Systex Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2011 and 2010 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, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the 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 year ended December 31, 2011 of Systex Software & Service Corporation, Syspower Corporation, Smartnet Technology Co., Ltd., Soft Mobile Inc., Chain Khan Technology Corporation and Systex Information (H.K.) Ltd., and the financial statements as of and for the year ended December 31, 2010 of Systex Information (H.K.) Ltd., which are consolidated subsidiaries. The aggregate assets of these subsidiaries as of December 31, 2011 and 2010 amounted to NT$1,130,835 thousand and NT$289,204 thousand, respectively, or about 6.42% and 1.68% of the respective consolidated assets. The aggregate net operating revenues of these subsidiaries in 2011 and 2010 were about NT$714,218 thousand and NT$582,433 thousand, respectively, or about 5.25% and 4.55% of the respective consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2011 of AFE Solutions Limited, Bisnews International Limited, Enrichment I Venture Capital Corporation and Syspower Corporation, and the financial statements as of and for the year ended December 31, 2010 of AFE Solutions Limited, Bisnews International Limited and Enrichment I Venture Capital Corporation, 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, 2011 and 2010 were NT$386,104 thousand and NT$470,028 thousand, respectively, or about 2.19% and 2.73% of the respective consolidated assets. The amounts of the equity in their net income were NT$55,863 thousand and NT$100,753 thousand, or about 32.40% and 8.59% of the consolidated pretax income of 2011 and 2010, respectively. The subsidiaries 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 subsidiaries 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, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2011, the Corporation and subsidiaries adopted the newly issued Statement of Financial Accounting Standards No. 41, "Operating Segments."

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2011, the Corporation and subsidiaries adopted the newly revised Statement of Financial Accounting Standards No. 34, "Financial Instruments: Recognition and Measurement."

March 21, 2012

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, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Par Value)

	2011		2010	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,959,323	11	$ 1,699,088	10
Financial assets at fair value through profit or loss (Notes 2 and 5)	5,007,590	28	5,885,383	34
Available-for-sale financial assets (Notes 2 and 6)	91,305	1	276,220	2
Notes receivable, net (Notes 2 and 7)	164,269	1	120,414	1
Accounts receivable, net (Notes 2, 7, 24 and 25)	2,681,361	15	2,311,502	13
Other receivables	116,035	1	26,613	-
Inventories (Notes 2 and 8)	1,362,056	8	1,169,569	7
Prepayments	441,984	2	280,307	2
Deferred income tax assets - current (Notes 2 and 20)	52,208	-	33,794	-
Pledged time deposits - current (Note 25)	325,418	2	306,496	2
Refundable deposits - current (Note 26)	134,406	1	96,866	-
Other current assets	42,854	-	47,999	-
Total current assets	12,378,809	70	12,254,251	71
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	503,478	3	589,463	3
Investments accounted for by the equity method (Notes 2 and 10)	1,289,436	7	1,158,381	7
Total long-term investments	1,792,914	10	1,747,844	10
PROPERTY AND EQUIPMENT (Notes 2, 11 and 25)				
Cost				
Land	1,054,278	6	1,041,697	6
Buildings	1,545,892	9	1,512,741	9
Computer equipment	342,993	2	644,729	4
Transportation equipment	14,252	-	13,808	-
Leasehold improvements	79,306	-	113,894	-
Other equipment	118,099	1	135,258	1
Total cost	3,154,820	18	3,462,127	20
Less: Accumulated depreciation	665,093	4	1,003,617	6
Less: Accumulated impairment loss	44,275	-	32,832	-
Prepayments for equipment	1,839	-	2,449	-
Net property and equipment	2,447,291	14	2,428,127	14
INTANGIBLE ASSETS (Note 2)				
Computer software	43,492	-	58,385	-
Goodwill	266,747	2	79,259	1
Technological expertise	262,431	2	211,743	1
Other intangible assets	35,749	-	-	-
Total intangible assets	608,419	4	349,387	2
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 12)	104,611	1	123,102	1
Refundable deposits - noncurrent (Note 26)	119,201	1	148,963	1
Deferred income tax assets - noncurrent (Notes 2 and 20)	56,580	-	72,158	1
Pledged time deposits - noncurrent (Note 25)	37,796	-	48,993	-
Others (Notes 2, 13 and 17)	58,616	-	68,421	-
Total other assets	376,804	2	461,637	3
TOTAL	$ 17,604,237	100	$ 17,241,246	100

	2011		2010	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Notes 14 and 25)	$ 143,554	1	$ 98,239	1
Short-term bills payable (Note 15)	29,912	-	9,948	-
Notes and accounts payable (Note 24)	2,529,215	14	2,015,232	12
Income tax payable (Notes 2 and 20)	45,356	-	75,704	-
Accrued expenses (Note 18)	629,971	4	561,959	3
Other payables	45,857	-	10,598	-
Receipts in advance	684,197	4	392,901	2
Current portion of long-term bank loans (Notes 16 and 25)	7,377	-	7,377	-
Other current liabilities	162,549	1	118,321	1
Total current liabilities	4,277,988	24	3,290,279	19
LONG-TERM LIABILITIES				
Long-term bank loans (Notes 16 and 25)	43,794	-	57,171	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 17)	77,803	1	71,316	1
Others (Notes 2, 10 and 24)	19,149	-	23,191	-
Total other liabilities	96,952	1	94,507	1
Total liabilities	4,418,734	25	3,441,957	20
EQUITY ATTRIBUTABLE TO THE PARENT'S STOCKHOLDERS (Notes 2, 18 and 19)				
Capital stock - par value NT$10, authorized - 400,000 thousand shares; issued - 259,321 thousand shares in 2011 and 266,549 thousand shares in 2010	2,593,210	15	2,665,493	16
Advance receipts for common stock - 16 thousand shares	-	-	162	-
Total capital stock	2,593,210	15	2,665,655	16
Capital surplus				
Additional paid-in capital	8,358,116	48	8,597,169	50
Treasury stock transactions	875,061	5	821,744	5
Gain on sale of property and equipment	4,493	-	4,493	-
Donations	544	-	544	-
Long-term investments	65,843	-	56,015	-
Employee stock options	65,177	-	24,422	-
Total capital surplus	9,369,234	53	9,504,387	55
Retained earnings				
Legal reserve	527,709	3	423,513	2
Special reserve	347,018	2	-	-
Unappropriated earnings	1,168,511	7	2,007,058	12
Total retained earnings	2,043,238	12	2,430,571	14
Other equity				
Cumulative translation adjustments	(158,469)	(1)	(399,144)	(3)
Net loss not recognized as pension cost	(18,469)	-	-	-
Unrealized loss on financial instruments	(160,822)	(1)	(44,446)	-
Unrealized revaluation increment	56	-	56	-
Treasury stock - 24,520 thousand shares	(869,672)	(5)	(869,672)	(5)
Total other equity	(1,207,376)	(7)	(1,313,206)	(8)
Total equity attributable to the parent's stockholders	12,798,306	73	13,287,407	77
MINORITY INTEREST	387,197	2	511,882	3
Total stockholders' equity	13,185,503	75	13,799,289	80
TOTAL	$ 17,604,237	100	$ 17,241,246	100

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

(With Deloitte & Touche audit report dated March 21, 2012)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2, 5, 10 and 24)				
Sales	$ 9,420,573	69	$ 8,636,270	67
Less: Sales returns and allowances	13,925	-	21,708	-
Net sales	9,406,648	69	8,614,562	67
Service revenue	3,834,736	28	3,526,602	28
Others	371,155	3	654,875	5
Total operating revenues	13,612,539	100	12,796,039	100
OPERATING COSTS (Notes 2, 5, 8, 9, 21, 24 and 26)				
Cost of goods sold	8,018,355	59	6,951,677	54
Service cost	1,760,311	13	1,708,922	13
Others	378,618	2	56,110	1
Total operating costs	10,157,284	74	8,716,709	68
GROSS PROFIT	3,455,255	26	4,079,330	32
REALIZED (UNREALIZED) GROSS PROFIT (Notes 2 and 24)	3,844	-	(13,672)	-
REALIZED GROSS PROFIT	3,459,099	26	4,065,658	32
OPERATING EXPENSES (Notes 18 and 21)				
Selling expenses	2,546,715	19	2,265,735	18
General and administrative expenses	398,363	3	372,984	3
Research and development expenses	445,149	3	432,453	3
Total operating expenses	3,390,227	25	3,071,172	24
OPERATING INCOME	68,872	1	994,486	8
NON-OPERATING INCOME AND GAINS				
Interest income	6,380	-	3,751	-
Investment income recognized under equity method, net (Notes 2 and 10)	28,959	-	6,390	-
Dividend income (Note 2)	24,820	-	21,938	-
Gain on sale of property and equipment (Note 2)	37,615	1	10,232	-
Gain on sale of investments, net (Note 2)	25,002	-	116,847	1
Exchange gain, net (Note 2)	3,014	-	-	-
Reversal of allowance for doubtful accounts	1,030	-	14,585	-

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	**%**	**Amount**	**%**
Reversal of impairment loss on idle assets (Notes 2 and 13)	$ 16,921	-	$ -	-
Others	35,140	-	45,711	1
Total non-operating income and gains	178,881	1	219,454	2
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	11,042	-	5,981	-
Exchange loss, net (Note 2)	-	-	9,632	-
Impairment loss on financial assets carried at cost (Notes 2 and 9)	24,882	1	11,081	1
Impairment loss on property and equipment (Notes 2 and 11)	12,686	-	-	-
Valuation loss on financial assets, net (Notes 2 and 5)	7,736	-	5,306	-
Others	19,009	-	9,180	-
Total non-operating expenses and losses	75,355	1	41,180	1
INCOME BEFORE INCOME TAX	172,398	1	1,172,760	9
INCOME TAX (Notes 2 and 20)	41,109	-	104,008	1
CONSOLIDATED NET INCOME	$ 131,289	1	$ 1,068,752	8
ATTRIBUTABLE TO:				
Stockholders of the parent	$ 145,798	1	$ 1,041,961	8
Minority interest	(14,509)	-	26,791	-
	$ 131,289	1	$ 1,068,752	8

	2011		2010	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 22)				
Basic	$ 0.69	$ 0.61	$ 4.69	$ 4.31
Diluted	$ 0.69	$ 0.61	$ 4.68	$ 4.30

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(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, 19 and 22):

	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
PRO FORMA EARNINGS PER SHARE				
Basic	$ 0.81	$ 0.75	$ 4.44	$ 4.09
Diluted	$ 0.81	$ 0.75	$ 4.43	$ 4.08

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

(With Deloitte & Touche audit report dated March 21, 2012) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Capital Stock Issued and Outstanding		Advance Receipts		Retained Earnings (Notes 2 and 18)				Other Equity						
	Shares (Thousands)	Amount	for Common Stock	Capital Surplus (Notes 2 and 18)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost (Notes 2 and 17)	Unrealized Gain (Loss) on Financial Instruments (Notes 2 and 18)	Unrealized Revaluation Increment	Treasury Stock (Notes 2 and 19)	Minority Interest	Total Stockholders' Equity
BALANCE, JANUARY 1, 2010	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															
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 for exercised employee stock options	1,229	12,299	(1,350)	24,233	-	-	-	-	-	-	-	-	-	-	35,182
Compensation recognized for employee stock options	-	-	-	12,001	-	-	-	-	-	-	-	-	-	-	12,001
Adjustments brought by 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
Appropriations of earnings															
Special reserve	-	-	-	-	-	347,018	(347,018)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	104,196	-	(104,196)	-	-	-	-	-	-	-	-
Cash dividends - NT$2.05856 per share	-	-	-	-	-	-	(533,131)	(533,131)	-	-	-	-	-	-	(533,131)
Issuance of stock for exercised employee stock options	572	5,717	(162)	10,126	-	-	-	-	-	-	-	-	-	-	15,681
Compensation recognized for employee stock options	-	-	-	43,238	-	-	-	-	-	-	-	-	-	-	43,238
Adjustments brought by changes in percentage of ownership in investees	-	-	-	9,828	-	-	-	-	-	-	-	-	-	-	9,828
Consolidated net income for the year ended December 31, 2011	-	-	-	-	-	-	145,798	145,798	-	-	-	-	-	(14,509)	131,289
Change in translation adjustments on investments accounted for by the equity method	-	-	-	-	-	-	-	-	240,675	-	-	-	-	-	240,675
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(18,469)	-	-	-	-	(18,469)
Equity in changes in investees' unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	-	(102,037)	-	-	-	(102,037)
Change in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(14,339)	-	-	-	(14,339)
Cash dividends received by subsidiaries from the Corporation	-	-	-	50,475	-	-	-	-	-	-	-	-	-	-	50,475
Acquisition of treasury stock - 7,800 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	(326,820)	-	(326,820)
Retirement of treasury stock - 7,800 thousand shares	(7,800)	(78,000)	-	(248,820)	-	-	-	-	-	-	-	-	326,820	-	-
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(110,176)	(110,176)
BALANCE, DECEMBER 31, 2011	259,321	$ 2,593,210	$ -	$ 9,369,234	$ 527,709	$ 347,018	$ 1,168,511	$ 2,043,238	$ (158,469)	$ (18,469)	$ (160,822)	$ 56	$ (869,672)	$ 387,197	$ 13,185,503

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

(With Deloitte & Touche audit report dated March 21, 2012)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 131,289	$ 1,068,752
Unrealized (realized) gross profit	(3,844)	13,672
Depreciation	148,685	141,007
Amortization	28,931	31,922
Provision for (reversal of) allowance for doubtful accounts	936	(14,585)
Provision for (reversal of) loss on inventories	22,165	(36,426)
Reversal of impairment loss on idle assets	(16,921)	-
Compensation cost of employee stock options	43,238	12,001
Interest amortization for short-term bills payable	67	60
Valuation loss (gain) on financial assets, net	335,251	(63,337)
Impairment loss on financial assets carried at cost	35,552	32,830
Investment income recognized under the equity method	(90,928)	(139,669)
Cash dividends received from investees under the equity method	91,149	2,523
Gain on sale of available-for-sale financial assets	(92,732)	(14,227)
Gain on sale of financial assets carried at cost	(35,097)	(228,257)
Loss on sale of investments accounted for by the equity method	-	971
Gain on sale of property and equipment, idle assets and deferred charges	(37,615)	(12,755)
Impairment loss on property and equipment	12,686	1,610
Amortization of unearned gain on sale-leaseback	-	(4,226)
Deferred income tax	23,354	32,692
Net changes in operating assets and liabilities		
Financial assets held for trading	833,930	(939,621)
Notes receivable	(33,043)	25,813
Accounts receivable	(183,013)	(237,193)
Other receivables	(27,989)	5,470
Inventories	(190,274)	(109,689)
Prepayments	(152,394)	(29,377)
Other current assets	10,546	9,709
Notes and accounts payable	428,041	213,241
Income tax payable	(31,127)	54,895
Accrued expenses	57,060	(21,944)
Other payables	(23,397)	(15,925)
Receipts in advance	267,234	158,626
Other current liabilities	33,350	5,223
Prepaid pension cost/accrued pension cost	(11,641)	(7,028)
Net cash provided by (used in) operating activities	1,573,449	(63,242)

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale financial assets	$ 175,477	$ 24,015
Acquisition of financial assets carried at cost	(38,822)	(1,774)
Proceeds from sale of financial assets carried at cost	54,783	689,065
Acquisition of investments accounted for by the equity method	(137,555)	(456,315)
Return of capital upon investees' capital reduction and liquidation	23,371	54,653
Acquisition of property and equipment and assets leased to others	(116,153)	(170,927)
Proceeds from sale of property and equipment, assets leased to others and idle assets	84,911	82,265
Increase in computer software	(7,002)	(29,594)
Decrease (increase) in other assets	4,530	(10,259)
Decrease in refundable deposits	218	9,995
Increase in pledged time deposits	(7,585)	(50,522)
Net cash paid for acquisition of subsidiaries	(488,873)	(68,048)
Net cash provided by (used in) investing activities	(452,700)	72,554
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	18,553	(61,283)
Decrease in short-term bills payable	(10,000)	(10,098)
Increase in short-term bills payable	29,897	-
Decrease in long-term bank loans	(13,377)	(3,689)
Cash dividends paid	(533,131)	(531,908)
Acquisition of treasury stock	(326,820)	-
Decrease in guarantee deposits received	(1,180)	(925)
Cash dividends received by subsidiaries from the Corporation	50,475	49,006
Proceeds from exercise of employee stock options	15,681	35,182
Decrease in minority interest	(168,384)	(131,447)
Net cash used in financing activities	(938,286)	(655,162)
EFFECT OF EXCHANGE RATE CHANGES	77,772	(111,677)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	260,235	(757,527)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,699,088	2,456,615
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,959,323	$ 1,699,088
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 11,124	$ 4,893
Income tax paid	$ 57,992	$ 16,743

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Payable for return of capital upon capital reduction of a subsidiary (included in other payables)	$ 176	$ -
Cash dividends receivable of a subsidiary (included in other receivables)	$ 51,354	$ -
Payable for acquisition of a subsidiary (included in other payables)	$ 36,517	$ -
Issuance of a subsidiary's new shares in acquiring technological expertise	$ -	$ 211,743
Current portion of long-term bank loans	$ 7,377	$ 7,377

The Corporation acquired 51.0% equity interest of Chain Khan Technology Corporation in 2011. The fair values of the acquired assets and liabilities are summarized as follows:

Cash	$ 5,572
Notes and accounts receivable, net	2,015
Prepayments and other current assets	2,032
Property and equipment, net	119
Notes and accounts payable	(1,460)
Income tax payable	(731)
Receipts in advance	(4,422)
Accrued expenses and other current liabilities	(80)
Other liabilities (including accrued pension cost)	(600)
Net assets	2,445
Percentage of ownership acquired	51.0%
	1,247
Cash paid	(15,300)
Intangible assets	$ (14,053)

The Corporation's subsidiary, Golden Bridge Corporation acquired 98.1% equity interest of Soft Mobile Inc. in 2011. The fair values of the acquired assets and liabilities are summarized as follows:

Cash	$ 3,600
Accounts receivable, net	199
Prepayments and other current assets	134
Property and equipment, net	1,608
Notes and accounts payable	(72)
Accrued expenses and other current liabilities	(254)
Net assets	5,215
Percentage of ownership acquired	98.1%
	5,116
Cash paid	(62,300)
Intangible assets	$ (57,184)

(Continued)

(In Thousands of New Taiwan Dollars)

The Corporation's subsidiaries, Ching Pu Investment Corporation and Golden Bridge Corporation acquired a total of 61.7% equity interest of Syspower Corporation in 2011. The fair values of the acquired assets and liabilities are summarized as follows:

Cash	$ 11,084
Financial assets at fair value through profit or loss	237,241
Notes and accounts receivable, net	63,649
Inventories	19,662
Prepayments and other current assets	7,508
Investments accounted for by the equity method	5,787
Property and equipment, net	45,859
Other assets	34,494
Notes and accounts payable	(24,280)
Income tax payable	(1,864)
Receipts in advance	(17,425)
Accrued expenses and other current liabilities	(6,357)
Other liabilities	(723)
Net assets	374,635
Percentage of ownership acquired	61.7%
	231,188
Cash paid	(283,867)
Intangible assets	$ (52,679)

The Corporation's subsidiaries, UCOM Information Ltd. (Shanghai) and Systek Information (Shanghai) Ltd. acquired a total of 100.0% equity interest of Rainbow Tech (Guangzhou) Inc. in 2011. The fair values of the acquired assets and liabilities are summarized as follows:

Cash	$ 33,487
Accounts receivable, net	98,022
Inventories	1,135
Prepayments and other current assets	10,138
Property and equipment, net	158
Short-term loans	(24,175)
Accounts payable	(35,475)
Accrued expenses and other current liabilities	(29,407)
Net assets	53,883
Percentage of ownership acquired	100%
	53,883
Acquisition cost (including NT$36,517 thousand in other payables)	(172,717)
Intangible assets	$ (118,834)

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

The Corporation merged with Ching Ho Information Corporation (Ching Ho) and Ching Feng Information Corporation (Ching Feng) on June 1, 2011. The fair values of the assets and liabilities of Ching Ho and Ching Feng at the date of merger are listed as follows:

Ching Ho

Cash	$ 1,819
Other current assets	1
Long-term investments	454,008
Accrued expenses	(31)
Net assets	455,797
Write-off of Ching Ho's stocks held by the Corporation	(412,503)
Excess of the fair value of net assets acquired over the acquisition cost	(1,445)
Cash paid by the Corporation for the acquisition of the minority interest in Ching Ho	$ 41,849

Ching Feng

Cash	$ 1,875
Other current assets	2
Long-term investments	215,656
Accrued expenses	(31)
Net assets	217,502
Write-off of Ching Feng's stocks held by the Corporation	(215,188)
Cash paid by the Corporation for the acquisition of the minority interest in Ching Feng	$ 2,314

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

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

Cash	$ 22,803
Notes 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	(7,377)
Accrued expenses and other current liabilities	(25,353)
Long-term bank loans	(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 21, 2012) (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 relationship and percentage of ownership between the Corporation and subsidiaries included in the consolidated financial statements as of and for the year December 31, 2011 are presented in the accompanying Table 1.

The consolidated subsidiaries and the nature of their business are as follows:

Companies	Main Business
Concord System Management Corporation (CSMC)	Design of computer system and application software, data-processing services, sale and lease of computer hardware and software
Cloudena Corporation (Cloudena)	Data-processing services, sale of computer software
Systex Capital Group Inc. (SCGI)	Investment activities
Hanmore Investment Corporation (Hanmore)	Investment activities
Ching Ho Information Corporation (Ching Ho)	Sale and development of computer software, data-processing services
Ching Feng Information Corporation (Ching Feng)	Sale and development of computer software, data-processing services
Systex Software & Service Corporation (SSSC)	Sale and development of computer software, data-processing services
Golden Bridge Corporation (GBC)	Sale and development of computer software, data-processing services
Taifon Computer Co., Ltd. (Taifon)	Computer system integration services, sale of computer hardware and software
Etech Corporation (Etech)	Computer system integration services, sale of computer hardware and software
Ching Pu Investment Corporation (Ching Pu)	Investment activities
TaiwanPay Corporation (TaiwanPay)	Sale and development of computer software, data-processing services
Taiwan Electronic Data Processing Corporation (TEDP)	Computer system integration services, sale of computer hardware and software
Medincom Technology Corporation (Medincom)	Computer system integration services, sale of computer hardware and software

(Continued)

Companies	Main Business
TEDPC Information (HK) Limited (TEDP HK)	Investment activities
Kimo.com (BVI) Corporation (Kimo BVI)	Investment activities
Sysware Singapore Pte. Ltd. (Sysware Singapore)	Computer system integration services, sale of computer hardware and software
Sysware (Thailand) Co., Ltd. (Sysware Thailand)	Computer system integration services, sale of computer hardware and software
PT. Sysware Indonesia (Sysware Indonesia)	Computer system integration services, sale of computer hardware and software
Systex Information (H.K.) Limited (Systex Info)	Sale and development of computer hardware and software, data-processing services
ICT-Systex Information Systems Co., Ltd. (ICT Systex)	Sale and development of computer hardware and software, data-processing services
Beijing Yisheng Financial and Economic Information Consulting Co., Ltd. (Yisheng)	Sale and development of computer hardware and software, data-processing services
Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Sale and development of computer hardware and software, data-processing services
Optima Financial Software Company (Optima)	Sale and development of computer hardware and software, data-processing services
UCOM Information Ltd. (Shanghai) (UCOM Shanghai)	Sale and development of computer software, data-processing services
Systek Information (Shanghai) Ltd. (Systek)	Computer system integration services, sale of computer hardware and software
Syspower Corporation (Syspower)	Computer system integration services, sale of computer hardware and software
Smartnet Technology Co., Ltd. (Smartnet)	Electronic commerce
Soft Mobile Inc. (Soft Mobile)	Sale and development of computer software, data-processing services
Chain Khan Technology Corporation (CKT)	Sale and development of computer software, and related consultation services
Systex Solutions (HK) Limited (SSHL)	Investment activities
Systex SDC China Ltd. (SDC)	Sale and development of computer software, data-processing services
Beijing Sysware Asia Pacific Ltd. (Beijing Sysware)	Sale and development of computer software, data-processing services
Rainbow Tech (Guangzhou) Inc. (RTGI)	Computer system integration services, sale of computer hardware and software
Cloudena (Cayman) Inc. (Cloudena Cayman)	Investment activities

(Concluded)

For reorganization purpose, the boards of directors of Ching Ho and CSMC resolved in their respective meetings on March 24, 2011 to swap their shares. The effective date was April 17, 2011 and every 2.162 common shares of Ching Ho were swapped for one common share of CSMC.

For reorganization purpose, the boards of directors of Ching Feng and Taifon resolved in their respective meetings on March 24, 2011 to swap their shares. The effective date was April 17, 2011 and every 1.34 common shares of Ching Feng were swapped for one common share of Taifon.

To reorganize structure and enhance management efficiency of the Corporation, the board of directors decided to merge Ching Ho, which is 90.5% owned by the Corporation and Ching Feng, which is 99.0% owned by the Corporation on April 18, 2011. The effective date of the merger was June 1, 2011. The Corporation offered the price of NT$10 per share (total of $41,849 thousand and $2,314 thousand, respectively) to purchase all the stocks of the 9.5% and 1.0% equity owned by other stockholders of Ching Ho and Ching Feng, respectively. After the merger, the Corporation took over all the rights and obligations of Ching Ho and Ching Feng. The merger had been approved by the relevant authority-in-charge on July 21, 2011.

As of December 31, 2011 and 2010, the Corporation and subsidiaries had 2,962 and 2,711 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China. Significant accounting policies are summarized as follows:

Basis of Consolidation

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

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 translation are recorded as "cumulative translation adjustments" under the stockholders' equity.

The consolidated financial statements for the year ended December 31, 2010 included the following entities: The Corporation, CSMC, SCGI, Taifon, Etech, Hanmore, Ching Pu, TaiwanPay, TEDP, Medincom, TEDP HK, Kimo BVI, Sysware Singapore, Sysware Thailand, Sysware Indonesia, Systex Info, ICT Systex, Yisheng, Sysware Shenglong, Optima, UCOM Shanghai, Systek, SDC, and Beijing Sysware.

Beijing Sysware had been merged into UCOM Shanghai in March 2010; thus, it was not included in the consolidated financial statements as of and for the year ended December 31, 2011.

Ching Ho and Ching Feng were incorporated in January 2011; Cloudena was incorporated in June 2011; SSSC, GBC and Cloudena Cayman were incorporated in August 2011; UCOM Shanghai and Systek acquired a total of 100% of RTGI's stocks in August 2011; Ching Pu and GBC acquired a total of 61.7% of Syspower's stocks between October and December 2011; GBC acquired 99.5% of Soft Mobile's stocks in November 2011; the Corporation acquired 51.0% of CKT's stocks in December 2011. Thus, the entities mentioned above (including Smartnet, 100% owned by Syspower) were included in the consolidated financial statements as of and for the year ended December 31, 2011.

Among the abovementioned entities, the financial statements as of and for the year ended December 31, 2011 of Sysware Singapore, Sysware Thailand, Sysware Indonesia, Yisheng, Ching Ho, and Ching Feng, and the financial statements as of and for the year ended December 31, 2010 of Sysware Singapore, Sysware Thailand, Sysware Indonesia, and Yisheng were not audited. The aggregate assets of these subsidiaries as of December 31, 2011 and 2010 amounted to $97,980 thousand and $90,654 thousand, respectively, which were about 0.56% and 0.53% of the respective consolidated assets, and the aggregate liabilities amounted to $32,551 thousand and $21,500 thousand, respectively, which were about 0.74% and 0.62% of the respective consolidated liabilities. The aggregate net operating revenues of these subsidiaries in 2011 and 2010 amounted to $128,803 thousand and $104,890 thousand, respectively, which were about 0.95% and 0.82% of the respective consolidated net operating revenues, and the aggregate amounts of net loss amounted to $10,545 thousand and $8,402 thousand in 2011 and 2010, respectively, which were about (8.03%) and (0.79%) 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.

Accounting Estimates

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.

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 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 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

Revenues from sales of computer 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, 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.

As discussed in Note 3 to the consolidated financial statements, on January 1, 2011, the Corporation and subsidiaries adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Corporation and subsidiaries should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It is becoming probable that the debtor will enter bankruptcy or financial re-organization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Corporation and subsidiaries' past experience in the collection of payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

Leases

The fair value of computers leased under capital leases and the 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. Depreciation is computed using average years of usage: building over 60 years and leased-out computers over 2 to 5 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 was 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 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.

The acquisition of equity interest in subsidiaries from other subsidiaries was considered as restructuring of entities under common control. Thus, the subsidiaries' shares held by the Corporation were recorded at the carrying amount (reduced for asset impairment, if any). The remaining issued shares held by minority interest were accounted for based on the ROC Statement of Financial Accounting Standards No. 25 "Business Combinations."

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 appropriates earnings for stock bonus to employees, or the investee acquires 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 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. Cash dividends released by the Corporation to its subsidiaries are accounted for by eliminating its investment income and adjusting the capital surplus recognized from treasury stock transactions.

Profits or losses from downstream and 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 new 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.

Intangible Assets

Intangible assets include computer software, goodwill, technological expertise and client relationship.

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

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.

Technological expertise and client relationship are acquired by acquisition of other companies or by issuance of a subsidiary's new shares. Technological expertise and client relationship are initially recorded at their fair value and are amortized on a straight-line basis over 10 and 5 years, respectively. The fair value of the acquired technological expertise is determined using valuation techniques.

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 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.

Under the defined benefit pension plan, minimum pension liability is the minimum amount of pension liability that is required to be recognized on the balance sheet. If the accrued pension liability already recognized in the book is less than the minimum amount, the difference should be recognized as additional pension liability. If the amount of additional liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation, then the deferred pension cost account should be charged. Deferred pension cost is classified as an intangible asset. If the amount of additional liability exceeds the sum, the excess should be charged to the net loss not yet recognized as net pension cost account which is classified as a reduction of stockholders' equity.

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 Sale-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 lease 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 functional currency 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 are 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.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2010 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2011.

3. ACCOUNTING CHANGES

Financial Instruments

On January 1, 2011, the Corporation and subsidiaries adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) receivables originated by the Corporation and subsidiaries are now covered by SFAS No. 34. The adoption had no material impact on the consolidated financial statements.

Operating Segments

On January 1, 2011, the Corporation and subsidiaries adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the Corporation and subsidiaries that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Corporation and subsidiaries' chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." For this accounting change, the Corporation and subsidiaries restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2011	**2010**
Cash on hand	$ 2,277	$ 2,067
Checking and savings accounts	930,888	893,229
Time deposits: Interest 0.15%-3.10% in 2011 and 0.10%-2.25% in 2010	1,026,158	632,875
Commercial paper under resell agreement: Interest 1.00%	-	170,917
	$ 1,959,323	$ 1,699,088

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2011	**2010**
Financial assets held for trading		
Mutual funds	$ 4,340,264	$ 5,091,990
Listed shares and TDR	196,876	359,739
Corporate bonds	470,450	433,654
	$ 5,007,590	$ 5,885,383

Valuation of financial assets held for trading resulted in loss of $335,251 thousand in 2011 and gain of $63,337 thousand in 2010.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2011	2010
Listed shares	$ 91,305	$ 211,216
Mutual funds	-	65,004
	$ 91,305	$ 276,220

7. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2011	2010
Notes receivable	$ 164,526	$ 120,586
Less: Allowance for doubtful accounts	257	172
	$ 164,269	$ 120,414
Accounts receivable (Note 24)	$ 2,820,428	$ 2,460,891
Less: Allowance for doubtful accounts	139,067	149,389
	$ 2,681,361	$ 2,311,502

8. INVENTORIES

	December 31	
	2011	2010
Merchandise	$ 1,334,999	$ 1,143,975
Maintenance parts	27,057	25,594
	$ 1,362,056	$ 1,169,569

As of December 31, 2011 and 2010, the allowance for inventory devaluation was $153,948 thousand and $152,290 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2011 and 2010 was $8,018,355 thousand and $6,951,677 thousand, respectively, which included $22,165 thousand write-downs of inventories and $36,426 thousand reversal of write-downs of inventories, respectively.

9. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2011	2010
Unlisted common stocks	$ 448,265	$ 533,216
Unlisted preferred stocks	23,047	24,727
Others	32,166	31,520
	$ 503,478	$ 589,463

The Corporation and subsidiaries held more than 20% of the stock with voting rights of SuperGeo Technologies Inc. in 2011 and 2010, 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.

The Corporation and its subsidiary, Ching Pu Investment Corporation (Ching Pu), both had purchased common stock of Far Eastern Electronic Toll Collection Co., Ltd. The related investment cost is being amortized over the operating periods contracted with the government based on Interpretation No. 1998-150 issued by the Accounting Research and Development Foundation. In 2011 and 2010, the Corporation charged amortization expenses of $7,722 thousand and $6,529 thousand, respectively, which were included in the impairment loss on the financial assets carried at cost, and Ching Pu charged amortization expenses of $3,259 thousand and $2,755 thousand, respectively, 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 $24,571 thousand and $23,546 thousand in 2011 and 2010, respectively.

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2011		2010	
	Carrying Value	Owner-ship %	Carrying Value	Owner-ship %
Unlisted common stocks				
Forms Syntron Information (Shenzhen) Limited	$ 548,614	26.6	$ -	-
AFE Solutions Limited (AFE)	260,789	49.0	316,510	49.0
Systex Data Management & Integration Service Corporation, Shanghai (Systex DMIS)	107,816	49.0	84,779	49.0
Investment Media Ltd. (I-Media)	86,286	40.0	90,864	40.0
Bisnews International Limited (BIL)	75,959	49.0	82,203	49.0
Systemweb Technologies Co., Ltd.	69,673	35.0	-	-
Enrichment I Venture Capital Corporation (EIVCC)	49,356	43.4	71,315	43.4
E-Customer Capital Limited (ECL)	41,108	23.5	45,494	23.5
Sanfran Technologies Inc. (Sanfran)	21,344	15.0	-	-
Systex Data Management & Integration Service Corporation, Beijing	15,422	21.4	-	-
Rimage Information Technology (Shanghai) Co., Ltd.	9,904	49.0	16,476	49.0
Systex Infopro Co., Ltd. (Systex Infopro)	3,165	20.0	3,148	20.0
Allied Info Inc.	-	30.0	447,592	30.0
Elegance Technology Inc.	-	24.6	-	24.6
	$ 1,289,436		$ 1,158,381	

The Corporation exercised significant influence on Sanfran in 2011 in spite of holding less than 20% of its equity. Therefore, the investment was accounted for using the equity method.

EIVCC undertook capital reduction in April 2011 and 2010, and returned $23,265 thousand and $39,882 thousand, respectively, of cash to the Corporation and subsidiaries.

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.

Kimo BVI acquired 30% equity of Allied Info Inc. (Allied Info) in 2010. Forms Syntron Information (Shenzhen) Limited (Forms Syntron Shenzhen) and Forms Syntron Information (Hong Kong) Limited (Forms Syntron Hong Kong) were wholly owned by Allied Info. For reorganization purpose, Allied Info was dissolved and Forms Syntron Hong Kong became wholly owned subsidiary of Forms Syntron Shenzhen in 2011. As of December 31, 2011, Allied Info was pending the completion of liquidation process, and Kimo BVI's subsidiary, Systex Solutions (HK) Limited owned 26.6% equity of Forms Syntron Shenzhen.

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

Investees	2011	2010
Forms Syntron Information (Shenzhen) Limited	$ 70,498	$ -
Syspower Corporation	24,947	-
AFE Solutions Limited	22,938	81,368
Enrichment I Venture Capital Corporation	13,351	5,173
Sanfran Technologies Inc.	1,277	-
Systex Infopro Co., Ltd.	25	230
Systemweb Technologies Co., Ltd.	(1,377)	-
Systex Data Management & Integration Service Corporation, Beijing	(2,860)	-
Investment Media Ltd.	(4,578)	4,809
Bisnews International Limited	(5,373)	14,212
E-Customer Capital Limited	(5,993)	(5,152)
Rimage Information Technology (Shanghai) Co., Ltd.	(7,534)	(1,323)
Systex Data Management & Integration Service Corporation, Shanghai	(14,393)	(3,039)
Allied Info Inc.	-	40,406
Taifon Computer Co., Ltd.	-	2,985
	$ 90,928	$ 139,669

11. PROPERTY AND EQUIPMENT

Accumulated depreciation consisted of:

	December 31	
	2011	2010
Buildings	$ 375,435	$ 346,077
Computer equipment	182,799	480,589
Transportation equipment	6,251	5,295
Leasehold improvements	33,248	81,290
Other equipment	67,360	90,366
	$ 665,093	$ 1,003,617
Accumulated impairment loss	$ 44,275	$ 32,832

ICT-Systex Information Systems Co., Ltd. recognized impairment loss of $12,686 thousand on leasehold improvements in 2011.

12. ASSETS LEASED TO OTHERS, NET

	December 31	
	2011	2010
Cost		
Land	$ 11,523	$ 11,523
Buildings	3,990	3,990
Computer equipment	169,227	178,868
	184,740	194,381
Accumulated depreciation		
Buildings	1,031	977
Computer equipment	76,068	67,272
	77,099	68,249
Accumulated impairment loss (land and buildings)	3,030	3,030
	$ 104,611	$ 123,102

13. IDLE ASSETS, NET

Idle assets (included in other assets - others) of the Corporation and subsidiaries are the network operation centers and buildings currently not in use. The cost, accumulated depreciation and accumulated impairment loss were as follows:

	December 31	
	2011	2010
Cost		
Land	$ 15,657	$ 15,657
Buildings	22,258	38,703
	37,915	54,360
Accumulated depreciation - building	9,592	11,481
Accumulated impairment loss	13,508	27,917
	$ 14,815	$ 14,962

Systex SDC China Ltd. recognized reversal of impairment loss on idle assets of $16,921 thousand in 2011.

14. SHORT-TERM LOANS

	December 31	
	2011	2010
Unsecured bank loans: 2.25%-2.60% interest per annum in 2011; due between March and June 2012; 1.00%-2.38% interest per annum in 2010; due between March and June 2011	$ 55,000	$ 78,239
Secured bank loans: 7.22%-8.21% interest per annum in 2011; due between January and September 2012; 2.44% interest per annum; due in December 2011	88,554	20,000
	$ 143,554	$ 98,239

Accounts receivable, property - land and buildings, and one employee's real estate served as collaterals for the above secured bank loans.

15. SHORT-TERM BILLS PAYABLE

	December 31	
	2011	2010
Commercial paper issued: Interest 2.24% in 2011; 1.95% in 2010	$ 30,000	$ 10,000
Less: Unamortized discount on commercial paper issued	88	52
	$ 29,912	$ 9,948

16. LONG-TERM BANK LOANS

	December 31	
	2011	2010
Secured bank loans: Quarterly repayment from July 2004 to July 2019, 2.38% interest per annum in 2011; 2.10% interest per annum in 2010	$ 51,171	$ 64,548
Less: Current portion	7,377	7,377
	$ 43,794	$ 57,171

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

17. 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 $92,333 thousand and $77,401 thousand in 2011 and 2010, 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., and PT. Sysware Indonesia make monthly contributions to a pension fund according to their local government regulations. These subsidiaries recognized pension costs of $21,527 thousand and $19,110 thousand in 2011 and 2010, 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% of salaries and wages to a pension fund in 2011 and 2010. 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 $10,379 thousand and $10,255 thousand as of December 31, 2011 and 2010 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

	2011		2010	
Service cost		$ 2,803		$ 3,019
Interest cost		8,519		7,985
Actual return on plan assets	$ 3,249		$ 4,414	
Loss (gain) on plan assets	2,513		(76)	
Projected return on plan assets		(5,762)		(4,338)
Amortization		1,128		(1,112)
Gains on curtailment		(1,423)		-
Net periodic pension cost		$ 5,265		$ 5,554

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

	December 31	
	2011	2010
Benefit obligation		
Vested benefit obligation	$ 7,612	$ 3,337
Non-vested benefit obligation	342,841	311,641
Accumulated benefit obligation	350,453	314,978
Additional benefits based on future salaries	72,589	67,778
Projected benefit obligation	423,042	382,756
Fair value of plan assets	(296,963)	(280,615)
Funded status	126,079	102,141
Unrecognized net transition obligation	(3,809)	(4,701)
Unrecognized past service cost	18,242	19,150
Unrecognized net actuarial loss	(86,341)	(52,492)
Additional liability	18,469	-
	$ 72,640	$ 64,098
Accrued pension cost	$ 77,803	$ 71,316
Prepaid pension cost (included in other assets - others)	(5,163)	(7,218)
	$ 72,640	$ 64,098
Vested benefit	$ 9,884	$ 4,467

c. Actuarial assumptions

	December 31	
	2011	2010
Discount rate used in determining present value	2%-3%	1.75%-3%
Future salary increase rate	1%-3%	0%-3%
Expected rate of return on plan assets	2%	2%-2.25%

18. 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 the ROC approved the Plans on April 12, 2010, June 14, 2007 and June 22, 2005, respectively.

The Corporation issued 6,800 units, 3,200 units, 425 units, 4,440 units, 4,635 units, 1,500 units and 1,500 units on February 17, 2011, 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 2011 and 2010 were as follows:

	2011		2010	
Employee Stock Option	**Number of Outstanding Options**	**Weighted-average Exercise Price (NT$)**	**Number of Outstanding Options**	**Weighted-average Exercise Price (NT$)**
Beginning outstanding balance	7,673.6	$ 36.19	5,875.6	$ 37.66
Options granted	6,800.0	$ 38.40	3,200.0	$ 40.70
Options forfeited	(190.8)	$ 37.69	(306.9)	$ 41.25
Decrease due to capital reduction	(555.5)	$ 28.21	(1,094.9)	$ 30.90
Options exercised	(49.5)	$ 27.00	(0.2)	$ 27.80
Ending outstanding balance	13,677.8	$ 37.62	7,673.6	$ 38.22
Ending exercisable balance	3,857.8		3,530.4	
Weighted average fair value of the options granted (NT$)	$ 11.97		$ 13.01	

As of December 31, 2011, 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$)
$ 41.10	2,124.0	0.72	$ 41.10	2,124.0	$ 41.10
$ 29.00	1,507.5	1.04	$ 29.00	1,507.5	$ 29.00
$ 25.90	226.3	1.45	$ 25.90	226.3	$ 25.90
$ 38.60	3,200.0	3.36	$ 38.60	-	$ -
$ 38.40	6,620.0	4.13	$ 38.40	-	$ -

Options granted in 2011, 2010 and 2008 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	Issued on February 17, 2011	Issued on May 10, 2010	Issued on June 12, 2008	Issued on January 16, 2008
Grant-date share price (NT$)	$40.50	$42.70	$28.00	$30.80
Exercise price (NT$)	$38.40	$38.60	$25.90	$29.00
Expected volatility	37.24%-37.76%	39.20%-39.45%	32.80%-32.96%	32.29%-32.51%
Expected life (years)	3.5-4 years	3.5-4 years	2.25-3.25 years	2.25-3.25 years
Expected dividend yield	-	-	-	-
Risk-free interest rate	1%-1.045%	0.69%-0.87%	2.59%	2.46%

The compensation cost of employee stock option was $43,238 thousand and $12,001 thousand in 2011 and 2010, respectively.

Intrinsic value-based method was adopted for options granted before January 1, 2008, and there was no compensation cost recognized in 2011 and 2010 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 would have been as follows:

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

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

Capital Surplus

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and treasury stock transaction) and donation received may be capitalized, which however is limited to a certain percentage of the Corporation's paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term investments may not be used for any purpose.

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.

Legal reserve shall be appropriated until it has reached the Corporation's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

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 2010 and 2009 had been approved in the stockholders' meetings held on June 24, 2011 and June 18, 2010, 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 2010	**For Year 2009**	**For Year 2010**	**For Year 2009**
Special reserve	$ 347,018	$ (233,051)	$ -	$ -
Legal reserve	104,196	140,440	-	-
Cash dividends	533,131	531,908	2.05856	1.9986
	$ 984,345	$ 439,297	$ 2.05856	$ 1.9986

Bonus to employees and remuneration to directors for 2010 and 2009 resolved in the stockholders' meetings held on June 24, 2011 and June 18, 2010, respectively, were as follows:

	Year Ended December 31			
	2010		**2009**	
	Bonus to Employees	**Remuneration to Directors**	**Bonus to Employees**	**Remuneration to Directors**
Amounts approved in stockholders' meetings	$ 590	$ 11,814	$126,395	$ 25,279
Amounts recognized in respective financial statements	590	11,804	126,395	25,279
	$ -	$ 10	$ -	$ -

The differences between the approved amounts of the remuneration to directors and the accrued amounts reflected in the financial statements for the year ended December 31, 2010 which were primarily due to changes in estimates had been adjusted in profit and loss for the year ended December 31, 2011.

Under the Articles of Incorporation, the estimated amounts of the bonus to employees and the remuneration to directors were 0.1% and 2%, respectively, of net income (net of legal reserve and special reserve). For the years ended December 31, 2011 and 2010, the bonus to employees and the remuneration to directors were as follows:

	2011	**2010**
Remuneration to directors	$ -	$ 11,804
Bonus to employees	-	590
	$ -	$ 12,394

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.

The appropriations of earnings for 2011 had been proposed by the board of directors on March 21, 2012 as follows:

	Appropriation of Earnings
Legal reserve	$ 14,580
Special reserve	264,421

In addition, the board of directors proposed in the same meeting the distribution in cash of the capital surplus from shares issued in excess of par. The distribution amounted to $518,705 thousand at NT$2 per share.

The appropriations of 2011 earnings and distribution of capital surplus will be resolved by the stockholders in their meeting scheduled for June 2012.

Information about the appropriations of earnings and distribution of capital surplus are available on the Market Observation Post System website of the Taiwan Stock Exchange.

Unrealized Gain or Loss on Financial Instruments

For the years ended December 31, 2011 and 2010, 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, 2011			
Balance, beginning of year	$ 14,503	$ (58,949)	$ (44,446)
Recognized in stockholders' equity	(14,339)	(102,037)	(116,376)
Balance, end of year	$ 164	$ (160,986)	$ (160,822)
Year ended December 31, 2010			
Balance, beginning of 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 year	$ 14,503	$ (58,949)	$ (44,446)

19. 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
2011				
To maintain the Corporation's credibility and stockholders' interest	-	7,800	7,800	-
Reclassification of parent company stock held by subsidiaries from equity-method investments into treasury stock	24,520	-	-	24,520
	24,520	7,800	7,800	24,520
2010				
Reclassification of parent company stock held by subsidiaries from equity-method investments into treasury stock	24,520	-	-	24,520

The Corporation's shares held by subsidiaries as of December 31, 2011 and 2010 were as follows:

Subsidiary	Shares (In Thousands)	Investment Cost	Market Value
December 31, 2011			
Hanmore Investment Corporation (Hanmore)	23,586	$ 1,155,848	$ 750,025
Ching Pu Investment Corporation	12,982	$ 488,011	$ 412,811
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

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 2011 and 2010. 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 plan in accordance with Article 28-2 of Securities and Exchange Act. The Corporation acquired 7,800 thousand shares of its common stock between April 19, 2011 and June 18, 2011, and canceled them on August 30, 2011. The share acquisition costs were

$326,820 thousand, of which $78,000 thousand was charged to capital stock; $251,662 thousand was charged to additional paid-in capital; and $2,842 thousand was credited to treasury stock capital surplus.

20. INCOME TAX

a. Income tax expense was as follows:

	2011	2010
Currently payable	$ 59,760	$ 68,992
Additional income tax on unappropriated earnings	16,922	79,329
Deferred income tax		
Temporary differences and investment tax credits	(37,279)	(49,343)
Effect of tax law changes on deferred income tax	-	62,975
Effect of tax law changes on valuation allowance	-	(51,496)
Prior years' tax adjustment	1,706	(6,449)
Income tax expense	$ 41,109	$ 104,008

Income tax payable as of December 31, 2011 and 2010 was net of prepaid income taxes of $2,491 thousand and $4,085 thousand, respectively.

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.

In May 2010, 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 20% to 17%, effective January 1, 2010.

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

	2011	2010
Tax on pretax income at statutory rate	$ 57,928	$ 175,801
Add (deduct) tax effects of:		
Unrealized loss (gain) on valuation of financial instruments	36,746	(11,057)
Unrealized (reversal of unrealized) cost of sales	8,512	(14,998)
Reversal of allowance for doubtful accounts	(1,475)	(6,232)
Dividend income	(20,131)	(17,748)
Income on sale of securities	(15,830)	(48,286)
Provision for (reversal of) loss on inventories	8,593	(9,705)
Others	(9,503)	(9,501)
Loss carryforwards (used)	(5,080)	8,154
Alternative minimum tax	-	2,564
Currently payable	$ 59,760	$ 68,992

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

	December 31	
	2011	2010
Deferred income tax assets - current		
Unrealized cost of sales	$ 25,166	$ 15,200
Allowance for loss on inventories	23,125	20,652
Allowance for doubtful accounts	18,194	20,202
Unused investment tax credits	13,395	21,638
Others	755	473
	80,635	78,165
Less: Valuation allowance	28,427	44,371
	$ 52,208	$ 33,794
Deferred income tax assets (liabilities) - noncurrent		
Unused investment tax credits	$ 128,242	$ 210,854
Unused loss carryforwards	102,323	110,585
Impairment loss on financial assets carried at cost	85,787	96,503
Accrued pension cost	8,325	9,796
Cumulative investment loss on foreign investees under equity method	4,183	4,183
Goodwill from merger	(9,368)	(8,127)
Others	5,539	5,567
	325,031	429,361
Less: Valuation allowance	268,451	357,203
	$ 56,580	$ 72,158
Deferred income tax liability (included in other liabilities - others)		
Foreign withholding taxes	$ (1,748)	$ -

d. Unused loss carryforwards as of December 31, 2011 were as follows:

Expiry Year	Total Credit Available	Unused Credit
2013	$109,153	$ 87,569
2014	85,002	84,873
2015	38,278	38,278
2016	67,675	42,302
2017	136,512	136,512
2018	38,839	38,839
2019	134,299	130,581
2020	27,763	20,992
2021	21,937	21,937
	$ 659,458	$ 601,883

e. As of December 31, 2011, 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	$ 12,820	$ 12,820	2012
Act for promotion of private participation in infrastructure project	Investments in private participation in infrastructure projects	31,333	28,367	2012
Statute for Upgrading Industries	Research and development expenditures	65,462	64,400	2013
Statute for Upgrading Industries	Employee training expenditures	284	284	2013
Statute for Upgrading Industries	Purchase of machinery and equipment	666	666	2013
Act for promotion of private participation in infrastructure project	Investments in private participation in infrastructure projects	35,100	35,100	2013
		$ 145,665	$ 141,637	

f. Information about integrated income tax was as follows:

	December 31	
	2011	2010
Imputation credit account (ICA) balance	$ 163,191	$ 192,713

The creditable ratio for distribution of earnings of 2011 and 2010 was 7.77% (estimate) and 8.30%, 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 2011 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

g. Income tax returns through 2010, and undistributed earnings returns through 2009 of TaiwanPay Corporation and income tax returns through 2009, and undistributed earnings returns through 2008 of the Corporation, Taifon Computer Co., Ltd., Etech Corporation, Taiwan Electronic Data Processing Corporation, Hanmore Investment Corporation, Concord System Management Corporation, Ching Pu Investment Corporation, Chain Khan Technology Corporation and Smartnet Technology Co., Ltd. and income tax returns through 2008, and undistributed earnings returns through 2007 of Syspower Corporation and income tax returns through 2009 of Medincom Technology 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., Cloudena (Cayman) Inc. and Kimo.com (BVI) Corporation, subsidiaries of the Corporation, are exempt from income tax under their local government regulations.

21. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2011		
	Operating Costs	**Operating Expenses**	**Total**
Personnel			
Payroll	$ -	$ 2,223,449	$ 2,223,449
Insurance	-	156,262	156,262
Pension	-	119,125	119,125
Others	-	86,223	86,223
	$ -	$ 2,585,059	$ 2,585,059
Depreciation	$ 61,400	$ 87,285	$ 148,685
Amortization	$ 5,643	$ 23,288	$ 28,931

	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	$ 49,003	$ 92,004	$ 141,007
Amortization	$ 6,266	$ 25,656	$ 31,922

22. 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**
2011					
Basic earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 162,823	$ 145,798	237,116	$ 0.69	$ 0.61
Diluted earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 162,823	$ 145,798	237,520	$ 0.69	$ 0.61

(Continued)

	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

(Concluded)

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
2011					
Pro forma basic earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 213,298	$ 196,270	261,636	$ 0.81	$ 0.75
Pro forma diluted earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 213,298	$ 196,270	262,040	$ 0.81	$ 0.75

(Continued)

	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

(Concluded)

23. FINANCIAL INSTRUMENTS

In 2011 and 2010, the Corporation and subsidiaries did not engage in transactions involving derivative instruments.

a. Fair values of financial instruments

	December 31			
	2011		2010	
Non-derivative Instruments	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss	$ 5,007,590	$ 5,007,590	$ 5,885,383	$ 5,885,383
Available-for-sale financial assets	91,305	91,305	276,220	276,220
Financial asset carried at cost - noncurrent	503,478	-	589,463	-
Investments accounted for by the equity method - unlisted stocks	1,289,436	-	1,158,381	-
Refundable deposits - noncurrent	119,201	119,201	148,963	148,963
Pledged time deposits - noncurrent	37,796	37,796	48,993	48,993
Long-term lease receivables, net (included in other assets - others)	11,847	11,847	12,096	12,096
Long-term receivables from related parties (included in other assets - others)	8,323	8,323	16,249	16,249
Liabilities				
Guarantee deposits received (included in other liabilities - others)	9,114	9,114	9,519	9,519
Long-term payables to related parties (included in other liabilities - others)	600	600	-	-

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

1) The balance sheet carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, lease receivables - current and other receivables (included in other current assets), 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, long-term receivables from and payables to related parties and long-term bank loans, 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 contracts.

c. As of December 31, 2011 and 2010, financial liabilities exposed to cash flow interest rate risk amounted to $194,725 thousand and $162,787 thousand, respectively. As of December 31, 2011 and 2010, financial liabilities exposed to fair value interest rate risk amounted to $29,912 thousand and $9,948 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 counterparties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counterparties 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.

24. 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, SCGI
Taifon Computer Co., Ltd. (Taifon)	Investee accounted for by the equity method of TEDP before June 2010
Etech Corporation (Etech)	A subsidiary of Taifon
Enrichment I Venture Capital Corporation (EIVCC)	Investee accounted for by the equity method of the Corporation and Hanmore
Investment Media Ltd. (I-Media)	Investee accounted for by the equity method of Ching Pu
Systemweb Technologies Co., Ltd.	Investee accounted for by the equity method of the Corporation
Systex Data Management & Integration Service Corporation, Shanghai	Investee accounted for by the equity method of the Corporation's subsidiaries, SCGI and Kimo BVI
Forms Syntron Information (Shenzhen) Limited (Forms Syntron Shenzhen)	Investee accounted for by the equity method of Systex Solutions (HK) Limited
Forms Syntron Information (Hong Kong) Limited (Forms Syntron Hong Kong)	A subsidiary of Forms Syntron Shenzhen
Rimage Information Technology (Shanghai) Co., Ltd. (Rimage Shanghai)	Investee accounted for by the equity method of TEDP HK (after TEDP HK acquired 49% equity in August 2010)
Sanfran Technologies Inc. (Sanfran)	Investee accounted for by the equity method of the Corporation (after the Corporation acquired 15% equity in June 2011)
Systex Data Management & Integration Service Corporation, Beijing	Investee accounted for by the equity method of Kimo BVI (after Kimo BVI acquired 21.4% equity in August 2011)
Huang, T.J.	Chairman of the Corporation
Ho, Mei-Yu	Spouse of the chairman
Hsiao, Chung-Ho	Director of the Corporation
Wu, Lien-Shen	Director of Concord System Management Corporation
Liu, Yuan-De	Chairman of Chain Khan Technology Corporation

b. Significant related party transactions (in addition to those disclosed in Notes 10 and 26)

	2011		2010	
	Amount	% to Total	Amount	% to Total
For the year				
Sales				
Forms Syntron Hong Kong	$ 15,545	-	$ 10,612	-
Sanfran	5,593	-	-	-
Forms Syntron Shenzhen	2,029	-	2,148	-
Rimage Shanghai	-	-	29,130	-
Taifon	-	-	4,453	-
Etech	-	-	2,040	-
Others	4,042	-	2,734	-
	$ 27,209	-	$ 51,117	-

	2011		2010	
	Amount	% to Total	Amount	% to Total
Purchases				
Sanfran	$ 45,298	-	$ -	-
Forms Syntron Hong Kong	8,760	-	-	-
Others	729	-	2,667	-
	$ 54,787	-	$ 2,667	-
Service cost				
I-Media	$ 19,429	1	$ 19,429	1
AFE	-	-	3,894	-
Others	682	-	12	-
	$ 20,111	1	$ 23,335	1

Acquisition of Securities

For the year ended December 31, 2010

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

	2011		2010	
	Amount	% to Total	Amount	% to Total
At the end of the year				
Receivables from related parties				
Rimage Shanghai	$ 17,749	1	$ 27,901	1
Forms Syntron Hong Kong	1,741	-	4,020	-
Others	1,644	-	740	-
	21,134	1	32,661	1
Less: Long-term receivables (included in other assets - others)				
Rimage Shanghai	8,323	-	16,249	-
	$ 12,811	1	$ 16,412	1

	2011		2010	
	Amount	% to Total	Amount	% to Total
Payables to related parties				
Sanfran	$ 21,806	1	$ -	-
Forms Syntron Hong Kong	2,960	-	-	-
I-Media	1,786	-	1,700	-
Others	622	-	-	-
	$ 27,174	1	$ 1,700	-
Deferred credits (included in other liabilities - others)				
Rimage Shanghai	$ 9,435	100	$ 13,672	100
Long-term payables (included in other liabilities - others)				
Liu, Yuan-De	$ 600	100	$ -	-

The product/service sales and purchase transactions with related parties were conducted under pricing terms similar to those for third parties, i.e., 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:

	2011	2010
Salaries	$ 46,165	$ 56,481
Incentives	27,623	28,548
Special compensation	530	531
Bonus	173	101
	$ 74,491	$ 85,661

25. PLEDGED ASSETS

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

	December 31	
	2011	2010
Accounts receivable, net	$ 16,385	$ -
Property and equipment - land	107,194	112,365
Property and equipment - buildings, net	290,775	27,681
Pledged time deposits - current	325,418	306,496
Pledged time deposits - noncurrent	37,796	48,993
	$ 777,568	$ 495,535

26. SIGNIFICANT CONTINGENT LIABILITIES AND COMMITMENTS AS OF DECEMBER 31, 2011

a. Unused letters of credit of the Corporation and subsidiaries in aggregate amount of about $822 thousand.

b. Outstanding sales contracts of the Corporation and subsidiaries in the amount of about $3,237,808 thousand.

c. The Corporation provided endorsements for UCOM Information Ltd. (Shanghai), Systek Information (Shanghai) Ltd., and Systex Information (H.K.) Ltd. up to $151,375 thousand, $60,550 thousand and $60,550 thousand, respectively. Taifon Computer Co., Ltd. provided endorsement for Etech Corporation up to $66,000 thousand. Concord System Management Corporation provided endorsement for the Corporation up to $988 thousand. Taiwan Electronic Data Processing Corporation provided endorsement for Medincom Technology Corp. up to $4,436 thousand.

d. The Corporation entered into one project contract with third party. However, the Corporation could not meet the third party's requirements and could not complete the contract; thus, the third party would like to terminate the contract accordingly. The Corporation accrued $176,707 thousand as loss for this contract in 2011.

e. Lease contracts for office premises and warehouse, expiring between February 2012 and February 2016, with refundable deposits of $29,436 thousand. Future rentals are as follows:

Year	Amount
2012	$ 85,260
2013	52,875
2014	9,592
2015	3,056
2016	569

27. OPERATING SEGMENT INFORMATION

Segment information is presented in the accompanying Table 2.

28. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

Significant financial assets and liabilities denominated in foreign currencies as of December 31, 2011 and 2010 were summarized as follows:

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

	December 31					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 42,007	30.28	$ 1,271,762	$ 28,085	29.13	$ 818,116
HKD	83,748	3.90	326,365	76,133	3.75	285,346
SGD	2,252	23.31	52,498	1,676	22.73	38,095
RMB	161,988	4.80	778,337	107,491	4.42	475,164
THB	18,350	0.98	17,702	25,364	0.98	24,738

(Continued)

	December 31					
	2011			2010		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**	**Foreign Currencies**	**Exchange Rate**	**New Taiwan Dollars**
Non-monetary items						
USD	$ 40,124	30.28	$ 1,214,759	$ 51,807	29.13	$ 1,509,154
Investment accounted for by the equity method						
USD	3,867	30.28	117,067	4,384	29.13	127,697
THB	3,246	0.98	3,165	3,228	0.98	3,148
RMB	68,345	4.80	328,416	53,162	4.42	235,078
HKD	66,920	3.90	260,789	84,447	3.75	316,510
Financial liabilities						
Monetary item						
USD	2,658	30.28	80,471	2,926	29.13	85,234
SGD	833	23.31	19,418	934	22.73	21,230
HKD	34,060	3.90	132,733	15,658	3.75	58,686
RMB	90,959	4.80	437,050	35,120	4.42	155,248

(Concluded)

29. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Corporation and subsidiaries' pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) was as follows:

a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations as well as related guidance translated by the ARDF and issued by the FSC. To comply with this framework, the Corporation has set up a project team and made a plan to adopt the IFRSs. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2011 were as follows:

Contents of Plan	Responsible Department	Status of Execution
1) Establish the IFRSs project team	CFO office	Finished
2) Prepare the plan for IFRSs adoption	CFO office	Finished
3) Complete the identification of GAAP differences and impact	CFO office	Finished
4) Complete the identification of consolidated entities under IFRSs	CFO office	Finished
5) Complete the assessment of the impact of the appication of IFRS 1 - "First-time Adoption of International Financial Reporting Standards"	CFO office	Finished

(Continued)

Contents of Plan	Responsible Department	Status of Execution
6) Complete evaluation of IT systems	CFO office and enterprise resource planning department	Finished
7) Complete modification to the internal controls	CFO office and internal audit department	Finished
8) Determine IFRSs accounting policies	CFO office	Finished
9) Determine which of the exemptions and optional exemptions under IFRS 1 - "First-time Adoption of International Financial Reporting Standards" are applicable to the Corporation and subsidiaries	CFO office	Finished
10) Complete the preparation of opening date balance sheet under IFRSs	CFO office	In progress
11) Prepare comparative financial information under IFRSs for 2012	CFO office	In progress
12) Complete adjustments of relevant internal controls (including the financial reporting process and the related information system)	CFO office and internal audit department	In progress

(Concluded)

b. As of December 31, 2011, the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

Accounting Issues	Description of Differences
Definition of cash and cash equivalents and reclassification	Under ROC GAAP, the term "cash" used in the financial statements includes cash on hand, demand deposits, check deposits and time deposits that are cancellable but without any loss of principal. However, under IFRSs, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. An investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition.
Investments accounted for using the equity method	The Corporation and subsidiaries' affiliated companies accounted for using the equity method have also assessed the significant differences between their respective present accounting policies and IFRSs. The significant differences are mainly actuarial gains and losses and accumulated compensated absences.

(Continued)

Accounting Issues	Description of Differences
Impairment loss on financial assets carried at cost	The Corporation and subsidiaries' investment cost in the common stock of Far Eastern Electronic Toll Collection Co., Ltd. is being amortized over the operating periods contracted with the government based on Interpretation No. 1998-150 issued by the Accounting Research and Development Foundation. Under IFRSs, the aformentioned interpretation is not applicable.
The classification of assets leased to others and idle assets	Under ROC GAAP, assets leased to others and idle assets are classified under other assets. Under IFRSs, the aforementioned items are classified as property, plant and equipment or investment property according to their nature.
The classification of deferred charges	Under ROC GAAP, deferred charges are classified under other assets. Under IFRSs, the aforementioned items are classified as property, plant and equipment or intangible asset according to their nature.
The classification of deferred income tax assets/liabilities and valuation allowance account	Under ROC GAAP, a deferred income tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred income tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent according to the expected reversal or realization date of the temporary difference. By contrast, under IFRSs, a deferred income tax asset or liability is always classified as noncurrent. Under ROC GAAP, deferred income tax assets are recognized in full but are reduced by a valuation allowance account if there is evidence showing that a portion of or all the deferred income tax assets will not be realized. However, under IFRSs, an entity recognizes deferred income tax assets only if realization is "probable" and a valuation allowance account is not used.
Actuarial gains and losses	Under ROC GAAP, the Corporation amortizes actuarial gains and losses using the corridor approach. However, under IFRSs, actuarial gains and losses may be recognized immediately as other comprehensive income (OCI).
Accumulated compensated absences	This issue is not addressed in existing ROC GAAP; thus, an entity usually recognizes the expected cost of employee benefits in the year of disbursement. However, under IFRSs, when the employees render services that increase their entitlement to future compensated absences, an entity should recognize the expected cost of employee benefits.

(Continued)

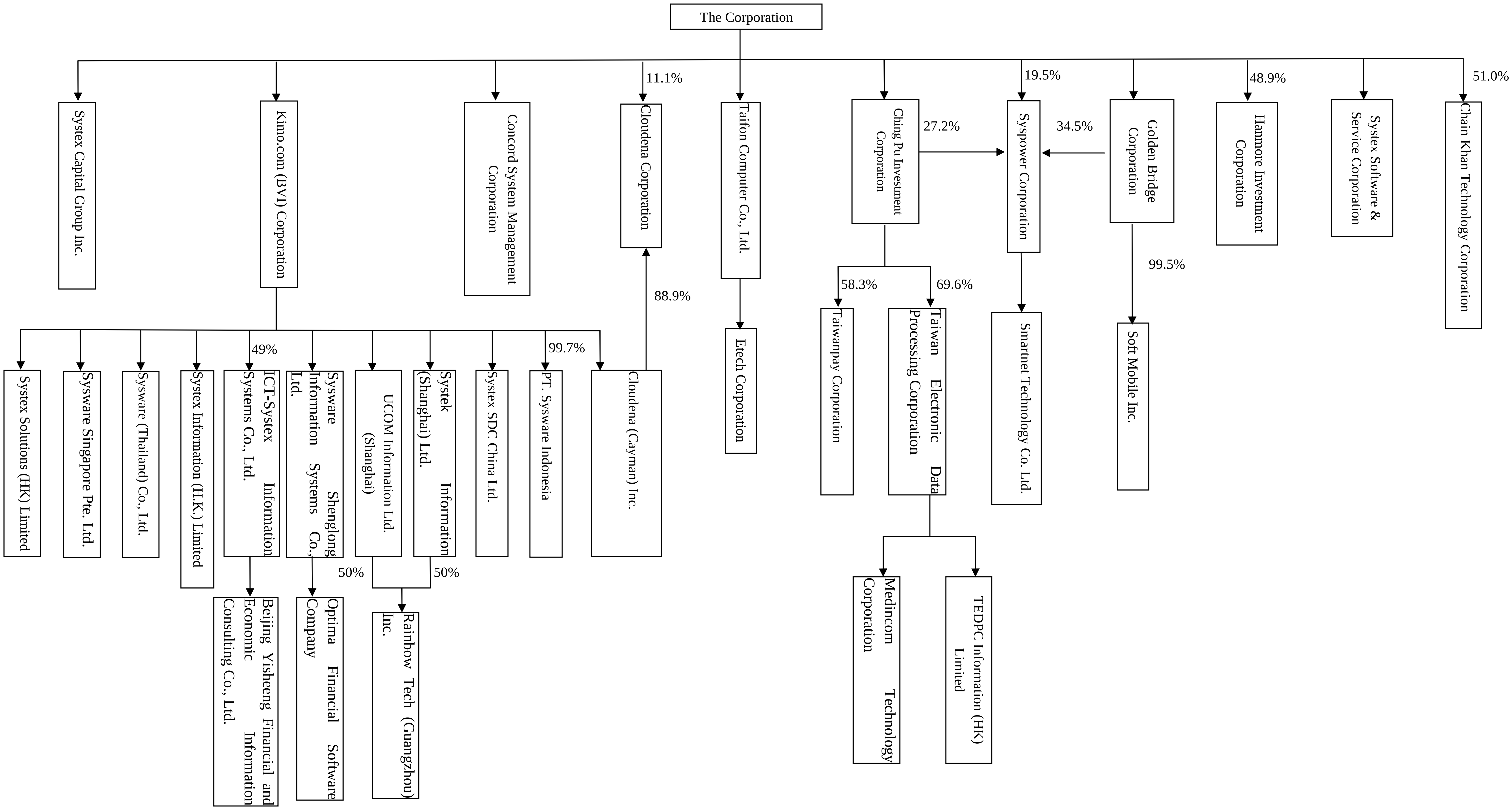
Accounting Issues	Description of Differences
Accounting treatment of treasury stock	Under ROC GAAP, the Corporation's stock held by its subsidiaries is treated as treasury stock and reclassified from long-term stock investment into treasury stock on January 1 2005 when the Corporation adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 7, "Consolidated Financial Statements", and the treasury stock is accounted for on the basis of the carrying value multiplied by the Corporation's proportionate share. Under IFRSs, the treasury stock is accounted for on the basis of the initial investment cost multiplied by the Corporation's proportionate share.
Translation of foreign currencies	Under ROC GAAP, the Corporation does not need to determine its functional currency because the Corporation is not a foreign operation unit. However, under IFRSs, all consolidated entities (including the Corporation and subsidiaries) are required to determine their respective functional currencies.
Revenue recognition	Under IFRSs, IAS11 or IAS18 will be adopted by the Corporation and subsidiaries for their revenue recognition of computer system integration contracts according to the content of each contract.

(Concluded)

c. The Corporation and subsidiaries have prepared the above assessments in accordance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

SYSTEX CORPORATION AND SUBSIDIARIES

THE RELATIONSHIP AND PERCENTAGE OF OWNERSHIP BETWEEN THE CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2011



Note: Percentage of ownership is 100% unless noted on the chart.

TABLE 2

SYSTEX CORPORATION AND SUBSIDIARIES

OPERATING SEGMENT INFORMATION
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

A. Industry information

	Financial Business Integration	Outsourcing Business Integration	Technological Business Integration	Investment Department	Adjustment and Elimination	Total
2011						
Sales to customers	$ 1,551,264	$ 2,476,038	$ 9,296,254	$ 288,983	$ -	$ 13,612,539
Sales to other segments	24,664	76,580	429,790	2,629	(533,663)	-
Total sales	$ 1,575,928	$ 2,552,618	$ 9,726,044	$ 291,612	$ (533,663)	$ 13,612,539
Segment income (loss)	$ 185,424	$ 234,709	$ 212,247	$ (123,553)	$ -	$ 508,827
Corporate general expenses						(336,429)
Income before income tax						$ 172,398
Segment depreciation and amortization expenses	$ 41,837	$ 39,691	$ 54,222	$ -		$ 135,750
Non-segment depreciation and amortization expenses						41,866
Total depreciation and amortization expenses						$ 177,616
Segment assets	$ 2,144,231	$ 1,042,758	$ 6,265,720	$ 7,136,807		$ 16,589,516
General assets						1,014,721
Total assets						$ 17,604,237
2010						
Sales to customers	$ 1,662,102	$ 2,253,574	$ 8,260,522	$ 619,841	$ -	$ 12,796,039
Sales to other segments	21,845	-	165,051	44	(186,940)	-
Total sales	$ 1,683,947	$ 2,253,574	$ 8,425,573	$ 619,885	$ (186,940)	$ 12,796,039
Segment income	$ 371,605	$ 229,465	$ 296,299	$ 573,942	$ -	$ 1,471,311
Corporate general expenses						(298,551)
Income before income tax						$ 1,172,760
Segment depreciation and amortization expenses	$ 42,326	$ 55,635	$ 40,487	$ -		$ 138,448
Non-segment depreciation and amortization expenses						34,481
Total depreciation and amortization expenses						$ 172,929
Segment assets	$ 1,408,908	$ 1,139,886	$ 5,073,051	$ 8,557,497		$ 16,179,342
General assets						1,061,904
Total assets						$ 17,241,246

(Continued)

Financial business integration provides financial contents and information services. Outsourcing business integration provides high value IT outsourcing services. Technological business integration provides computer hardware and software integration services. Investment department engages in investment activities.

B. Geographical information

	Revenue from External Customers		Noncurrent Assets December 31	
	2011	**2010**	**2011**	**2010**
Domestic	$ 11,217,390	$ 10,546,441	$ 3,401,998	$ 3,384,612
Asia	2,274,626	1,925,397	1,252,616	557,460
Others	120,523	324,201	570,814	1,044,923
	$ 13,612,539	$ 12,796,039	$ 5,225,428	$ 4,986,995

C. Major customers

No revenue from any individual customer exceeded 10% of the Corporation and subsidiaries' total operating revenue for the years ended December 31, 2011 and 2010.

(Concluded)