue mainly consists of the Corporation's rental revenue on operating leases of computer equipment, and gains on disposal of investments of the Corporation's subsidiaries engaged in investments.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Corporation and the customers for goods sold or services rendered in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, hence fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of prior years' bad debt amounts, economic factors, and the aging and collectability of receivables.

Leases

The fair value of computers leased under capital leases and implicit interest thereon are recorded as lease receivables. This interest is deferred and recognized as other operating revenue over the term of the lease.

Assets leased to others under operating leases (assets leased to others) are stated at cost less accumulated depreciation and accumulated impairment. The depreciation is computed using averaged years of usage: building over 60 years and computers leased out over 2 to 4 years. Rental revenue is recognized currently. Upon sale or disposal of these properties, the related cost, accumulated depreciation and accumulated impairment are removed from the accounts, and any gain or loss is credited or charged to income. At year-end, any gain generated before 2000 less applicable income tax is transferred to capital surplus.

Inventories

Inventories are stated at the lower of cost (monthly weighted average) or net realizable value. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Write-down of inventories and any reversal of write-down are recorded as cost of goods sold for the period.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original costs. The accounting treatment for dividends on financial assets carried at cost is similar to that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

When the stocks are sold, the costs are computed under the moving average method.

Investments Accounted for by the Equity Method

Investments in which the Corporation and subsidiaries hold 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method. These investments are initially stated at cost and subsequently adjusted for the Corporation and subsidiaries' proportionate share in the net income or net loss and cumulative translation adjustment. Cash dividends received are accounted for as a reduction of the carrying value of the investments. When the investee recognizes unrealized gains or losses on financial instruments, the Corporation and subsidiaries also records their equity in the investee's unrealized gains or losses as an adjustment to stockholders' equity.

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

When the Corporation and subsidiaries subscribe for their investees' newly issued shares at a percentage different from their percentage of ownership in the investee, or the investee's appropriation of stock bonus to employees, or the investee's acquisition of its shares as treasury stock, the Corporation and subsidiaries record the change in their equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings. Upon the sale of investments accounted for by the equity method, any capital surplus and other equity adjustment are charged to current income proportionately.

When the Corporation and subsidiaries and their investees maintain investment interest in each other, treasury stock method is used to recognize gains and losses.

Parent stocks held by a subsidiary are considered as treasury stock. The cash dividends released by the Corporation to its subsidiaries are accounted for by eliminating its investment income and adjusting the capital surplus arising from treasury stock transactions.

Profits or losses from downstream transactions with an equity-method investee are eliminated in proportion to the Corporation and subsidiaries' percentage of ownership in the investee; however, if the Corporation and subsidiaries have control over the investee, all the profits are eliminated. In addition, profits and losses from upstream transactions with an equity-method investee are eliminated in proportion to the Corporation and subsidiaries' percentage of ownership in the investee.

Stock dividends received are not recorded as investment income. They are recognized only as increases in the number of shares held.

Property and Equipment and Idle Assets

Property and equipment and idle assets are stated at cost less accumulated depreciation and accumulated impairment. Major additions, replacements and improvements are capitalized, while maintenance and repairs are expensed currently.

Depreciation is provided on a straight-line basis over the estimated useful lives as follows: buildings, 19 to 60 years; computer equipment and other equipment, 3 to 7 years; transportation equipment, 5 to 6 years; leasehold improvements, over the shorter of service lives of 2 to 5 years or the terms of the leases. Property and equipment still in use beyond their original service lives are further depreciated over their newly estimated service lives.

Upon sale or disposal of property and equipment and idle assets, the related cost and accumulated depreciation and accumulated impairment are removed from the accounts, and any gain or loss is credited or charged to income. At year-end, any gain generated before 2000 less applicable income tax is transferred to capital surplus.

Computer Software

Computer software is initially recorded at cost and is amortized using the straight-line basis over 2 to 10 years.

Technological Expertise

Technological expertise is acquired by issuance of a subsidiary's new shares. Technological expertise is initially recorded at its fair value and is amortized on a straight-line basis over 10 years. The fair value of the acquired technological expertise is determined using valuation techniques.

Goodwill

Goodwill recognized by the Corporation when it acquired equity in the fair value of subsidiaries' net assets is tested for impairment annually. For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units ("CGU(s)") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is not allowed.

Deferred Charges

Deferred charges, mainly the costs of telephone wire installation, are amortized on the straight-line basis over 2 to 6 years.

Impairment of Assets

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

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings.

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

Employee Stock Options

Employee stock options granted on or after January 1, 2008 are accounted for under the Statement of Financial Accounting Standards (SFAS) No. 39, "Accounting for Share-based Payment." Under the Statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

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"). The Corporation adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Pension

Under the defined benefit pension plan, pension cost is recognized on the basis of actuarial calculation. Unrecognized net transition obligation, unrecognized past service cost and the unrecognized net actuarial gain or loss are amortized using the straight-line method over the average remaining service years of employees.

When the Corporation and subsidiaries curtail or settle the defined benefit plan, gains or losses on curtailment or settlement are recognized currently.

Under the defined contribution plan, the required monthly contributions to employees' individual pension accounts are recognized as pension cost.

Unearned Gain on Sales-leaseback

When property and equipment are sold and then leased back immediately, the present value of rent should be compared to the fair value of property and equipment. When the selling price exceeds the fair value, the excess gain should be recognized at the time of sale. The part of the gain that equals to the present value of rent should be deferred and amortized over the renting period as reduction of rental expense.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in stockholders' equity.

When the Corporation retires treasury stock, the treasury stock account is reduced, and the capital surplus - additional paid-in capital and the capital account are reversed on a pro rata basis. The carrying value of treasury stock in excess of the sum of its par value and premium on stock is first offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. If this sum exceeds carrying value, the excess is credited to capital surplus from the treasury stock transactions.

The Corporation's stock held by its subsidiaries is treated as treasury stock and reclassified from long-term stock investments to treasury stock, and is accounted for on the basis of the carrying value (available-for-sale financial assets) multiplied by the Corporation's proportionate share as of the date when the Corporation acquired controlling interest in the subsidiary. The remainder is treated as a recovery of the minority interest's investment in a subsidiary and reclassified as a deduction under minority interest from available-for-sale financial assets.

Income Tax

The Corporation and subsidiaries apply intra-year and inter-year allocations for their income taxes, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred income tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for research and development expenditures, personnel training expenditures, purchases of machinery, equipment and technology and investments in private participation in infrastructure projects 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 stockholders approve to retain the earnings.

Foreign-currency Transactions

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;
b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Corporation. Such adjustments are accumulated and reported as a separate component of stockholders' equity.

Translation of Subsidiaries' Financial Statements

The subsidiaries' financial statements expressed in foreign currencies have been translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - year-end spot rate; stockholders' equity - historical exchange rate; and income statement accounts - current year's average rate. Differences resulting from the above translation are recorded as "cumulative translation adjustments" under the stockholders' equity.

3. ACCOUNTING CHANGES

Accounting for Inventories

On January 1, 2009, the Corporation and subsidiaries adopted the newly revised SFAS No. 10, "Accounting for Inventories". Accordingly, 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, and write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption had no material impact on the consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

	December 31 2010	December 31 2009
Cash on hand	$ 2,067	$ 2,473
Checking and savings accounts	893,229	809,402
Time deposits: Interest 0.10%-2.25% in 2010 and 0.03%-1.71% in 2009	632,875	1,459,198
Commercial paper under resell agreement: Interest 1.00% in 2010 and 1.12%-1.14% in 2009	170,917	185,542
	$ 1,699,088	$ 2,456,615

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31 2010	December 31 2009
Financial assets held for trading		
Mutual funds	$ 5,091,990	$ 4,323,012
Listed shares	359,739	655,162
Overseas corporate bonds	433,654	32,615
	$ 5,885,383	$ 5,010,789

On the valuation of financial assets held for trading, there were gains of $63,337 thousand and $868,946 thousand in 2010 and 2009, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31 2010	December 31 2009
Listed shares	$ 211,216	$ 286,810
Mutual funds	65,004	64,800
	$ 276,220	$ 351,610

7. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31 2010	December 31 2009
Notes receivable	$ 120,586	$ 144,526
Less: Allowance for doubtful accounts	172	172
	$ 120,414	$ 144,354
Accounts receivable	$ 2,444,479	$ 2,088,657
Less: Allowance for doubtful accounts	149,389	183,401
	$ 2,295,090	$ 1,905,256

8. LEASE RECEIVABLES, NET

	Current	Long-term	Total
December 31, 2010			
Lease receivables	$ 27,895	$ 13,765	$ 41,660
Less: Unearned interest income	1,255	1,669	2,924
	$ 26,640	$ 12,096	$ 38,736
December 31, 2009			
Lease receivables	$ 28,678	$ 25,773	$ 54,451
Less: Unearned interest income	2,047	792	2,839
	$ 26,631	$ 24,981	$ 51,612

9. INVENTORIES

	December 31	
	2010	2009
Merchandise	$ 1,143,975	$ 979,365
Maintenance parts	25,594	31,381
	$ 1,169,569	$ 1,010,746

As of December 31, 2010 and 2009, the allowance for inventory devaluation was $152,290 thousand and $206,258 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2010 and 2009 was $6,951,677 thousand and $6,550,230 thousand, respectively, which included gain on reversal of write-downs of inventories of $36,426 thousand and $23,748 thousand in 2010 and 2009, respectively.

10. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2010	2009
Unlisted common stocks	$ 533,216	$ 1,005,866
Unlisted preferred stocks	24,727	48,936
Others	31,520	50,367
	$ 589,463	$ 1,105,169

The Corporation and subsidiaries held more than 20% of the stock with voting rights of SuperGeo Technologies Inc. in 2010 and 2009, but they had no significant influence over this investee. In addition, its stock had no quoted market price and its fair value could not be reliably determined. Thus, this equity investment was recorded as a financial asset carried at cost.

In 2007, the Corporation and its subsidiary, Ching Pu Investment Corporation (Ching Pu), had purchased newly issued common stock of Far Eastern Electronic Toll Collection Co., Ltd. (FETC) for $119,700 thousand and $50,513 thousand, respectively. The related investment cost is being amortized over the contracted operating periods with the government based on Interpretation No. 1998-150 issued by the ARDF. Both in 2010 and 2009, the Corporation charged amortization expenses of $6,529 thousand, which were included in the impairment loss of the financial assets carried at cost, and Ching Pu charged amortization expenses of $2,755 thousand, which were included in other operating cost.

In addition to the above losses, the Corporation and subsidiaries determined other than temporary decline of other financial assets carried at cost and calculated impairment losses on these assets. Thus, the Corporation and subsidiaries recognized additional impairment losses of $23,546 thousand and $43,291 thousand in 2010 and 2009, respectively.

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2010		2009	
	Carrying Value	Owner-ship %	Carrying Value	Owner-ship %
Unlisted common stocks				
Allied Info Inc.	$ 447,592	30.0	$ -	-
AFE Solutions Limited (AFE)	316,510	49.0	256,525	49.0
Investment Media Ltd. (I-Media)	90,864	40.0	86,055	40.0
Systex Data Management & Integration Service Corporation, Shanghai (Systex DMIS)	84,779	49.0	92,926	49.0
Bisnews International Limited (BIL)	82,203	49.0	66,784	49.0
Enrichment I Venture Capital Corporation (EIVCC)	71,315	43.4	109,872	43.4
E-Customer Capital Limited (ECL)	45,494	23.5	57,749	23.5
Rimage Information Technology (Shanghai) Co., Ltd.	16,476	49.0	-	-
Systex Infopro Co., Ltd. (Systex Infopro)	3,148	20.0	2,892	20.0
Elegance Technology Inc.	-	24.6	-	24.6
Taifon Computer Co., Ltd.	-	-	69,607	34.8
	$ 1,158,381		$ 742,410	

EIVCC undertook a capital reduction in April 2010, and returned $39,882 thousand of cash to the Corporation and subsidiaries.

Silicon Valley Equity Fund-II, L.P. (SVEF) dissolved in November 2009. Upon completion of the dissolution, the subsidiaries received $22,439 thousand of cash.

Wit Investment Partners Ltd. (WIPL) went into liquidation in March 2009. Upon completion of the liquidation process in July 2009, the Corporation received $1,946 thousand of cash.

The Corporation acquired 98.9% of Taifon’s stock for $198,144 thousand in 2010; of the amount, $69,607 thousand was paid to Taiwan Electronic Data Processing Corporation (a subsidiary) for 34.8% equity interest.

Investment income (loss) recognized under the equity method was as follows:

Investees	2010	2009
AFE Solutions Limited	$ 81,368	$ 71,003
Allied Info Inc.	40,406	-
Bisnews International Limited	14,212	13,708
Enrichment I Venture Capital Corporation	5,173	38,632
Investment Media Ltd.	4,809	(1,017)
Taifon Computer Co., Ltd.	2,985	5,213
Systex Infopro Co., Ltd.	230	(1,701)
Rimage Information Technology (Shanghai) Co., Ltd.	(1,323)	-
Systex Data Management & Integration Service Corporation, Shanghai	(3,039)	(1,100)
E-Customer Capital Limited	(5,152)	5,494
Silicon Valley Equity Fund - II, L.P.	-	(1,690)
Wit Investment Partners Ltd.	-	(141)
	$ 139,669	$ 128,401

The financial statements based on which the carrying values of equity-method investments and the related equity in net income or net loss were calculated had all been audited, except for those of BIL, ECL and Systex Infopro for 2010, and of BIL, ECL, WIPL, Systex Infopro and SVEF for 2009. The Corporation and subsidiaries believe that any adjustment that might have resulted had the financial statements of such investees been audited would not be material to the consolidated financial statements taken as a whole.

12. PROPERTY AND EQUIPMENT

Accumulated depreciation consisted of:

	December 31	
	2010	2009
Buildings	$ 346,077	$ 322,942
Computer equipment	480,589	498,542
Transportation equipment	5,295	15,120
Leasehold improvements	81,290	96,419
Other equipment	90,366	109,736
	$ 1,003,617	$ 1,042,759

13. ASSETS LEASED TO OTHERS, NET

	December 31	
	2010	2009
Cost		
Land	$ 11,523	$ 11,523
Buildings	3,990	3,990
Computer equipment	178,868	94,241
	194,381	109,754
Accumulated depreciation		
Buildings	977	923
Computer equipment	67,272	68,680
	68,249	69,603
Accumulated impairment loss (land and buildings)	3,030	3,030
	$ 123,102	$ 37,121

14. IDLE ASSETS, NET

Idle assets are the network operation centers and buildings currently not in use. The cost, accumulated depreciation and accumulated impairment loss were as follows:

	December 31	
	2010	2009
Cost		
Land	$ 15,657	$ 36,912
Buildings	38,703	48,844
	54,360	85,756
Accumulated depreciation - building	11,481	11,957
Accumulated impairment loss	27,917	28,782
	$ 14,962	$ 45,017

15. SHORT-TERM LOANS

	December 31	
	2010	2009
Unsecured bank loans: 1.00%-2.38% interest per annum in 2010; due between March to June 2011; 2.22%-2.60% interest per annum in 2009; due between February to June 2010	$ 78,239	$ 79,000
Secured bank loans: 2.44% interest per annum; due in December 2011	20,000	-
	$ 98,239	$ 79,000

Property - land and buildings served as collaterals for the above secured bank loans.

16. SHORT-TERM BILLS PAYABLE

	December 31	
	2010	2009
Commercial paper issued: Interest 1.95% in 2010; 2.088% in 2009	$ 10,000	$ 20,000
Less: Unamortized discount on commercial paper issued	52	14
	$ 9,948	$ 19,986

17. LONG-TERM BANK LOANS

	December 31	
	2010	2009
Secured bank loans: Quarterly repayment from July 2004 to July 2019, 2.1% interest per annum	$ 64,548	$ -
Less: Current portion	7,377	-
	$ 57,171	$ -

Property - land and buildings served as collaterals for the above secured bank loans.

18. PENSION PLAN

Defined Contribution Plan

Based on the defined contribution plan under the Labor Pension Act, which applies only to the Corporation and domestic subsidiaries, the rate of the required monthly contributions to the employees' individual pension accounts is at 6% of salaries and wages. The Corporation and subsidiaries recognized pension costs of $77,401 thousand and $78,137 thousand in 2010 and 2009, respectively.

Systex Information (H.K.) Limited, ICT-Systex Information Systems Co., Ltd., Beijing Yisheng Financial and Economic Information Consulting Co., Ltd., Systek Information (Shanghai) Ltd., Beijing Sysware Asia Pacific Ltd., UCOM Information Ltd. (Shanghai), Systex SDC China Ltd., Sysware Shenglong Information Systems Co., Ltd., Optima Financial Software Company, Sysware Singapore Pte. Ltd., Sysware (Thailand) Co., Ltd., Systex South Asia Pte. Ltd. and PT. Sysware Indonesia make monthly contributions to a pension fund according to their local government regulations. These subsidiaries recognized pension costs of $19,110 thousand and $15,861 thousand in 2010 and 2009, respectively.

Defined Benefit Plan

Based on the defined benefit plan under the Labor Standards Law, which applies to the Corporation and its domestic subsidiaries, the companies make monthly contributions at 2% to 4% in 2010 and 2% to 3.96% in 2009 of salaries and wages to a pension fund. The pension fund is administered by the employees' pension fund committee and deposited in its name in the Bank of Taiwan.

The amounts of pension funds included the amounts from the companies merged into the Corporation as well as the pension fund of $10,255 thousand and $10,089 thousand as of December 31, 2010 and 2009 from ULSTEK Co., Ltd. (ULSTEK). Pension funds of ULSTEK were pending approval of the relevant authority-in-charge to combine with the Corporation's pension account.

Information on the defined benefit plan of the Corporation and subsidiaries under Labor Standards Law was as follows:

a. Components of net periodic pension cost

	2010		2009	
Service cost		$ 3,019		$ 4,786
Interest cost		7,985		9,806
Actual return on plan assets	$ 4,414		$ 2,815	
Loss (gain) on plan assets	(76)		2,978	
Projected return on plan assets		(4,338)		(5,793)
Amortization		(1,112)		4,407
Gains on curtailment		-		(1,301)
Net periodic pension cost		$ 5,554		$ 11,905

b. Reconciliation of funded status of the plan and accrued pension cost (prepaid pension cost):

	December 31	
	2010	2009
Benefit obligation		
Vested benefit obligation	$ 3,337	$ 3,961
Non-vested benefit obligation	311,641	282,320
Accumulated benefit obligation	314,978	286,281
Additional benefits based on future salaries	67,778	63,266
Projected benefit obligation	382,756	349,547
Fair value of plan assets	(280,615)	(250,901)
Funded status	102,141	98,646
Unrecognized net transition obligation	(4,701)	(5,455)
Unrecognized past service cost	19,150	16,865
Unrecognized net actuarial loss	(52,492)	(43,591)
	$ 64,098	$ 66,465
Accrued pension cost	$ 71,316	$ 70,428
Prepaid pension cost (included in other assets - others)	(7,218)	(3,963)
	$ 64,098	$ 66,465
Vested benefit	$ 4,467	$ 4,981

c. Actuarial assumptions

	December 31	
	2010	2009
Discount rate used in determining present value	1.75%-3%	2%-3%
Future salary increase rate	0%-3%	0%-3%
Expected rate of return on plan assets	2%-2.25%	1.5%-2.25%

19. STOCKHOLDERS' EQUITY

Stock-based Compensation Plan

For the Corporation to retain its quality professionals for its business and operations and deepen the employees' sense of belonging, the Corporation adopted stock option plans (the "Plans") - which the Board of Directors approved on March 19, 2010, March 19, 2007 and May 3, 2005 - to grant employees 10,000 units, 9,500 units and 3,000 units of stock options, respectively. Each unit represented 1,000 common shares of the Corporation. The Securities and Futures Bureau under the Financial Supervisory Commission, Executive Yuan of ROC approved the Plans on April 12, 2010, June 14, 2007 and June 22, 2005, respectively.

The Corporation issued 3,200 units, 425 units, 4,440 units, 4,635 units, 1,500 units and 1,500 units on May 10, 2010, June 12, 2008, January 16, 2008, September 19, 2007, May 16, 2006 and August 30, 2005, respectively. The option rights were granted to qualified employees of the Corporation and its subsidiaries. The option rights are valid for 5 years and exercisable at certain percentages after the second anniversary of the grant date. The exercise price of the stock option right is equal to the closing price of the Corporation's common shares listed on the Taiwan Stock Exchange on the date of the grant. If the number of the Corporation's common shares changes after the granting of the stock option, the exercise price will be revised in accordance with the terms of the Plans.

The outstanding employee stock options in 2010 and 2009 were as follows:

Employee Stock Option	2010 Number of Outstanding Options	2010 Weighted-average Exercise Price (NT$)	2009 Number of Outstanding Options	2009 Weighted-average Exercise Price (NT$)
Beginning outstanding balance	5,875.6	$ 37.66	9,929.7	$ 37.01
Options granted	3,200.0	$ 40.70	-	$ -
Options forfeited	(323.1)	$ 40.58	(3,236.4)	$ 37.77
Decrease due to capital reduction	(1,094.9)	$ 30.90	(817.7)	$ 29.34
Options exercised	(0.2)	$ 27.80	-	$ -
Ending outstanding balance	7,657.4	$ 38.24	5,875.6	$ 37.66
Ending exercisable balance	3,530.4		2,414.0	
Weighted average fair value of the options granted (NT$)	$ 13.01		$ -	

As of December 31, 2010, outstanding employee stock options were as follows:

Range of Exercise Price (NT$)	Number of Outstanding Options	Weighted-average Remaining Life (Years)	Weighted-average Exercise Price of Outstanding Options (NT$)	Number of Exercisable Options	Weighted-average Exercise Price (NT$)
$ 27.00	261.0	0.37	$ 27.00	261.0	$ 27.00
$ 43.20	2,124.0	1.72	$ 43.20	2,124.0	$ 43.20
$ 31.10	1,846.5	2.04	$ 31.10	1,040.1	$ 31.10
$ 28.00	225.9	2.45	$ 28.00	105.3	$ 28.00
$ 40.70	3,200.0	4.36	$ 40.70	-	$ -

Options granted in 2010 and 2008 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	Issued on May 10, 2010	Issued on June 12, 2008	Issued on January 16, 2008
Grant-date share price (NT$)	$42.70	$28.00	$30.80
Exercise price (NT$)	$40.70	$28.00	$31.10
Expected volatility	39.20%-39.45%	32.80%-32.96%	32.29%-32.51%
Expected life (years)	3.5-4 years	2.25-3.25 years	2.25-3.25 years
Expected dividend yield	-	-	-
Risk-free interest rate	0.69%-0.87%	2.59%	2.46%

The compensation cost of employee stock option was $12,001 thousand and $3,713 thousand in 2010 and 2009, respectively.

Intrinsic value-based method was adopted for options granted before January 1, 2008, and there was no compensation cost recognized in 2010 and 2009 for these options. Had the Corporation applied the fair value-based method to these options, the Corporation's assumptions and pro forma results in 2010 and 2009 would have been as follows:

		Issued on September 19, 2007	Issued on May 16, 2006
Pricing model:	Black-Scholes model		
Assumptions:	Risk-free interest rate	2.45%	2.15%
	Expected life	5 years	5 years
	Expected volatility	38.13%	30.00%
	Expected dividend yield	-	-

		2010	2009
Net income of the Corporation:	Net income as reported	$ 1,041,961	$ 1,404,394
	Pro forma net income	1,040,059	1,402,627
Earnings per share (EPS) of the Corporation:	Basic EPS as reported (NT$)	4.31	5.83
	Pro forma basic EPS (NT$)	4.30	5.83

Capital Surplus

Under relevant regulations, capital surplus from equity-method investments cannot be used for any purpose. Capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares and treasury stock transaction) and donation received can only be used to offset deficit or transferred to capital, and the amount transferred per year should not exceed a certain percentage of the capital. Other capital surplus can only be used to offset deficit.

Appropriation of Earnings and Dividend Policy

The Corporation's Articles of Incorporation provide that the annual net income (less any deficit) after allocations of 10% as legal reserve and of special reserve should be appropriated as follows:

a. no less than 0.1% as bonus to employees;
b. no less than 2% as remuneration to directors;
c. The remainder, to be distributed to the stockholders or retained by the Corporation.

The employees who qualify for the distribution of earnings as stock bonus include employees of the Corporation's affiliates who meet certain criteria.

Following its Articles of Incorporation and considering the overall environment, growth trends in the industry, and the Corporation's long-term financial planning and ongoing goal to have steady progress, the Corporation applies its residual dividends policy as follows:

a. Determine the appropriate capital budget.

b. Determine the funds needed for the capital budget.

c. Determine the amount to be funded by unappropriated earnings (the remaining may be funded through capital increase by cash or through issuance of bonds).

d. The remaining retained earnings, less an appropriate portion for the operational needs, may be distributed to stockholders.

The Corporation's dividends may be distributed in cash or stocks. The distribution of profits shall be made preferably by way of cash dividends. The distribution could also be made by way of stock dividends, but not to exceed 50% of the total distributed cash and stock dividends. In addition, dividend policy depends on criteria such as the Corporation's current and future investment environment, cash requirements, domestic and international competition, capital budget etc. Further, the Corporation evaluates stockholders' interests and balances dividends and its long-term financial goals. Annually, the board of directors prepares a proposal on earnings appropriation for approval at the stockholders' meeting.

Under the local regulations, when the Corporation distributes its earnings, it needs to provide a special reserve equal to the sum of all debit balances shown in the stockholders' equity, except for treasury stock. If the Corporation's stock are held by its subsidiaries at the end of the year and the market value of the shares held are lower than their carrying value, the Corporation should provide a special reserve equal to the difference between the book value and market value multiplied by its percentages of ownership of the subsidiaries. The balance of the special reserve is adjusted to reflect changes in the debit balances of the stockholders' equity accounts, and the portion that is reversed should be available for distribution as dividends.

Under the Company Law, legal reserve should be appropriated until the reserve equals to the Corporation's capital. This reserve may be used to offset a deficit, or, when the reserve has reached 50% of the capital, up to 50% thereof may be transferred to capital.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations and reversal of appropriations of earnings for 2009 and 2008 had been approved in the stockholders' meetings held on June 18, 2010 and June 19, 2009, respectively. The appropriations and reversal of appropriations, and dividends per share were as follows:

	Appropriation (Reversal of Appropriation) of Earnings		**Dividends Per Share (NT$)**	
	For Year 2009	**For Year 2008**	**For Year 2009**	**For Year 2008**
Special reserve	$ (233,051)	$ 233,051	$ -	$ -
Legal reserve	140,440	-	-	-
Cash dividends	531,908	-	1.9986	-
	$ 439,297	$ 233,051	$ 1.9986	$ -

Bonus to employees and remuneration to directors for 2009 were also resolved in the stockholders' meeting held on June 18, 2010 in the same amount as recognized in the financial statements for the year ended December 31, 2009.

As of March 1, 2011, the board of directors has not resolved the appropriations of earnings for 2010. Information about the appropriations of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Under the Articles of Incorporation, the bonus to employees and the remuneration to directors were 0.1% and 2%, respectively (10% and 2%, respectively, for 2009), of net income (net of legal reserve and special reserve). For the years ended December 31, 2010 and 2009, the bonus to employees and the remuneration to directors were as follows:

	2010	2009
Remuneration to directors	$ 11,804	$ 25,279
Bonus to employees	590	126,395
	$ 12,394	$ 151,674

Material differences between the estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a stock bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the stock bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Unrealized Gain or Loss on Financial Instruments

For the years ended December 31, 2010 and 2009, movements of unrealized gain or loss on financial instruments were as follows:

	Available-for-sale Financial Assets	Equity Method Investments	Total
Year ended December 31, 2010			
Balance, beginning of the year	$ 12,373	$ 703	$ 13,076
Recognized in stockholders' equity	3,570	(59,652)	(56,082)
Transferred to profit or loss	(1,440)	-	(1,440)
Balance, end of the year	$ 14,503	$ (58,949)	$ (44,446)
Year ended December 31, 2009			
Balance, beginning of the year	$ -	$ 13,643	$ 13,643
Recognized in stockholders' equity	12,373	(12,940)	(567)
Balance, end of the year	$ 12,373	$ 703	$ 13,076

20. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
2010				
Reclassification of parent company stock held by subsidiaries from equity-method investments into treasury stock	24,520	-	-	24,520
2009				
To maintain the Corporation's credibility and stockholders' interest	20,560	3,029	23,589	-
Reclassification of parent company stock held by subsidiaries from equity-method investments into treasury stock	24,520	-	-	24,520
	45,080	3,029	23,589	24,520

The Corporation's shares held by subsidiaries as of December 31, 2010 and 2009 were as follows:

Subsidiary	Shares (In Thousands)	Investment Cost	Market Value
December 31, 2010			
Hanmore Investment Corporation (Hanmore)	23,586	$ 1,155,848	$ 1,106,168
Ching Pu Investment Corporation	12,982	$ 488,011	$ 608,831
December 31, 2009			
Hanmore Investment Corporation (Hanmore)	23,586	$ 1,155,848	$ 1,200,511
Ching Pu Investment Corporation	12,982	$ 488,011	$ 660,757

The carrying value of Hanmore's investment in the Corporation's shares, represents the investment cost of $1,155,848 thousand net of the market value decline of $375,703 thousand. The Corporation reclassified its 48.9% ownership of Hanmore, with a carrying amount of $381,661 thousand (11,538 thousand shares), into treasury stock in 2010 and 2009. Hanmore's remaining shares should be treated as a recovery on the investment of minority interest and reclassified as a deduction of minority interest from available-for-sale financial assets.

The Corporation's shares held by its subsidiaries are recorded as treasury stocks, with the subsidiaries having the same rights as other common stockholders on these stocks, except that the subsidiaries which are owned by the parent company for over 50% will not have the right to participate in any share issuance for cash or to vote.

The Corporation executed the following share buyback plans in accordance with Article 28-2 of Securities and Exchange Act. The Corporation acquired 9,000 thousand shares of its common stock (net of 1,000 thousand shares decreased due to capital reduction) between August 25, 2008 and October 24, 2008, and 11,560 thousand shares between October 22, 2008 and December 21, 2008, and canceled them on January 21, 2009. The share acquisition costs were $222,784 thousand (net of $10,000 thousand decreased due to capital reduction) and $210,196 thousand, respectively, totaling $432,980 thousand, of which $205,600 thousand was charged to capital stock; $664,623 thousand was charged to additional paid-in capital; and $437,243 thousand was credited to treasury stock capital surplus. The Corporation acquired 3,029 thousand shares of its common stock between February 9, 2009 and April 8, 2009, and canceled them on August 28, 2009. The share acquisition cost was $56,592 thousand, of which $30,290 thousand was charged to capital stock; $97,916 thousand was charged to additional paid-in capital; and $71,614 thousand was credited to treasury stock capital surplus.

21. INCOME TAX

a. Income tax expense was as follows:

	2010	2009
Currently payable	$ 68,992	$ 20,791
Additional income tax on unappropriated earnings	79,329	2,260
Investment tax credits generated during the year	-	(75,808)
Deferred income tax		
Temporary differences and investment tax credits	(49,343)	184,439
Effect of tax law changes on deferred income tax	62,975	87,994
Effect of tax law changes on valuation allowance	(51,496)	(72,184)
Prior years' tax adjustment	(6,449)	(603)
Income tax expense	$ 104,008	$ 146,889

Income tax payable as of December 31, 2010 and 2009 was net of prepaid income taxes of $4,085 thousand and $2,458 thousand, respectively.

During the years ended December 31, 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws:

1) In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating loss carryforward period from 5 years to 10 years.

2) In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010.

3) Under Article 10 of the Statute for Industrial Innovation passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.

4) In May 2010, the Legislative Yuan passed another amendment of Article 5 of the Income Tax Law, which reduced further a profit-seeking enterprise's income tax rate from 20% to 17%, also effective January 1, 2010.

b. Reconciliation of tax on accounting pretax income at statutory rate to income tax currently payable was as follows:

	2010	2009
Tax on pretax income at statutory rate	$ 175,801	$ 271,278
Add (deduct) tax effects of:		
Unrealized gain on valuation of financial instruments	(11,057)	(160,128)
Loss carryforwards	8,154	33,431
Reversal of unrealized cost of sales	(14,998)	(6,562)
Equity in the net income of domestic investees	(1,697)	(10,672)
Reversal of allowance for doubtful accounts	(6,232)	(5,168)
Loss from liquidation and capital reduction of investees	-	(80,303)
Dividend income	(17,748)	(6,825)
Loss (income) on sale of securities	(48,286)	20,362
Realized sales allowances	(278)	(24,856)
Realized loss on inventories	(9,705)	(9,749)
Others	(7,526)	(17)
Alternative minimum tax	2,564	-
Currently payable	$ 68,992	$ 20,791

c. Deferred income tax assets (liabilities) were as follows:

	December 31	
	2010	2009
Deferred income tax assets - current		
Unused investment tax credits	$ 21,638	$ 37,651
Allowance for loss on inventories	20,652	38,051
Allowance for doubtful accounts	20,202	29,940
Unrealized cost of sales	15,200	33,542
Others	473	3,091
	78,165	142,275
Less: Valuation allowance	44,371	80,889
	$ 33,794	$ 61,386
Deferred income tax assets (liabilities) - noncurrent		
Unused investment tax credits	$ 210,854	$ 268,480
Unused loss carryforwards	110,585	126,717
Impairment loss on financial assets carried at cost	96,503	112,154
Accrued pension cost	9,796	13,005
Cumulative investment loss on foreign investees under equity method	4,183	4,908
Goodwill resulted from merger	(8,127)	(8,101)
Others	5,567	6,887
	429,361	524,050
Less: Valuation allowance	357,203	448,742
	$ 72,158	$ 75,308

d. Unused loss carryforwards as of December 31, 2010 were as follows:

Expiry Year	Total Credit Available	Unused Credit
2013	$ 109,153	$ 103,425
2014	85,002	84,873
2015	38,278	38,278
2016	67,675	67,675
2017	136,512	136,512
2018	38,839	38,839
2019	134,299	134,299
2020	46,598	46,598
	$ 656,356	$ 650,499

e. As of December 31, 2010, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	$ 76,913	$ 19,992	2011
Statute for Upgrading Industries	Employee training expenditures	9	9	2011
Statute for Upgrading Industries	Purchase of machinery and equipment	5,067	5,067	2012
Act for promotion of private participation in infrastructure project	Investments in private participation in infrastructure projects	31,333	31,333	2012
Statute for Upgrading Industries	Research and development expenditures	72,975	72,975	2012
Statute for Upgrading Industries	Employee training expenditures	357	155	2012
Act for promotion of private participation in infrastructure project	Investments in private participation in infrastructure projects	35,100	35,100	2013
Statute for Upgrading Industries	Research and development expenditures	67,995	66,627	2013
Statute for Upgrading Industries	Employee training expenditures	568	568	2013
Statute for Upgrading Industries	Purchase of machinery and equipment	666	666	2013
		$ 290,983	$ 232,492	

f. The integrated income tax was as follows:

	December 31	
	2010	2009
Imputation credit account balance	$ 192,713	$ 196,284

The creditable ratio for distribution of earnings of 2010 and 2009 was 6.56% (estimate) and 9.99%, respectively.

For distribution of earnings, the ratio of the imputation credits allocated to stockholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

g. Income tax returns through 2008, and undistributed earnings returns through 2007, of the Corporation, Taifon Computer Co., Ltd., Etech Corporation, Ching Pu Investment Corporation, TaiwanPay Corporation, Hanmore Investment Corporation and Taiwan Electronic Data Processing Corporation, income tax returns through 2007 and undistributed earnings returns through 2006 of Concord System Management Corporation have been assessed by the tax authorities. The tax authorities assessed additional tax of $31,974 thousand and disallowed tax credit of $66,545 thousand (claimed under Statute for Upgrading Industries) on the Corporation’s 2007 income tax return. The Corporation disagreed with the tax authorities and had applied for a re-examination. The Corporation believes the result of the re-examination will be in its favor; accordingly, it did not provide for income tax.

Under the tax regulations of the People’s Republic of China, foreign companies may receive the following tax benefits: In the first year of profit after years of losses, net income may be used to offset prior years’ losses. After prior losses are fully utilized, companies are tax-exempt in their next two profitable years. In the next three years, the companies may get 50% deduction on their taxes. UCOM Information Ltd. (Shanghai), Systek Information (Shanghai) Ltd., ICT-Systex Information Systems Co., Ltd., Beijing Yisheng Financial and Economic Information Consulting Co., Ltd., Systex SDC China Ltd., Optima Financial Software Company and Sysware Shenglong Information Systems Co., Ltd. have started using these tax benefits from the start of 2008.

Systex Capital Group Inc. and Kimo.com (BVI) Corporation, which are subsidiaries of the Corporation, are exempt from income tax under the International Business Companies Act of the British Virgin Islands.

22. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2010		
	Operating Costs	**Operating Expenses**	**Total**
Personnel			
Payroll	$ -	$ 1,998,698	$ 1,998,698
Insurance	-	128,808	128,808
Pension	-	102,065	102,065
Others	-	80,652	80,652
	$ -	$ 2,310,223	$ 2,310,223
Depreciation	$ 11,374	$ 129,633	$ 141,007
Amortization	$ 302	$ 31,620	$ 31,922

	2009		
	Operating Costs	**Operating Expenses**	**Total**
Personnel			
Payroll	$ -	$ 1,983,081	$ 1,983,081
Insurance	-	124,261	124,261
Pension	-	105,903	105,903
Others	-	73,361	73,361
	$ -	$ 2,286,606	$ 2,286,606
Depreciation	$ 47,623	$ 110,584	$ 158,207
Amortization	$ 6,109	$ 23,080	$ 29,189

23. EARNINGS PER SHARE

The numerators and denominators used in calculating basic and diluted earnings per share were as follows:

	Amount (Numerator)		Shares in Thousands	Earnings Per Share (NT$)	
	Pretax	**After-tax**	**(Denominator)**	**Pretax**	**After-tax**
2010					
Basic earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 1,134,141	$ 1,041,961	241,771	$ 4.69	$ 4.31
Diluted earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 1,134,141	$ 1,041,961	242,234	$ 4.68	$ 4.30
2009					
Basic earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 1,550,455	$ 1,404,394	240,691	$ 6.44	$ 5.83
Diluted earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 1,550,455	$ 1,404,394	243,241	$ 6.37	$ 5.77

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or stocks, the Corporation should presume that the entire amount of the bonus will be settled in stocks and the resulting potential stocks should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the stocks have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential stocks should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The pro forma net income and earnings per share had the parent company's stock held by subsidiaries been treated as an investment instead of treasury stock, were as follows:

	Amount (Numerator)		Shares in Thousands	Earnings Per Share (NT$)	
	Pretax	After-tax	(Denominator)	Pretax	After-tax
2010					
Pro forma basic earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 1,183,147	$ 1,090,966	266,290	$ 4.44	$ 4.09
Pro forma diluted earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 1,183,147	$ 1,090,966	266,754	$ 4.43	$ 4.08
2009					
Pro forma basic earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 1,550,455	$ 1,404,394	265,211	$ 5.85	$ 5.30
Pro forma diluted earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 1,550,455	$ 1,404,394	267,761	$ 5.79	$ 5.24

24. FINANCIAL INSTRUMENTS

In 2010 and 2009, the Corporation and subsidiaries did not engage in transactions involving derivative instruments.

a. Fair values of financial instruments

	December 31			
	2010		2009	
Non-derivative Instruments	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss - current	$ 5,885,383	$ 5,885,383	$ 5,010,789	$ 5,010,789
Available-for-sale financial assets - current	276,220	276,220	351,610	351,610
Financial asset carried at cost	589,463	-	1,105,169	-
Investments accounted for by the equity method - unlisted stocks	1,158,381	-	742,410	-
Refundable deposits - noncurrent	148,963	148,963	126,640	126,640
Pledged time deposits - noncurrent	48,993	48,993	69,772	69,772
Long-term lease receivables, net	12,096	12,096	24,981	24,981
Long-term receivables from related parties	16,249	16,249	-	-

(Continued)

Non-derivative Instruments		December 31		
	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities				
Guarantee deposits received (included in other liabilities - others)	$ 9,519	$ 9,519	$ 9,615	$ 9,615

(Concluded)

b. Methods and assumptions used in determining fair values of financial instruments

1) The balance sheet carrying amounts of cash and cash equivalents, notes and accounts receivable, receivables from and payables to related parties, lease receivables - current, other receivables, pledged time deposits - current, refundable deposits - current, short-term loans, short-term bills payable, notes and accounts payable, accrued expenses, and other payables, which were not included in the assets and liabilities mentioned above, approximate fair value because of their short maturities.

2) For financial assets at fair value through profit or loss and available-for-sale financial assets with active market, the fair value is based on quoted market price.

3) For financial assets carried at cost and investments in unlisted stocks accounted for by the equity method, the fair value cannot be estimated because related stocks have no active market and a reliable determination of their fair value entails an unreasonably high cost; therefore, fair value is not presented.

4) For refundable deposits - noncurrent, pledged time deposits - noncurrent and guarantee deposits received, their future receipt, settlement or payment terms are uncertain; thus, their fair values are their book values.

5) For long-term lease receivables, their fair value is estimated using discounted cash flow analysis, based on the Corporation and subsidiaries' contract rates with maturity periods similar to those of long-term leases.

c. As of December 31, 2010 and 2009, financial liabilities exposed to cash flow interest rate risk amounted to $162,787 thousand and $79,000 thousand, respectively. As of December 31, 2010 and 2009, financial liabilities exposed to fair value interest rate risk amounted to $9,948 thousand and $19,986 thousand, respectively.

d. Financial risks

1) Market risk. Financial assets at fair value through profit or loss and available-for-sale financial assets are held by the Corporation and subsidiaries for trading in active markets. Hence, the Corporation and subsidiaries are exposed to market risks as a result of price fluctuations. The Corporation and subsidiaries run a control system to mitigate this risk, and management does not anticipate any material loss due to this risk.

2) Credit risk. Credit risk represents the potential loss that would be incurred by the Corporation and subsidiaries if the counter-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties to the foregoing financial instruments are reputable financial institutions, business organizations and individuals. Management does not anticipate the Corporation and subsidiaries' exposure to default by those parties to be material.

3) Liquidity risk. The Corporation and subsidiaries have sufficient working capital to meet the cash needs for their operations. Thus, no material liquidity risk is anticipated. In addition, the Corporation and subsidiaries' financial assets at fair value through profit or loss and available-for-sale financial assets are publicly-traded in an active market and can readily be sold in the market at their approximate fair values. However, they have financial assets carried at cost and investments in unlisted stocks accounted for by the equity method with significant liquidity risks because these assets do not have quoted market prices in an active market.

4) Cash flow interest rate risk. Cash flows of the Corporation and subsidiaries' loans with floating-rate will fluctuate due to changes in market interest rates. However, cash flows of the Corporation and subsidiaries' loans with fixed-rate will not fluctuate significantly due to changes in market interest rates.

25. RELATED PARTY TRANSACTIONS

a. Related parties and their relationships with the Corporation and subsidiaries

Related Parties	Relationship with the Corporation and Subsidiaries
AFE Solutions Limited (AFE)	Investee accounted for by the equity method of the Corporation's subsidiary, Systex Capital Group Inc.
Taifon Computer Co., Ltd. (Taifon)	Investee accounted for by the equity method of Taiwan Electronic Data Processing Corporation before June 2010
Etech Corporation (Etech)	A subsidiary of Taifon
Wit Investment Partners Ltd. (WIPL)	Investee accounted for by the equity method of the Corporation (liquidation process has been completed in July 2009)
Enrichment I Venture Capital Corporation (EIVCC)	Investee accounted for by the equity method of the Corporation and Hanmore Investment Corporation
Investment Media Ltd. (I-Media)	Investee accounted for by the equity method of Ching Pu Investment Corporation
Systex Data Management & Integration Service Corporation, Shanghai (Systex DMIS)	Investee accounted for by the equity method of the Corporation's subsidiaries, Kimo.com (BVI) Corp. and Systex Capital Group Inc. (incorporated in August 2009)
Forms Syntron Information (Shenzhen) Limited (Forms Syntron Shenzhen)	Investee's investment accounted for by the equity method (Kimo BVI indirectly acquired 30% equity in May and June 2010, and became related party accordingly)
Forms Syntron Information (Hong Kong) Limited (Forms Syntron Hong Kong)	Investee's investment accounted for by the equity method (Kimo BVI indirectly acquired 30% equity in May and June 2010, and became related party accordingly)
Rimage Information Technology (Shanghai) Co., Ltd. (Rimage Shanghai)	Investee accounted for by the equity method of TEDPC Information (HK) Limited (after TEDPC Information (HK) Limited acquired 49% equity in August 2010)
Huang, T.J.	Chairman of the Corporation
Ho, Mei-Yu	Spouse of the chairman
Hsiao, Chung-Ho	Director of the Corporation
Yang, Shih-Chung	Corporate officer of the Corporation
Wu, Lien-Shen	Director of Concord System Management Corporation

b. Significant related party transactions (in addition to those disclosed in Notes 11 and 27)

	2010		2009	
	Amount	% to Total	Amount	% to Total
For the year				
Sales				
Rimage Shanghai	$ 29,130	-	$ -	-
Forms Syntron Hong Kong	10,612	-	-	-
Taifon	4,453	-	7,662	-
Etech	2,040	-	-	-
Systex DMIS	1,151	-	2,817	-
Others	3,731	-	1,637	-
	$ 51,117	-	$ 12,116	-
Purchases				
Forms Syntron Shenzhen	$ 1,990	-	$ -	-
Taifon	668	-	27,092	-
Others	9	-	422	-
	$ 2,667	-	$ 27,514	-
Service cost				
I-Media	$ 19,429	1	$ 21,143	2
AFE	3,894	-	4,027	-
Other	12	-	-	-
	$ 23,335	1	$ 25,170	2

Acquisition of securities

For the year ended December 31, 2010

Related Parties	Stock Acquired	Number of Shares	Transaction Amount
Huang, T.J.	Concord System Management Corporation	330,703	$ 7,614
EIVCC	Concord System Management Corporation	179,098	4,123
Ho, Mei-Yu	Concord System Management Corporation	34,569	796
Hsiao, Chung-Ho	Concord System Management Corporation	25,802	594
Wu, Lien-Shen	Concord System Management Corporation	14,865	342
Yang, Shih-Chung	Concord System Management Corporation	2,793	59
			$ 13,528

	2010		2009	
	Amount	% to Total	Amount	% to Total
At the end of the year				
Receivables from related parties				
Rimage Shanghai	$ 27,901	85	$ -	-
Forms Syntron Hong Kong	4,020	13	-	-
Taifon	-	-	3,112	52
Systex DMIS	-	-	2,817	47
Others	740	2	57	1
	32,661	100	5,986	100
Less: Long-term receivables				
Rimage Shanghai	16,249	50	-	-
	$ 16,412	50	$ 5,986	100
Payables to related parties				
I-Media	$ 1,700	100	$ 1,705	9
Taifon	-	-	17,782	91
	$ 1,700	100	$ 19,487	100
Deferred credits (recorded in other liabilities - others)				
Rimage Shanghai	$ 13,672	100	$ -	-

The product/service sales and purchase transactions with related parties were conducted under pricing terms similar to those for third parties, for purchases or sales of similar products/services, except those transactions on products/services with special specifications. Settlement terms for related-party transactions were similar to those for third parties.

c. Compensation of directors, supervisors and management personnel:

	2010	2009
Salaries	$ 56,481	$ 116,002
Incentives	28,548	46,182
Special compensation	531	1,018
Bonus	101	16,528
	$ 85,661	$ 179,730

26. PLEDGED ASSETS

The following assets had been pledged as collaterals for bank loans, performance bonds, and import duty guarantees:

	December 31	
	2010	2009
Property and equipment -land	$ 112,365	$ -
Property and equipment - buildings, net	27,681	-
Pledged time deposits - current	306,496	217,556
Pledged time deposits - noncurrent	48,993	69,772
	$ 495,535	$ 287,328

27. SIGNIFICANT CONTINGENT LIABILITIES AND COMMITMENTS AS OF DECEMBER 31, 2010

a. Unused letters of credit aggregated about $14,136 thousand.

b. Outstanding sales contracts amounted to about $2,937,755 thousand.

c. There was a guarantee amounting to $87,390 thousand on the unused bank loan credit lines of UCOM Information Ltd. (Shanghai). Taiwan Electronic Data Processing Corporation provided endorsements for Medincom Technology Corporation up to $6,397 thousand. Taifon Computer Co., Ltd. provided endorsements for Taiwan Electronic Data Processing Corporation and Etech Corporation up to $1,900 thousand and $96,000 thousand, respectively. Concord System Management Corporation provided endorsements for the Corporation up to $988 thousand.

d. There were lease contracts for office premises and warehouse, expiring between January 2011 and February 2014, with refundable deposits of $24,932 thousand. Future rentals are as follows:

Year	Amount
2011	$ 89,634
2012	63,963
2013	43,760
2014	2,163

28. OTHERS

Significant financial assets and liabilities denominated in foreign currencies as of December 31, 2010 and 2009 are summarized as follows:

Unit: Per Currency/New Taiwan Dollars (In thousands)

	December 31					
	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 28,085	29.13	$ 818,116	$ 47,069	31.99	$ 1,505,737
HKD	76,133	3.75	285,346	51,665	4.13	213,170
SGD	1,676	22.73	38,095	1,063	22.84	24,279

(Continued)

	December 31					
	2010			2009		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
RMB	$ 107,491	4.42	$ 475,164	$ 127,968	4.69	$ 599,632
THB	25,364	0.98	24,738	36,125	0.96	34,846
Non-monetary items						
USD	51,807	29.13	1,509,154	34,297	31.99	1,097,174
Investment accounted for by the equity method						
USD	4,384	29.13	127,697	3,893	31.99	124,533
THB	3,228	0.98	3,148	2,998	0.96	2,892
RMB	53,162	4.42	235,078	19,831	4.69	92,926
HKD	84,447	3.75	316,510	62,173	4.13	256,525
<u>Financial liabilities</u>						
Monetary item						
USD	2,926	29.13	85,234	317	31.99	10,141
SGD	934	22.73	21,230	274	22.84	6,258
HKD	15,658	3.75	58,686	10,816	4.13	44,627
RMB	35,120	4.42	155,248	46,603	4.69	218,372

(Concluded)

29. SEGMENT INFORMATION

Segment information is presented in the accompanying Table 1.

TABLE 1

SYSTEX CORPORATION AND SUBSIDIARIES

SEGMENT INFORMATION
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

A. Industry information

	2010				2009			
	Sale of Computer Hardware and Software	**Services (Note 1)**	**Others (Note 1)**	**Total**	**Sale of Computer Hardware and Software**	**Services (Note 1)**	**Others (Note 1)**	**Total**
Sales to customers	$ 8,614,562	$ 3,526,602	$ 654,875	$ 12,796,039	$ 8,114,926	$ 3,312,766	$ 1,119,783	$ 12,547,475
Sales to other segments	-	-	-	-	-	-	-	-
Total sales	$ 8,614,562	$ 3,526,602	$ 654,875	$ 12,796,039	$ 8,114,926	$ 3,312,766	$ 1,119,783	$ 12,547,475
Segment operating income (Note 2)	$ 360,119	$ 408,586	$ 598,765	$ 1,367,470	$ 324,618	$ 368,283	$ 1,036,026	$ 1,728,927
Investment income, net (Note 3)				128,788				176,258
Other corporate income				55,467				120,931
Corporate general expenses				(372,984)				(439,357)
Interest expense				(5,981)				(2,195)
Income before income tax				$ 1,172,760				$ 1,584,564
Identifiable assets (Note 4)	$ 4,225,224	$ 1,440,712	$ 304,412	$ 5,970,348	$ 3,443,393	$ 1,197,926	$ 272,609	$ 4,913,928
Corporate general assets				9,523,054				9,530,853
Long-term investments				1,747,844				1,847,579
Total assets				$ 17,241,246				$ 16,292,360
Depreciation and amortization expense	$ 89,058	$ 57,961	$ 25,910		$ 89,174	$ 66,693	$ 31,529	
Capital expenditures	$ 148,517	$ 26,415	$ 27,558		$ 39,571	$ 98,506	$ 11,012	

Notes:

1. The Corporation and subsidiaries' services mainly include VAN services, data processing, computer software services, training services and computer maintenance. Other businesses include computer leasing and miscellaneous items.

2. Segment operating income is revenues less costs and operating expenses. Operating expenses include costs and expenses that are directly identifiable to an industry segment, excluding interest expense, investment income (loss) and general and administrative expenses.

3. Investment income (loss) is gain or loss from the sale of investments, dividend income, gain or loss on valuation of financial assets, net investment income (loss) recognized under the equity method, and impairment loss on available-for-sale financial assets and financial assets carried at cost.

(Continued)

4. Identifiable assets represent tangible assets that are used by the industry segment, excluding:

   a. Assets maintained for general corporate purpose.
   b. Financial assets at fair value through profit or loss and available-for-sale financial assets.
   c. Long-term investments.

B. Geographical financial information

	2010					2009				
	Asia	**Others**	**Taiwan**	**Adjustments and Eliminations**	**Consolidated**	**Asia**	**Others**	**Taiwan**	**Adjustments and Eliminations**	**Consolidated**
Sales to other than consolidated entities	$ 1,879,605	$ 324,202	$ 10,592,232	$ -	$ 12,796,039	$ 1,832,811	$ 612,143	$ 10,102,521	$ -	$ 12,547,475
Sales among consolidated entities	39,615	-	244,310	(283,925)	-	46,559	-	181,287	(227,846)	-
Total sales	$ 1,919,220	$ 324,202	$ 10,836,542	$ (283,925)	$ 12,796,039	$ 1,879,370	$ 612,143	$ 10,283,808	$ (227,846)	$ 12,547,475
Operating income (loss)	$ (147,175)	$ 201,063	$ 910,754	$ 29,844	$ 994,486	$ (103,501)	$ 498,889	$ 849,921	$ 44,261	$ 1,289,570
Non-operating income and gains					219,454					338,342
Non-operating expenses and losses					(41,180)					(43,348)
Income before income tax					$ 1,172,760					$ 1,584,564
Identifiable assets	$ 1,501,830	$ 2,620,556	$ 13,452,098	$ (2,081,082)	$ 15,493,402	$ 1,455,207	$ 2,583,079	$ 12,615,765	$ (2,209,270)	$ 14,444,781
Long-term investments					1,747,844					1,847,579
Total assets					$ 17,241,246					$ 16,292,360

C. Export sales

For 2010 and 2009, the Corporation and subsidiaries’ export sales revenue did not reach 10% of the total revenues as reported in the consolidated statements of income.

D. Major customers

For 2010 and 2009, no customer accounted for 10% or more of the Corporation and subsidiaries’ total operating revenues.

(Concluded)