Ares International Corp.

Financial Report for the

Years Ended December 31, 2010 and 2009

(Stock Code 2471)

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<u>Ares International Corp.</u>

<u>Financial Statements for the Years Ended December 31, 2010 and 2009</u>

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Report of Independent Auditors
(Report of Independent Accounts Translated from Chinese)

(100) Tsai-Sheng-Pao-Tze No. 100003567

To the Board of Directors and Stockholders of
Ares International Corp.

We have audited the accompanying balance sheets of Ares International Corp. (the Company) as of December 31, 2010 and 2009, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits. The long-term equity investment under the equity method of Ares International Corp. as of December 31, 2010 and 2009 and the information about investees disclosed in Note XI were evaluated and disclosed based on the financial statements audited by the CPAs retained by those companies. We did not audit the financial statements of those companies. The investment income so recognized in 2010 and 2009 based on the financial statements audited by other CPAs came to NT$3,106 thousand and NT$394 thousand respectively. As of December 31, 2010 and December 31, 2009, Ares International Corp. had a balance in long-term equity investments of NT$23,463 thousand and NT$20,357 thousand respectively.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards and rules require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits 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 financial statements as referred to above present fairly, in all material aspects, the financial position of Ares International Corp. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, “Business Entity Accounting Law”, “Regulation on Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China.

We have also audited the consolidated financial statements of Ares International Corp. and its subsidiaries for the years ended December 31, 2010 and 2009, and have expressed a modified unqualified opinion thereon.

PricewaterhouseCoopers

Wang Hui-hsien

CPA

Wang Chao-Ming

Former Securities & Futures Commission, Ministry of Finance
Approval Document: (1992) Tai-Tsai-Cheng (VI) Tze No. 33095
(1996) Tai-Tsai-Cheng (VI) Tze No. 65945

March 11, 2011

Ares International Corp.
Balance Sheets
December 31, 2010 and 2009

Expressed in Thousands of New Taiwan Dollars

Code	Assets	December 31 2010 Amount	%	December 31 2009 Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note IV (I))	$ 466,617	46	$ 348,322	38
1310	Financial assets at fair value through profit or loss-current (Note IV(II))	66,004	7	94,501	10
1120	Notes receivable, net	8,303	1	1,522	-
1140	Accounts receivable, net (Note IV (III))	165,665	16	148,420	16
1150	Accounts receivable-related parties, net (Note V)	1,873	-	2,314	-
1178	Other receivables	1,169	-	4,254	1
1188	Other receivables – related parties (Note V)	1,767	-	3,673	-
1190	Other financial assets—current (Note VI)	99,702	10	114,383	13
1260	Prepayments (Notes IV (IV) and V)	31,852	3	23,480	3
1286	Deferred income tax assets--current (Note IV(XVIII))	6,917	1	1,326	-
11XX	Total current assets	849,869	84	742,195	81
	Funds and investments				
1480	Financial assets carried at cost－non-current (Note IV(VI))	18,076	2	18,076	2
1421	Long-term equity investment under equity method (Note IV(VII))	67,602	6	71,433	8
14XX	Total funds and investments	85,678	8	89,509	10
	Fixed assets				
	Cost (Note IV (VIII))				
1531	Machinery and equipment	30,672	3	34,856	4
1551	Transportation equipment	8,912	1	8,905	1
1561	Office equipment	6,779	1	7,154	1
1631	Leasehold improvements	9,489	1	10,253	1
1681	Other equipment	1,176	-	1,601	-
15XY	Cost and revaluation increment	57,028	6	62,769	7
15X9	Less: accumulated depreciation	(51,312)	(5)	(55,262)	(6)
15XX	Fixed assets, net	5,716	1	7,507	1
	Other assets				
1800	Leased assets (Note IV (IX) & VI)	32,381	3	32,381	3
1820	Refundable deposits (Note VI)	7,726	1	7,807	1
1830	Deferred expenses (Note IV (X))	243	-	2,558	-
1850	Long-term notes and accounts receivable – related parties (Note V)	5,372	-	8,347	1
1860	Deferred income tax assets—non-current (Note IV(XVIII))	25,774	3	28,832	3
18XX	Total other assets	71,496	7	79,925	8
1XXX	Total assets	$ 1,012,759	100	$ 919,136	100

Code	Liabilities and Stockholders' Equity	December 31 2010 Amount	%	December 31 2009 Amount	%
	Current liabilities				
2120	Notes payable	$ 585	-	$ 621	-
2140	Accounts payable	78,971	8	53,549	6
2150	Account payables- related parties (Note V)	6,313	-	5,948	1
2160	Income tax payable (Note IV (XVIII))	6,797	1	-	-
2170	Accrued expenses (Note IV (XI))	64,708	6	54,583	6
2228	Other payables	7,524	1	5,916	-
2260	Unearned receipts (Note IV (XII))	62,361	6	64,479	7
21XX	Total current liabilities	227,259	22	185,096	20
	Other liabilities				
2810	Accrued pension liabilities (Note IV (XIII))	77,517	8	73,451	8
2820	Deposits received	628	-	1,136	-
2888	Other liabilities – other (Note IV (VII))	2,891	-	12,971	2
28XX	Total other liabilities	81,036	8	87,558	10
2XXX	Total liabilities	308,295	30	272,654	30
	Stockholders' equity				
	Capital (Note IV (XIV))				
3110	Common stock	492,539	49	492,539	53
	Capital reserve (Note IV (XV))				
3211	Additional paid-in capital in excess of par value	157,914	16	181,834	20
3220	Treasury stock transactions (Note IV (XVII))	15,904	2	15,904	2
	Retained earnings (Note IV (XVI))				
3310	Legal reserve	-	-	-	-
3350	Undistributed earnings/loss to be made up	61,820	6	(23,920)	(3)
	Other equity adjustments				
3420	Cumulative translation adjustments	2,165	-	6,003	1
3480	Treasury stocks (Note IV (XVII) & IX)	(25,878)	(3)	(25,878)	(3)
3XXX	Total stockholders' Equity	704,464	70	646,482	70
	Significant commitments and contingencies (Note VII)				
	Total liabilities and stockholders' equity	$ 1,012,759	100	$ 919,136	100

The accompanying notes constituted an integral part of the financial statements. Please refer to the report of Wang Huei-Hsien and Wang Chao-Ming, CPAs of PricewaterhouseCoopers dated March 11, 2011.

Chairman: Yu, Hung-Yang　　Manager: Lin, Sheng-Yi　　Chief Accountant: Su, Pi-Chu

Ares International Corp.
Statements of Income
For the years ended December 31, 2010 and 2009

Expressed in Thousands of New Taiwan Dollars
(except for earnings (loss) per share in NTD)

		2010 Amount	2010 %	2009 Amount	2009 %
	Operating revenues (Note V)				
4110	Sales revenues	$ 195,532	26	$ 138,153	24
4610	Service revenues	549,308	74	431,710	76
4000	Total operating revenues	744,840	100	569,863	100
	Operating costs (Note IV (XX) & V)				
5110	Cost of goods sold	(173,504)	(23)	(139,462)	(25)
5610	Service costs	(341,775)	(46)	(291,797)	(51)
5000	Total operating costs	(515,279)	(69)	(431,259)	(76)
5910	Gross Profit	229,561	31	138,604	24
	Operating expenses (Note IV(XX))				
6100	Selling expenses	(50,963)	(7)	(44,523)	(8)
6200	General & administrative expenses	(42,995)	(6)	(44,412)	(8)
6300	Research and development expenses	(45,122)	(6)	(46,256)	(8)
6000	Total operating expenses	(139,080)	(19)	(135,191)	(24)
6900	Net operating income	90,481	12	3,413	-
	Non-operating Income and Gains				
7110	Interest income	3,566	1	6,664	1
7121	Investment income recognized under equity method (Note IV (VII))	10,087	1	-	-
7130	Gain on disposal of fixed assets	66	-	-	-
7210	Rental revenues (Note IV(IX))	1,215	-	1,385	-
7310	Gain on valuation of financial assets (Note IV (II))	-	-	5,244	1
7480	Miscellaneous revenues (Note IV(IX))	924	-	1,804	1
7100	Total non-operating income and gains	15,858	2	15,097	3
	Non-operating expenses and losses				
7521	Investment loss recognized under equity method (Note IV (VII))	-	-	(360)	-
7530	Loss on disposal of fixed assets	-	-	(6)	-
7560	Foreign exchange loss, net	(13,182)	(2)	(1,373)	-
7630	Impairment loss (Note IV (VI))	-	-	(33,995)	(6)
7640	Loss on valuation of financial assets (Note IV (II))	(1,143)	-	-	-
7880	Miscellaneous expenses (Note VII)	(25,408)	(3)	(456)	-
7500	Total non-operating expenses and losses	(39,733)	(5)	(36,190)	(6)
7900	Income before income tax	66,606	9	(17,680)	(3)
8110	Income tax expenses (Note IV (XVIII))	(4,786)	(1)	(6,240)	(1)
9600	Net income (loss) for the year	$ 61,820	8	($ 23,920)	(4)

		2010 Before tax	2010 After tax	2009 Before tax	2009 After tax
	Basic earnings (loss) per share (Note IV (XIX))				
9750	Net income (loss) for the year	$ 1.44	$ 1.34	($ 0.38)	($ 0.52)

The accompanying notes constituted an integral part of the financial statements. Please refer to the report of Wang Huei-Hsien and Wang Chao-Ming, CPAs of PricewaterhouseCoopers dated March 11, 2011.

Chairman: Yu, Hung-Yang　　Manager: Lin, Sheng-Yi　　Chief Accountant: Su, Pi-Chu

Ares International Corp.
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2010 and 2009

Expressed in Thousands of New Taiwan Dollars

		Capital reserve		Retained Earnings				
	Common stock	Additional paid-in capital in excess of par value	Treasury stock transactions	Legal reserve	Undistributed earnings (Loss to be made up)	Cumulative translation adjustments	Treasury stock	Total
2009								
Balance, January 1, 2009	$ 492,539	$ 262,988	$ 15,904	$ 3,703	($ 84,857)	$ 6,952	($ 25,878)	$ 671,351
Capital reserve used to make up accumulated deficits	-	(81,154)	-	-	81,154	-	-	-
Legal reserve used to make up accumulated deficits	-	-	-	(3,703)	3,703	-	-	-
Net loss in 2009	-	-	-	-	(23,920)	-	-	(23,920)
Cumulative translation adjustments	-	-	-	-	-	(949)	-	(949)
Balance at December 31, 2009	$ 492,539	$ 181,834	$ 15,904	$ -	($ 23,920)	$ 6,003	($ 25,878)	$ 646,482
2010								
Balance, January 1, 2010	$ 492,539	$ 181,834	$ 15,904	$ -	($ 23,920)	$ 6,003	($ 25,878)	$ 646,482
Capital reserve used to make up accumulated deficits	-	(23,920)	-	-	23,920	-	-	-
Net income in 2010	-	-	-	-	61,820	-	-	61,820
Cumulative translation adjustments	-	-	-	-	-	(3,838)	-	(3,838)
Balance at December 31, 2010	$ 492,539	$ 157,914	$ 15,904	$ -	$ 61,820	$ 2,165	($ 25,878)	$ 704,464

The accompanying notes constituted an integral part of the financial statements. Please refer to the report of Wang Huei-Hsien and Wang Chao-Ming, CPAs of PricewaterhouseCoopers dated March 11, 2011.

Chairman: Yu, Hung-Yang   Manager: Lin, Sheng-Yi   Chief Accountant: Su, Pi-Chu

Ares International Corp.
Statements of Cash Flows
For the years ended December 31, 2010 and 2009

Expressed in Thousands of New Taiwan Dollars

	2010	2009
Cash flows from operating activities		
Net income (loss) for the year	$ 61,820	($ 23,920)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expenses	3,515	4,715
Amortizations	2,315	3,054
Transfer of impairment loss on leased assets to other income	(361)	(361)
Loss (gain) on valuation of financial assets	1,143	(5,244)
Investment loss (gain) recognized under equity method	(10,087)	360
(Gain) loss on disposition of fixed assets	(66)	6
Impairment loss	-	33,995
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss-current	27,354	-
Notes receivable, net	(6,781)	1,923
Accounts receivable, net	(17,245)	(9,582)
Accounts receivable- related parties, net	441	3,179
Other receivables	3,085	(2,564)
Other receivables – related parties	1,906	(3,587)
Other financial assets-current	14,681	(20,855)
Prepayments	(8,372)	27,472
Deferred income tax assets	(2,533)	6,240
Notes payable	(36)	(5,848)
Accounts payable	25,422	(37,713)
Accounts payables-related parties	365	2,713
Income tax payables	6,797	-
Accrued expenses	10,125	7,548
Other payables	1,608	(4,218)
Unearned receipts	(2,118)	19,484
Accrued pension liabilities	4,066	4,265
Net cash provided by operating activities	117,044	1,062

(To be continued)

Ares International Corp.
Statements of Cash Flows
For the years ended December 31, 2010 and 2009

Expressed in Thousands of New Taiwan Dollars

	2010	2009
Cash flows from investing activities		
Decrease in long-term receivables – related parties	$ 2,975	$ 72
Cash paid for acquisition of fixed assets	(1,411)	(925)
Proceeds from disposal of fixed assets	114	6
Decrease in refundable deposits	81	2,003
Increase in deferred expenses	-	(1,076)
Net cash provided by investing activities	1,759	80
Cash flows from financing activities		
(Decrease) increase in deposits received	(508)	674
Net cash (used in) provided by financing activities	(508)	674
Net increase in cash and cash equivalents	118,295	1,816
Cash and cash equivalents at beginning of year	348,322	346,506
Cash and cash equivalents at end of year	$ 466,617	$ 348,322
Supplemental disclosures of cash flow information		
Income tax paid	$ 522	$ 156

The accompanying notes constituted an integral part of the financial statements. Please refer to the report of Wang Huei-Hsien and Wang Chao-Ming, CPAs of PricewaterhouseCoopers dated March 11, 2011.

Chairman: Yu, Hung-Yang Manager: Lin, Sheng-Yi Chief Accountant: Su, Pi-Chu

Ares International Corp.

Notes to Financial Statements

December 31, 2010 and 2009

Expressed in Thousands of New Taiwan Dollars

(Except otherwise specified)

I. History and Organization

(I) Aves International Corp. (the Company) was duly incorporated as a company limied by shares on December 3, 1980 under the provisions of the Company Law of the Republic of China. The principal business of the company is the design, trade, lease, maintenance, technical consultation of computer equipment, network and related software, as well as the analysis, design, repair, installation and maintenance of package software.

(II) The company started listing its stocks for trade at the GreTai Securities Market in Taiwan in March 1999, and has been approved for listing in the Taiwan Stock Exchange since September 2001.

(III) AS of December 31, 2010, the Company had approximately 310 employees.

II. Summary of significant accounting policies

The financial statements were prepared in accordance with the “Rules Governing the Preparation of Financial Reports By Securities Issuers”, “Business Entity Accounting Law”, “Regulation Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China. The Company’s significant accounting policies are summarized as follows:

(I) Classification of current and non-current items

The Company has been engaged in marketing of computer equipment and software as well as integrated design for computer systems, with business operation period longer than one year. The assets and liabilities related to marketing of computer equipment and software as well as integrated design for computer systems are duly classified in the criteria of current and non-current based on the periods of business operation. The other are classified as follows:

1. Assets that are in conformity with the following terms are classified as current assets; any assets other than current assets are non-current assets:

   (1) Assets arising from operating activities that are expected to be cashed, depleted, or intended to be sold in the normal operating cycle.

   (2) Assets held mainly for trading purposes.

   (3) Assets expected to be cashed within twelve months from the Balance Sheet date.

   (4) Cash or cash equivalents, except for those used for trade, liquidating debt, or restricted after twelve months from the Balance Sheet date.

2. Liabilities that are in conformity with the following terms are classified as current

liabilities; any liabilities other than current liabilities are non-current liabilities:

(1) Liabilities arising from operating activities that are expected to be liquidated in the normal operating cycle.

(2) Liabilities arising mainly from trading activities.

(3) Liabilities which must be repaid within twelve months from the balance sheet date.

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

(II) Foreign currency exchanges

1. The accounts of the Company in bookkeeping are expressed in NT Dollars. Transactions made in foreign currencies shall be converted into NT Dollars at the spot exchange rate prevailing on the day of transactions for bookkeeping. Differences resulting from the exchange are recognized as the income in the current year.

2. The balances of monetary assets or liabilities dominated in foreign currencies at the end of the accounting period shall be adjusted on the basis of the spot exchange rate as of the balance sheet date. Differences resulting from the exchange are recognized as the income in the current period. Differences resulting from the exchange between the Company and foreign investees through advances for payment shall be recognized as adjustments of stockholders' equity.

3. Non-monetary assets or liabilities expressed in foreign currencies which are estimated at fair value and through profit or loss shall be valued and adjusted based on the spot exchange rate on the balance sheet date, and the exchange difference generated from the adjustment shall be recognized as income in the current year. Those which are estimated at fair value and through the adjustments of stockholders' equity shall be valued and adjusted on the spot exchange rate on the balance sheet date, and the exchange difference generated from the adjustment shall be recognized as the adjustment of stockholders' equity. The non-monetary assets or liabilities expressed in foreign currencies other than those measured at fair value shall be valued based on the historical exchange rate on the trading day.

(III) Financial assets at fair value through profit or loss

1. The principle of transaction date accounting is adopted for bookkeeping. Initial recognition of the financial instruments in bookkeeping shall be measured at fair value.

2. Financial assets and liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognized as the income in the current period. The fair value of listed (OTC) stocks, close-ended funds and depositary receipts is their respective closing price in the open market on the balance sheet date. The net asset value of open-ended funds on the balance sheet date shall be deemed as the fair value for the respective funds.

3. Financial assets and liabilities at fair value through profit or loss designated by the Company shall apply the following requirements:

(1) Mixed products

(2) The designation is able to eliminate or significantly decrease the discrepancy

resulting from measurement or recognition.

(3) The designation is made for performance evaluation on the basis of the fair value in accordance with the risk management or investment strategy joint management specified by the Company.

(IV) Held-to-maturity financial assets

1. Where the transaction date accounting principle is adopted for the bookkeeping of financial instruments, such financial instruments shall be measured at fair value in initial recognition plus the acquisition cost.
2. Held-to-maturity financial assets are measured at the cost upon amortization.
3. Recognized as impairment loss with supporting evidence. Should there be decrease in the amount of impairment in the subsequent period and it is obviously related to events occurred after the recognition of impairment losses, it shall be reversed as the income in the current period. Such reversal shall not cause the book value to exceed the cost after amortization prior to the recognition of impairment loss.

(V) Financial assets and liabilities carried at cost

1. The transaction date accounting principle is adopted for the bookkeeping of financial instruments and shall be estimated at fair value in initial recognition plus the acquisition cost or issuance cost.
2. Recognized as impairment loss with supporting evidence. The amount of impairment loss cannot be reversed.

(VI) Allowance for doubtful accounts

The allowance for bad debt shall be provided for notes and accounts receivable according to the evaluation of the aging and collectibility of accounts based on the experience in bad debt occurring in the past.

(VII) Long-term equity investments accounted for under the equity method

1. The Company adopts the equity method in the accounting of investees where the Company holds more than 20% of their voting shares or where the Company has significant influence. If the cost of investments exceeds the fair value of identifiable net assets, the spread can be recognized as goodwill and be subject to impairment test yearly. Spread being amortized in previous years cannot be adjusted retrospectively. Investees where the Company holds more than 50% of the voting shares or is in dominant position shall be valued under the equity method and their quarterly financial statements shall be consolidated with the Company.
2. For investees valued under the equity method, when losses so recognized from an investee cause a negative book value of long-term investments and advances to the specific investee, the losses shall be continually reflected in income in proportion to the investments in such investee where the Company attempts to continue its support to the investee or the losses of such investee are short-term in nature and sufficient evidence indicates a recovery in the

near future. In this case, if a credit balance occurs subsequently in the book value of investments and advances to the specific investee, the credit balance shall be stated as a liability in the balance sheet.

3. Where overseas investments are valued under the equity method, the “cumulative translation adjustment” resulting from the conversion between the currencies expressed in the financial statements of the investees and the Company shall be recognized as adjustments of stockholders’ equity.

(VIII) Fixed assets, leased assets

1. The cost of assets shall be used for book entry, which may include all expenses incurred before the specific asset is in use. The years or depreciation shall be assessed in accordance with the years of use plus one year for scrapped value under the average method. Assets continued for use after the years of use shall be further depreciated in accordance with the assessed years for continuous use under the average method.
2. Useful lives for fixed assets range from 2 to 8 years; for idle assets (except for land) 55 years.
3. The effect of spending on and major improvement or repair in subsequent years shall be stated as capital spending. Routine maintenance or repair shall be stated as expenses for the current period. Income on disposition of fixed assets shall be stated as non-operating income and expenses for the current period.

(IX) Deferred expenses

Deferred expenses are stated in the acquisition cost of the computer software purchased by the Company for business use. The straight-line method for amortization is used along with the years of use.

(X) Retirement plan and net pension cost

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, unrecognized net transition benefit obligation, and amortization of gains or losses on plan assets. Unrecognized net transitional benefit obligation is amortized for a period of 15 years. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

(XI) After-sales service and warranty

For sales entailing warranty, the cost on warranty shall be estimated in accordance with past experience, and stated as the cost for the current period where the sales took place. Its liabilities shall be stated as current liabilities subject to their nature.

(XII) Treasury stock

1. When the Company calls the outstanding stock shares as treasury stock, the cost paid for

the repurchase is booked as Treasury Stock and debited to stockholders' equity.

2. Transfer of treasury stocks to employees on and after January 1, 2008 is treated in accordance with Statement of Financial Accounting Standards (SFAS) No.39, "Accounting standards for a share-based payment transaction".
3. When the Company's treasury stock is retired, the treasury stock account should be credited, and the capital reserve-premium on stock account and capital stock account should be debited proportionately according to the share ratio. The difference should be credited to capital reserve or debited to capital reserve and/or retained earnings.
4. The book value of treasury stock is calculated under the weighted average method.

(XIII) Impairment of non-financial assets

Where the collectable amount of assets likely to be impaired on the balance sheet date appears to be less than their book value, the loss from impairment should be recognized. The collectable amount is the higher of the net fair value or use value of an asset. Where the circumstances under which the asset impairment was recognized in the previous year do not exist any longer, the amount of loss provided in the previous year is then reversed.

(XIV) Recognition of revenues, costs and expenses

1. General revenues/costs and expenses

   Revenues are recognized when the earning process is substantially completed and are realized or realizable. Costs and expenses are recorded as incurred.

2. Service revenues

   The term "services" as set forth herein denotes the jobs the Company is supposed to do within the term of contract.

   Where the results of the trading in providing services become estimable in a reasonable manner, the service fee revenues are recognized in the method pro rata to the ratio of the completed jobs during the fiscal period of service provision. The service fee revenues are recognized based on the attribute of the project, at the percentage of the jobs already fulfilled to the total job volume anticipated to be fulfilled. At end of the term, the revenues are recognized as the percentage of the total service volume having been substantially fulfilled. The balance less the service revenues having been previously recognized is taken for recognition of the service revenues of the present term.

   When the results of the trading in providing services are still non-estimable in a reasonable manner, the revenues are recognized with consideration whether or not the costs already incurred could be retrieved. The revenues are recognized within the scope of the already occurred cost if the answer is very likely, and are not recognized if the answer is not very likely. The already incurred costs are recognized as the cost in the current term.

   In the event that the results of trading in providing the services are estimated to incur a loss, the loss is recognized forthwith.

   At end of the term, the balance of receivable from the service project exceeding the amount of the service fee received in advance, and the balance of the service fee received in advance exceeding the balance of the service fee receivable, are entered in the balance sheet under the items of current assets and current liabilities.

(XV) Government’s subsidy

Income from government’s subsidy will be recognized and entered in book as non-operating revenue and gain in the period of occurrence of the relevant costs when the relevant requirements for government’s subsidy are met, in accordance with Statement of Financial Accounting Standards (SFAS) No.29 “Accounting for Government Assistance”.

(XVI) Income tax

1. The income tax is estimated in the same year and across years. Income tax overstated or understated in the previous years shall be stated as adjustment items of income tax expenses in the current period. Upon revision of tax laws, deferred income tax liabilities or assets for the year of promulgation of revision shall be recalculated in accordance with new regulations. The effect of change in the deferred income tax liabilities or assets arising from the revision is recognized as income tax expense (benefits) of continuing operations in the current period.
2. Tax credits on the acquisition of specific equipment or technology, R&D expenses, human resources training expenses and equity investment are stated in the current period.
3. Undistributed earnings shall be subject to 10% surtax under the new taxation system. The surtax is stated as the expenses in the current period after the stockholders’ resolution on distribution of earnings.

(XVII) Employees’ bonus and remuneration to directors and supervisors

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, “Accounting for Employees’ Bonuses and Directors’and Supervisors’Remuneration”, the Company’s cost of employees’ bonus and directors’ and supervisors’ remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees’ bonuses and directors’ and supervisors’ remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders’ meeting subsequently, the differences shall be recognized as gain or loss in the following year.

(XVIII) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

III. Reasons and effects of change in accounting principles

None.

IV. Contents of significant accounts

(I) Cash and cash equivalents

	December 31, 2010	December 31, 2009
Cash on hand and petty cash	$ 84	$ 91
Checking deposits	16,074	6,177
Demand deposits	240,380	182,197
Time deposits	210,079	159,857
	$ 466,617	$ 348,322

(II) Financial assets at fair value through profit or loss-current

	December 31, 2010	December 31, 2009
Financial assets held for trading		
Open-ended funds	$ 92,090	$ 92,090
Financial bonds	-	47,500
Foreign stocks	7,932	7,932
	100,022	147,522
Valuation Adjustment	(34,018)	(53,021)
	$ 66,004	$ 94,501

Net loss and net gain recognized for years ended December 31, 2010 and 2009 amounted to $1,143 and $5,244 respectively.

(III) Accounts receivable, net

	December 31, 2010	December 31, 2009
Accounts receivable	$ 94,508	$ 93,360
Less:		
Allowance for doubtful accounts	(1,605)	(3,522)
	92,903	89,838
Service fee receivable	82,405	70,907
Less: Unearned service fee	(9,643)	(12,325)
	72,762	58,582
	$ 165,665	$ 148,420

(IV) Prepayments

	December 31, 2010	December 31, 2009
Cost on prepaid project	$ 25,474	$ 22,029

Other prepayments	6,378	1,451
	$ 31,852	$ 23,480

(V) Held-to-maturity financial assets

	December 31, 2010	December 31, 2009
Current items:		
Financial bonds	$ 16,268	$ 16,268
Less: Accumulated impairment	(16,268)	(16,268)
	$ -	$ -
Non-current items:		
Financial bonds	$ 15,395	$ 15,395
Less: Accumulated impairment	(15,395)	(15,395)
	$ -	$ -

Medical Provider Financial Corp. in which the Company invested has been entrusted to WELLS FARGO BANK due to poor operation. After the Company's assessment, the impairment on the investment was deemed other than temporary and an impairment loss of NT$31,663 was recognized in 2009.

(VI) Financial assets carried at cost－non-current

	December 31, 2010	December 31, 2009
Unlisted stocks		
TEH HSIN VENTURE CAPITAL INVESTMENT CO., LTD.	$ 20,000	$ 20,000
FORMOSA FIRST GOLF AND COUNTRY CLUB CORP.	2,000	2,000
CHIEF TELECOM INC.	1,217	1,217
	23,217	23,217
Less: Accumulated impairment	(5,141)	(5,141)
	$ 18,076	$ 18,076

(1) The investments were measured at cost since its fair value cannot be measured reliably.

(2) The net asset values for financial assets carried at cost significantly decreased due to poor operation over past years and the impairment thereon was deemed other than temporary, therefore the Company recognized an impairment loss of NT$2,332 in 2009. As of December 31, 2010 and 2009, accumulated recognized impairment loss amounted to NT$5,141, respectively.

(VII) Long-term equity investments accounted for under the equity method

1. Long-term equity investment:

Name of investee companies	December 31, 2010		December 31, 2009	
	Amount	Proportion of shareholding	Amount	Proportion of shareholding
ARGO TECHNOLOGY INC (AT)	$ 11,605	34.83%	$ 9,238	34.83%
M-POWER INFORMATION CO., LTD. (M-POWER)	11,858	22.98%	11,119	22.98%
ARES INTERNATIONAL CORP.(BAHAMAS) (ARES BAHAMAS)	-	66.67%	-	66.67%
ARES INTERNATIONAL CORP.(SAMOA) (ARES SAMOA)	10,405	100.00%	14,903	100.00%
ARES GROUP CORP. (ARES GROUP)	33,734	100.00%	36,173	100.00%
	$ 67,602		$ 71,433	
Stated as other liabilities-others				
APLUSOFT CO., LTD.	($ 2,891)	100.00%	($ 12,971)	100.00%

2. Investment (loss) income recognized for long-term equity investments under the equity method for the years ended December 31, 2010 and 2009 are shown as follows:

Name of investee companies	2010	2009
ARGO TECHNOLOGY INC (AT)	$ 2,367	$ 1,777
M-POWER INFORMATION CO., LTD. (M-POWER)	739	(1,383)
ARES SAMOA	(3,672)	(4,737)
ARES GROUP	860	895
APLUSOFT CO., LTD.	9,793	3,088
	$ 10,087	($ 360)

Among the long-term equity investments under the equity method stated above, ARGO TECHNOLOGY INC (AT) and M-POWER INFORMATION CO., LTD. (M-POWER) for 2010 and 2009 were evaluated in accordance with the financial statements audited and certified by the CPAs entrusted by the respective companies.

3. As of December 31, 2010 and 2009, the Company's recognition of the loss of APLUSOFT CO., LTD. resulted in credit balances of $2,891 and $12,971 respectively in the book value of the investee's long-term equity investment, which is stated as "other liabilities-others".

(VIII) Fixed assets

	December 31, 2010	December 31, 2009
Cost		
Machinery and equipment	$ 30,672	$ 34,856
Transportation equipment	8,912	8,905
Office equipment	6,779	7,154
Leasehold improvements	9,489	10,253
Other equipment	1,176	1,601
	57,028	62,769
Accumulated depreciation		
Machinery and equipment	(29,292)	(33,405)
Transportation equipment	(5,904)	(5,221)
Office equipment	(6,623)	(6,824)
Leasehold improvements	(8,409)	(8,384)
Other equipment	(1,084)	(1,428)
	(51,312)	(55,262)
Net book value	$ 5,716	$ 7,507

No capitalized interest of Fixed assets.

(IX) Leased assets

	December 31, 2010	December 31, 2009
Cost		
Lands	$ 27,587	$ 27,587
Buildings	20,216	20,216
	47,803	47,803
Accumulated depreciation		
Buildings	(6,044)	(5,683)
	41,759	42,120
Accumulated impairment	(9,378)	(9,739)
Net book value	$ 32,381	$ 32,381

Leasee	Calculation and collection of rents	Rental revenues 2010	Rental revenues 2009
OrangeBear	$100 collected in the first month, and $114 per month collected from the second month $117 per month collected from August 2009	$ 1,199	$ 1,385
Tonsam Corporation, etc.	$12 per month	16	-
		$ 1,215	$ 1,385

1. Depreciation expenses were provided for said assets in 2010 and 2009. Accumulated impairment was reversed as miscellaneous revenue, $361.
2. Please refer to Note VI for Leased assets pledged as collateral.

(X) Deferred expenses

	December 31, 2010	December 31, 2009
Software platform, component library, and credit card system software	$ 5,781	$ 5,781
Capability Maturity Model Integration (CMMI)	2,971	2,971
ERP system	5,037	5,037
Others	1,190	1,190
	14,979	14,979
Less: Accumulated impairment	(5,781)	(5,781)
Accumulated amortization	(8,955)	(6,640)
	$ 243	$ 2,558

(XI) Accrued expenses

	December 31, 2010	December 31, 2009
Accrued payrolls and bonuses	$ 56,195	$ 48,232
Employees' bonus payable and compensation payable to directors and supervisors	3,248	-
Accrued labor and health insurances	2,264	2,037
Other accrued expenses payable	3,001	4,314
	$ 64,708	$ 54,583

(XII) Unearned receipts

	December 31, 2010	December 31, 2009
Unearned service fee	$ 51,000	$ 62,855
Less: Service fee receivable	(2,015)	(544)
Unearned service fee - net	48,985	62,311
Unearned receipts for software	12,816	2,168
Other unearned sales revenue	560	-
	$ 62,361	$ 64,479

(XIII) Retirement plan and net pension cost

1. The Company has set up a defined benefit pension plan in accordance with the Labor Standards Law, which applies to all regular employees before the enforcement of the Labor Pension Act (the "Act") on July 1, 2005 and the employees who choose to be covered under the pension scheme of the Labor Standards Law after the enforcement of the Act. Under the defined benefit plan, two units are granted for each year of service for the first 15 years and one unit is granted for each additional year thereafter, subject to a maximum of 45 units. Pensions paid upon retirement are based on the number of units granted and the average monthly salaries and wages of the last six months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan under the name of the independent retirement fund committee.

2. The pension information recognized by the Company based on the actuarial report:

(1) The actuarial assumptions underlying are as follows:

	2010	2009
Discount rate	1.75%	2.25%
Expected return on plan assets	1.75%	2.25%
Rate of salary increase	4.00%	3.00%

(2) The funding status of the plans are as follows:

	December 31, 2010	December 31, 2009
Benefit obligation:		
Vested benefit obligation	($ 44,802)	($ 29,208)
Non-vested benefit obligation	(50,649)	(40,321)
Accumulated benefit obligation	(95,451)	(69,529)
Additional benefits based on future salaries	(51,321)	(27,245)
Projected benefit obligation	(146,772)	(96,774)
Fair value of pension fund assets	30,847	28,438
Plan funded status	(115,925)	(68,336)
Unrecognized net transitional benefit obligation	155	310
Unrecognized loss (gain) on plan assets	38,253	(5,425)
Accrued pension liabilities	($ 77,517)	($ 73,451)
Vested benefit	$ 48,781	$ 32,513

(3) The components of the net periodic pension cost are as follows:

	2010	2009
Service cost	$ 4,333	$ 4,203
Interest cost	2,178	2,407
Expected return on plan assets	(640)	(386)
Amortization：		
Unrecognized net transitional benefit obligation	155	155
Net periodic pension costs:	$ 6,026	$ 6,379

3. As a result of the enforcement of the Act, the Company set up a defined contribution pension plan which took effect from July 1, 2005. The local employees are eligible for the defined contribution plan. For employees who choose to be covered under the pension scheme of the Act, the Company contributes monthly an amount not less than 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. Pensions are paid in monthly installments or in lump sum based on the accumulated balances of the employees’ individual pension accounts. The net

pension costs recognized under the defined contribution plan were $10,182 and $9,781 for the years ended December 31, 2009 and 2008, respectively.

(XIV) Capital Stock

The company only issued common shares at a par value of NT$10. As of December 31 2010, the authorized capital of the company amounted to $1,156,000 (of which $200,000 and $300,000 were retained for convertible bonds and for employee stock options respectively). The paid in capital of the Company amounted to $492,539.

(XV) Capital reserve

1. The R.O.C. Company Law requires that capital reserve shall be exclusively used to cover accumulated deficit or to increase capital and shall not be used for any other purpose. However, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be capitalized once a year, provided that the Company has no accumulated deficit and the amount to be capitalized does not exceed 10% of the paid-in capital.
2. The capital reserve resulting from the issuance of new shares at premium, and the subsequent capitalization of such capital reserve may only be made once a year and it is not permitted to capitalize the said capital reserve in the year of issuing new shares. The capitalization of capital reserve may be carried out under applicable legal rules.

(XVI) Retained earnings/loss to be made up

1. According to the Company's Articles of Incorporation, the Company's annual net income shall be appropriated in the following order if there is any remainder:
   (1) Tax payment;
   (2) Offsetting accumulated deficit from previous years;
   (3) Appropriation of 10% as statutory reserve;
   (4) Appropriation of special reserve for the needs of operation and in accordance with applicable legal rules.
   (5) The balance remaining upon distribution referred to in the said items (1) to (4) (accruing to 10 thousand only) shall be distributed as follows:
      a. Not less than 5% as employees' bonus, provided that it shall not exceed 15%;
      b. 1% as the remuneration to directors/supervisors

   The distribution of said balance shall be proposed by the board of directors and resolved at the stockholders' meeting. The board of directors may retain the earnings in part subject to the Company's operation.
2. The Company's stock dividend policy is specified as follows: The Company is engaged in the information technology industry, in which the technology and market grow fast. In consideration of the capital spending and well-founded financial planning required to pursue sustainable development, the board of directors proposed that the percentages of cash dividend and stock dividend from the balance upon distribution referred to in said

items (1)-(5) shall be determined subject to the operating need in the then year. The percentage of cash dividend should be no less than 10% of the total dividends, provided that the percentage of cash dividend may be adjusted subject to the operating condition in the then year.

3. Statutory reserve may only be used for offsetting deficit and capitalization as equity capital. If the amount of capitalized reserve exceeds 50% of the paid in capital, only half of the amount may be further capitalized.

4. For retained earnings not appropriated from 1998 onward, 10% surtax shall be applied under the new taxation system. The retained earning after the surtax is not subject to further limitation on the amount of retention. As of December 31 2010 and 2009, the details of the Company's unappropriated earnings and loss to be made up are presented as follows:

	December 31, 2010	December 31, 2009
A. Unappropriated earnings before 1998	$ -	$ -
B. Unappropriated earnings from 1998 onward (loss to be made up)		
a. 10% profit-making business income tax levied	-	-
b. 10% profit-making business income tax not levied	61,820	(23,920)
	$ 61,820	($ 23,920)

5. For years ended December 31, 2010, estimated accrued employee bonus and remuneration to directors and supervisors amounted to $2,706 and $541 respectively, which were estimated from annual net income based on the percentage set forth in the Articles of Incorporation after consideration to legal reserve. Any difference occurring afterward between the actual distribution amount resolved by the stockholders' meeting and the estimated amount is recognized the income in 2011. Information on employee bonus and remuneration to directors and supervisors determined by the Board of Directors and resolved by the stockholders' meeting can be accessed through the Market Observation Post System on the website of Taiwan Stock Exchange.

6. The stockholders' meeting approved on June 14, 2010 to cover deficits by capital reserve of NT$23,920.

7. As of December 31, 2010 and 2009, the balances in the imputation tax credit account balance were NT$1,105 and NT$581, and there were no earnings distributable. If earnings for the year ended December 31, 2010 were distributed, the creditable ratation would be expected as 13.63%.

(XVII) Treasury stock

1. The changes in treasury stocks for years ended Dec. 31 2010 and 2009 are shown as follows: *(In thousands of shares)*

2010

	Balance - beginning		Increase in the current period		Decrease in the current period		Balance - ending	
Purpose	Quantity of share	Amount	Quantity of share	Amount	Quantity of share	Amount	Quantity of share	Amount
Offered for transfer to employees	3,000	$ 25,878	-	$ -	-	$ -	3,000	$ 25,878

2009

	Balance - beginning		Increase in the current period		Decrease in the current period		Balance - ending	
Purpose	Quantity of share	Amount	Quantity of share	Amount	Quantity of share	Amount	Quantity of share	Amount
Offered for transfer to employees	3,000	$ 25,878	-	$ -	-	$ -	3,000	$ 25,878

2. As required under the Securities and Exchange Law of the R.O.C., the ratio of the outstanding shares repurchased back shall not exceed 10% of the total outstanding shares by quantity, and shall not exceed of the total of retained earning plus premium of share issuance and the capital reserve already realized. As of December 31, 2010, the total treasury stocks having been repurchased by the Company did not exceed the legal limits either by quantity or by amount.

3. As required under the Securities and Exchange Law of the R.O.C., the treasury stocks possessed by the Company shall not be taken for pledge and should not be entitled to stockholders' interests until they are transferred.

4. As required under the Securities and Exchange Law of the R.O.C., the aforementioned shares repurchased should be transferred within three years from the date of repurchase otherwise they should be deemed as the Company's unissued shares and should be annulled through alteration registration. As of December 31, 2010, the deadlines for transfer of the Company's treasury stocks are specified as follows:

Shares	Deadline for transfer
2,000 thousand shares	March, 2011
1,000 thousand shares	July, 2011

5. The Company annulled treasury stocks in accordance with the resolution of the Board of Directors on March 7, 2011, totaling 2,000 thousand shares which was the fourth repurchase with the deadline being March 2011. The base date of capital reduction was March 7, 2011.

(XVIII) Income tax

1. Income tax expenses and refundable income tax adjustments are calculated as follows:

	2010		2009	
Income tax expenses	$	4,786	$	6,240
Deferred income tax assets – net		7,583		8
Tax effect of tax rate difference for temporary differences between the reporting date and year of realization		-		1,339
Tax effect of change in tax rate	(	5,050)	(	7,587)
Prepaid income taxes	(	522)	(	156)
Income tax payables (refundable)	$	6,797	($	156)

The amounts of 10% surtax imposed on unappropriated earnings for 2009 and 2008 calculated based on the Income Tax Law were both $0.

2. Deferred income tax assets as of December 31, 2010 and 2009 are shown as follows:

	December 31, 2010		December 31, 2009	
Total deferred income tax assets	$	69,006	$	93,947
Valuation of allowance for deferred income tax assets	($	36,315)	($	63,789)

3. Material difference between the accounting income and tax income for years ended December 31, 2010 and 2009 is specified as follows:

   (1) Permanent differences

Contents	2010		2009	
Domestic investment income recognized under the equity method	($	12,899)	($	3,482)
Loss (gain) on valuation of financial assets		1,143	(	5,244)
Others	(	20,225)		485
	($	31,981)	($	8,241)

   (2) Temporary differences: Changes of deferred income tax; please refer to Paragraph 4 below.

4. The breakdown of balances of deferred income tax assets resulting from temporary differences and investments tax credits as of December 31, 2010 and 2009:

	December 31, 2010		December 31, 2009	
	Amount	Effect of income tax	Amount	Effect of income tax
Current items:				
Warranty cost	$ 5,176	$ 880	$ 3,861	$ 772
Allowance for Bad Debt in Excess	1,983	337	1,983	397
Unrealized loss from indemnification	24,000	4,080	-	-
Others	9,530	1,620	788	157
Investments tax credits		-		11,318
		6,917		12,644
Allowance for evaluation		-		(11,318)
		$ 6,917		$ 1,326
Non-current items:				
Pension fund not contributed	$ 51,002	$ 8,670	$ 46,936	$ 9,387
Loss from investment in foreign companies	82,120	13,960	79,308	15,862
Unrealized loss from impairment	52,488	8,923	52,849	10,570
Investments tax credits		30,536		45,484
		62,089		81,303
Allowance for evaluation		(36,315)		(52,471)
		$ 25,774		$ 28,832

5. In accordance with the Income Tax Law and Statute for Upgrading Industries, the Company has been entitled to the following income tax credits:

Deductible items	Total deductible amount	Unconsumed deductible balance	Last credit year
R&D and Personnel training			
2007	11,980	9,306	2011
2008	11,821	11,821	2012
2009	9,409	9,409	2013
Total	$ 33,210	$ 30,536	

6. As of December 31, 2010, the Company's profit-making business income tax returns through 2008 have been examined and approved by the Tax Authority. However, the investment tax credit for R&D expenses and personnel training was eliminated by 2008 assessment. The Company has applied for recheck. Since valuation allowance has been fully provided for relevant investments tax credits, there is no effect on the Company's profit or loss.

(XIX) Basic earnings (losses) per common share

2010

	Amount		Weighted average number of shares outstanding during the year (thousand shares)	EPS (NTD)	
Net Income	Before tax	After tax		Before tax	After tax
	$ 66,606	$ 61,820	46,254	$ 1.44	$ 1.34

2009

	Amount		Weighted average number of shares outstanding during the year (thousand shares)	Loss per share (NTD)	
Net Loss	Before tax	After tax		Before tax	After tax
	($17,680)	($ 23,920)	46,254	($ 0.38)	($ 0.52)

(XX) Personnel expenses, depreciation, depletion and amortization

Personnel expenses, depreciation, depletion and amortization incurred in 2010 and 2009 are summarized by function as follows:

	2010		
Attributes	Classified as operating costs	Classification of operating expenses	Total
Personnel expenses	$ 166,648	$ 98,901	$ 265,549
Salaries	12,212	5,691	17,903
Labor and health insurances	10,931	5,277	16,208
Pension fund	5,631	2,928	8,559
Others (Note 1)	790	2,364	3,154
Depreciation (Note 2)	636	1,679	2,315
Amortization			

	2009		
Attributes	Classified as operating costs	Classification of operating expenses	Total
Personnel expenses	$158,403	$ 90,297	$ 248,700
Salaries	11,136	5,551	16,687
Labor and health insurances	10,752	5,408	16,160
Pension fund	5,657	2,697	8,354
Others (Note 1)	1,494	2,860	4,354
Depreciation (Note 2)	1,308	1,746	3,054
Amortization			

Note 1: meals, training and employee welfare are included.

Note 2: Depreciation of leased assets for 2010 and 2009 were $361, which is stated as “non-operating expenses and loss – miscellaneous expenses”.

V. <u>Related Party Transactions</u>

(I) Names of related parties and their relationship with the Company

Name of related parties	Relationship with the Company
MITAC INC.	Director of the Company
MITAC INTERNATIONAL CORP.	Investee of Mitac Inc. accounted for under the equity method
ARGO TECHNOLOGY INC. (AT)	Investee of the Company under equity method.
M-POWER INFORMATION CO., LTD. (M-POWER)	Investee of the Company under equity method.
SHUTTLE INC.	The chairman of this company is a relative to the chairman of the Company at the second level under the Civil Law.
APLUSOFT CO., LTD.	Subsidiary of the Company
ARES INTERNATIONAL CORP.(BAHAMAS) (ARES BAHAMAS)	Subsidiary of the Company
ARES INTERNATIONAL CORP.(SAMOA) (ARES SAMOA)	Subsidiary of the Company
ARES GROUP CORP. (ARES GROUP)	Subsidiary of the Company
ARES TECHNOLOGY SOFTWARE SYSTEM (SHANGHAI) CO., LTD.	Subsidiary of ARES SAMOA
APLUSOFT CO., LTD.(Suzhou)	Secondary subsidiary of APLUSOFT

(II) Major transactions with related parties

1. <u>Revenues from sales, service and maintenance</u>

	2010		2009	
	Amount	Percentage of operating revenues	Amount	Percentage of operating revenues
MITAC INTERNATIONAL CORP.	$ 15,200	2	$ 3,315	1
APLUSOFT CO., LTD. (Suzhou)	1,670	-	1,759	-
ARGO TECHNOLOGY INC. (AT)	204	-	2,017	-
SHUTTLE INC.	15	-	1,701	-
Others	1,000	-	1,401	-
	$ 18,089	2	$ 10,193	1

The sales, service and maintenance revenues from related parties are isolated incidents.

Therefore, the prices were determined through mutual negotiation. The payment term agreed with related parties is monthly settlement with payment in 60 days. The other trade terms and conditions are the same as with other clients.

2. Purchases

	2010		2009	
	Amount	Percentage of net purchases	Amount	Percentage of net purchases
ARGO TECHNOLOGY INC. (AT)	$ 8,484	5	$ 6,843	5
Others	1,648	1	2	-
	$ 10,132	6	$ 6,845	5

The purchases from related parties were mainly for the project of system integration. No identical item has been purchased from any other suppliers. Therefore, the price of purchase was the same as other clients through price negotiation. The term of payment is monthly settlement with payment in 60 days. Other conditions of trade are more or less the same as with other suppliers.

3. Service costs

	2010		2009	
	Amount	Percentage of service costs	Amount	Percentage of service costs
ARGO TECHNOLOGY INC. (AT)	$ 8,294	2	$ 1,556	1
APLUSOFT CO., LTD. (Suzhou)	4,151	1	3,589	1
	$ 12,445	3	$ 5,145	2

Note 1: Because such service and maintenance are rendered on a case by case basis, the price thereof was determined through both parties' price negotiation. The term of payment is monthly settlement with payment in 60 days. Other conditions of trade are more or less the same as with those of other suppliers.

Note 2: The Company outsourced the system integration project to related parties and the thereof was determined through both parties' price negotiation. The term of payment is monthly settlement with payment in 60 days. Other conditions of trade are more or less the same as with those of other suppliers.

4. Accounts receivable

(1) Accounts receivable

	December 31, 2010		December 31, 2009	
	Amount	Percentage	Amount	Percentage
ARGO	$ 744	-	$ 174	
APLUSOFT CO., LTD. (Suzhou)	588	-	632	-
M-Power	525	-	-	-
SHUTTLE INC.	16	-	1,508	1
Others	-	-	-	-
	$ 1,873	-	$ 2,314	1

(2) Other receivables

	December 31, 2010	December 31, 2009
APLUSOFT CO., LTD. (Suzhou)	$ 1,767	$ 1,273
ARES TECHNOLOGY SOFTWARE SYSTEM (SHANGHAI) CO., LTD.	-	1,757
MITAC INC.	-	643
	$ 1,767	$ 3,673

Converted from accounts receivable due to over the normal credit term, aged from 90 to 365 days.

(3) Long-term notes and accounts receivable

	December 31, 2010	December 31, 2009
APLUSOFT CO., LTD. (Suzhou)	$ 2,830	$ 3,455
ARES TECHNOLOGY SOFTWARE SYSTEM (SHANGHAI) CO., LTD.	1,899	-
MITAC INC.	643	-
	$ 5,372	$ 3,455

The accounts receivable beyond one year, stated as the “long-term notes and accounts receivable-related party”

(4) Financing

	2010			
	Maximum balance	Balance - ending	Interest rate	Total interest income
APLUSOFT CO., LTD.(Suzhou) (Note 1)	$ 4,892	$ -	-	$ -

	2009			
	Maximum balance	Balance - ending	Interest rate	Total interest income
APLUSOFT CO., LTD.(Suzhou) (Note 1)	$ 4,964	$ 4,892	-	$ -

Note 1: Stated as “long-term notes and accounts receivable-related party”

Note 2: The financing stated above is free of interest bearing.

5. Accounts payable

	December 31, 2010		December 31, 2009	
	Amount	Percentage	Amount	Percentage
ARGO TECHNOLOGY INC. (AT)	$ 4,997	6	$ 2,421	4
APLUSOFT CO., LTD. (Suzhou)	51	-	3,527	6
Others	1,265	2	-	-
	$ 6,313	8	$ 5,948	10

6. Prepayments

	December 31, 2010	December 31, 2009
APLUSOFT CO., LTD. (Suzhou)	$ -	$ 588

Prepayment for outsourcing.

7. Information about remuneration to the management including directors, supervisors, presidents and vice presidents

	2010		2009	
Salaries	$	14,938	$	14,051
Bonus		3,507		3,168
Service execution fees		2		2
Distribution of earnings		3,248		-
Total	$	21,695	$	17,221

(1) Salaries include salary, special responsibility allowances, pensions and severance pay, etc.

(2) Bonus includes the various bonuses and incentives.

(3) Service execution fees include travel allowances, special expenditures, various dorms and vehicles offering, etc.

(4) The distribution of earnings means the remuneration to directors/supervisors and employee bonus in current year.

(5) Please see the Company's stockholders' meeting annual report for the relevant information.

VI. Pledged Assets

As of December 31, 2010 and 2009, the Company's pledged assets were as follows:

Assets	December 31, 2010		December 31, 2009		Purpose
Pledged time deposit (stated as "other financial assets – current")	$	68,820	$	88,563	Bid bond, performance bond, and litigation guarantees
Refundable deposits (stated as "other financial assets-current")		30,882		25,820	Bid bond and performance bond
Refundable deposits		7,726		7,807	Deposits provided for leasehold
Land and buildings (stated as "leased assets")		32,381		32,381	Revolving credit facility
	$	139,809	$	154,571	

VII. Commitments and Contingent liabilities

The Company's significant commitments and contingent liabilities in addition to Note IV (XVIII) were summarized as follows:

(I) As of December 31, 2010, the Company had to apply for joint and several guarantees from the bank at the limit of NT$12,000 for integration of systems. The available credit limit is NT$12,000.

(II) As of December 31, 2010, the Company entered into the operating lease contracts for offices. The rent to be payable for the year ahead are as follows:

	Amount	
2011	$	14,842
2012		27,504
2013		1,133
	$	43,479

(III) Until December 31, 2010, the payments due from the Company for purchase of software products of which the purchase contract has been entered into was NT$18,133.

(IV) The foreign exchange(FX) system project the Company undertook from a bank is unable to be wound up due to continuous new demands requested from the bank. As of December 31, 2010, the Company is still negotiating with the bank. If the negotiation fails, it will go to commercial arbitration. Since the result of arbitration can not be anticipated so far, a loss of $24,000 accounting for 50% of the project is provided and offsets relevant accounts receivable.

VIII. Significant Disaster Losses

None.

IX. Significant Subsequent events

Please refer to Note IV (XVII) 5.

X. Others

(I) The fair value of the financial instruments

	December 31, 2010		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation method
Non-Derivatives			
Assets			
Financial assets with book value equal to fair value	$ 758,194	$ -	$ 758,194
Financial assets at fair value through profit or loss	66,004	66,004	-
Financial assets carried at cost	18,076	-	-
Liabilities			
Financial liabilities with book value equal to fair value	158,729	-	158,729

	December 31, 2009		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation method
Non-Derivatives			
Assets			
Financial assets with book value equal to fair value	$ 639,042	$ -	$ 639,042
Financial assets at fair value through profit or loss	94,501	94,501	-
Financial assets carried at cost	18,076	-	-
Liabilities			
Financial liabilities with book value equal to fair value	121,753	-	121,753

The method and assumptions the Company adopted for the assessment of the fair value of financial instruments are described as follows:

1. The fair value of short-term financial instruments would be assessed with reference to their respective book value because the discount values for short-term financial instruments show no significant effect. This method is applied to cash and cash equivalence, notes and accounts receivable, other receivables, other financial assets -current, notes and accounts payable, income tax payable, accrued expenses and other payables.

2. The market price is evaluated as the fair value for financial assets at fair value through profit or loss. For stocks listed in the Taiwan Stock Exchange or GreTai Securities Market, the closing price on the open market on the balance sheet date would be used as the basis for valuation. For short-term investment in open-ended funds, the fair value would be the net asset value per share as appearing on the balance sheet date.
3. For held-to-maturity financial assets, if there is open quotation of the active market available, the market price is evaluated as the fair price. If there is no market price available for reference, the fair value is estimated by appraisal method. The estimation and assumption used for appraisal methods adopted by the Company conforms to estimation and assumption used by market participants for the pricing of financial instruments.
4. The book value is evaluated as the fair value for financial assets carried at cost.
5. For long-term financial instruments such as long-term notes and accounts receivable, refundable deposits and deposits received, the discount value of expected cash flow is estimated as the fair value. The discount rate is subject to the fixed interest rate for one-year time deposit of postal offices at the end of the year, provided that it shall be disclosed according to the book value where the difference thereof is not material.

(II) Information about significant losses/gains of financial instruments and equity items

The interest revenue for the Company’s financial assets other than financial assets at fair value through profit or loss for the years ended December 31, 2010 and 2009 amounted to $1,970 and $3,136 respectively。

(III) Procedure of financial risk control and hedge

The Company’s financial risks are mainly risks accompanying the investments in financial instruments and foreign exchange rate risk derived from foreign currency transactions. The Company adopts the strictest control standards for management of financial risks of various financial instrument investments. Any financial investment and transactions should be comprehensively evaluated in terms of market risk, credit risk, liquidity risk and cash flow risk in order to select an option at the lowest risk. In respect to foreign exchange rate risk derived from foreign currency transactions, the Company, based on the objectives of policy risk management, pursues the optimal risk exposure and maintains adequate liquidity position in order to achieve the best hedge strategy.

(IV) Information on primary financial risks

1. Market Risk

   The Company’s businesses are involved in certain non-functional currencies (the Company’s functional currency is the New Taiwan Dollar) and therefore affected by the fluctuation of exchange rates. Information on assets and liabilities denominated in foreign currencies which are significantly affected by the fluctuation of exchange rates is summarized as follows:

(Expressed in units of foreign currencies)

(Foreign currency : functional currency)	December 31, 2010		December 31, 2009	
	Foreign currency	Exchange rate	Foreign currency	Exchange rate
Financial assets				
Monetary items				
USD : NTD	3,588,776	29.08	2,268,129	31.94
HKD : NTD	5,792,241	3.72	5,018,224	4.10
AUD : NTD	267,765	29.58	217,232	28.69
EUR : NTD	105,879	38.72	2,124	45.90
RMB : NTD	19,195	4.35	1,095	4.80
SGD : NTD	409	23.49	409	23.49
Non-monetary items				
USD : NTD	802,361	29.08	1,631,052	31.94
Long-term investments (Equity method)				
USD : NTD	1,515,256	29.13	1,596,621	31.98
Financial liabilities				
Monetary items				
USD : NTD	10,210	29.08	97,797	31.99
RMB : NTD	111,972	4.35	125,700	4.13

2. Equity investments in financial instruments

(1) Market Risk

Some of the investments in financial instruments conducted by the Company are influenced by the fluctuation of market prices. However, the Company has set stop-loss points. It is expected that no material market risk will occur.

(2) Credit Risk

The Company’s financial assets at fair value through profit or loss are transacted via centralized trading markets and international financial institutions with excellent credit and contracted with counterparties with good credit. It is expected that counterparties will not default on contracts. Therefore, there is no anticipated major credit risk. Counterparts of investments in financial assets carried at cost have been subject to evaluation on their credit standing. Therefore, there is also no anticipated major credit risk.

(3) Liquidity Risk

Financial assets at fair value through profit or loss can be traded on an active market. As such, they are expected to be disposed of quickly at prices approximating fair value in the market without difficulty. There is no active market for financial assets carried at cost. Therefore, there is no anticipated major liquidity risk.

(4) Cash Flow Risks deriving from interest rate fluctuation

Financial instruments invested in by the Company are not interest bearing instruments and there will be no cash flow risk resulting from interest rate fluctuation.

3. Accounts receivable

(1) Market Risk

All accounts receivable of the Company mature in one year or in one operating cycle, so there is no anticipated major market risk.

(2) Credit Risk

Obligors of accounts receivable due to the Company have good credit, so there is no anticipated major credit risk.

(3) Liquidity Risk

All receivables of the company mature within one year or one operating cycle, and the Company has sufficient working capital to cover all capital needs. Therefore, there is no anticipated major liquidity risk.

(4) Cash Flow Risks deriving from interest rate fluctuation

All accounts receivable of the Company mature in one year or in one operating cycle, so there is no anticipated major cash flow risk resulting from interest rate fluctuation.

4. Accounts payable

(1) Market Risk

All payables of the company mature within one year, and therefore there is no anticipated major market risk.

(2) Credit Risk

There is no credit risk.

(3) Liquidity Risk

All payables of the company mature within one year, and the Company has sufficient working capital to cover all capital needs. Therefore, there is no anticipated major liquidity risk.

(4) Cash Flow Risks deriving from interest rate fluctuation

All payables of the company mature within one year, and therefore there is no anticipated major cash flow risk resulting from interest rate fluctuation.

XI. Additional Disclosures

(I) Information related to major transactions

According to the "Rules Governing the Preparation of Financial Statements by Securities Issuers", information regarding major transactions for the year ended December 31, 2010 was disclosed as follows:

1. Financing provided to others

No. (Note 1)	Lender	Borrower	Account titles (Note 2)	Maximum balance in current period	Balance - ending	Interest interval	Nature of loans (Note 3)	Amount of Business transactions (Note 4)	Reasons necessary for offering short-term loans (Note 5)	Allowance for bad debt	Collateral		Limit of loans to particular borrower (Note 6)	Limit of total loans (Note 6)
											Name	Value		
1	Ares International Corp.	APLUSOFT CO., LTD.(Suzhou)	Long-term notes and accounts receivable –related parties	$ 4,892	$ -	-	2	$ -	Working capital	$ -	None	None	$ 281,786	$ 281,786

Note1: The "No." column shall be filled in the following manner:

1. "0" for issuers
2. Investees shall be numbered in order from Arabic numeral "1"

Note 2: All receivables-affiliates, receivables-related parties, stockholder accounts, prepayments, temporary payments, stated on the account book must be entered in this form.

Note 3: The "Nature of loans" column shall be filled in the following manners :

1. Please enter "1" for trading partners
2. Please enter "2" for the necessity for offering short-term financing

Note 4: For Nature of loans classified as "1", please fill in the column " amount of transactions".

Note 5: For Nature of loans classified as "2", please specifically describe the reason necessary for offering short-term loans and borrowers' purposes, such as repayment of borrowings, acquisition of equipment, working capital, etc.

Note 6: Limit of loans to particular borrower granted by the Company shall not exceed 40% of the net asset value of the Company.

2. Endorsement/guarantee provided to others: none

3. The balance of securities held at the end of the period:

Investor	Type of securities	Name of securities	Relationship with security issuers (Note 1)	General ledger accounts	Ending: Quantity of share (thousand shares)	Ending: Book value	Ending: Proportion of shareholding	Ending: Market value (Note 2)	Facts of pledge	Highest shareholding during the period
Ares International Corp.	common stocks	Argo Technology	Investees of the Company under equity method.	Long-term investments (Equity method)	1,567	$ 11,605	34.83%	$ 11,605	-	1,567
Ares International Corp.	common stocks	M-power Information	Investees of the Company under equity method.	Long-term investments (Equity method)	1,259	11,858	22.98%	11,858	-	1,259
Ares International Corp.	common stocks	ARES INTERNATIONAL CORP. (BAHAMAS)	Subsidiary of the company	Long-term investments (Equity method)	20	-	66.67%	-	-	20
Ares International Corp.	common stocks	ARES INTERNATIONAL CORP. (SAMOA)	Subsidiary of the company	Long-term investments (Equity method)	355	10,405	100.00%	10,405	-	355
Ares International Corp.	common stocks	ARES GROUP CORP. (ARES GROUP)	Subsidiary of the company	Long-term investments (Equity method)	1,150	33,734	100.00%	33,734	-	1,150
Ares International Corp.	common stocks	APLUSOFT CO., LTD.	Subsidiary of the company	Other liabilities-others		$ 67,602				
Ares International Corp.	Financial bonds	Health care accounts receivable securitization bonds	-	Held-to-maturity financial assets – current	1,200	($ 2,891)	100.00%	-	-	1,200
				Less: accumulated impairment	-	$ 16,268	-	$ -	-	-
Ares International Corp.	Financial bonds	Health care accounts receivable securitization bonds	-	Held-to-maturity financial assets – non-current		(16,268)				
				Less: accumulated impairment		$ -				
Ares International Corp.	common stocks	Teh Hsin Venture Capital Investment Co., Ltd.	-	Financial assets carried at cost－non-current	-	$ 15,395	-	$ -	-	-
Ares International Corp.	common stocks	FORMOSA GOLF AND COUNTRY CLUB CORP.	-	Financial assets carried at cost－non-current		(15,395)				
Ares International Corp.	common stocks	CHIEF TELECOM INC.	-	Financial assets carried at cost－non-current		$ -				
				Less: accumulated impairment	2,000	$ 20,000	2.16%	$ 16,548	-	2,000
					2	2,000	0.01%	245	-	2
					282	1,217	0.52%	3,527		282
						23,217		$ 20,320		
						(5,141)				
						$ 18,076				

Note 1: This column may be left blank where the securities issuer is not a related party.

Note 2: Where there is no open market price, this column is filled in with the net asset value per share for stocks or left blank for other instruments.

Investor	Type of securities	Name of securities	Relationship with security issuers (Note 1)	General ledger accounts	Ending: Quantity of share (thousand shares)	Ending: Book value	Ending: Proportion of shareholding	Ending: Market value (Note 2)
Ares International Corp.	Beneficiary certificate	Capital Heng-Li No.9 Fund	-	Financial assets at fair value through profit or loss-current	1,275	$ 12,625	-	$ 12,608
Ares International Corp.	Beneficiary certificate	Capital Income Fund	-	〃	327	5,000	-	5,059
Ares International Corp.	Beneficiary certificate	American Pegasus auto loan fund	-	〃	3	11,490	-	7,562
Ares International Corp.	Beneficiary certificate	ING Asia New Rising Star Fund	-	〃	50	16,673	-	7,364
Ares International Corp.	common stocks	Advanced Micro Devices Inc.	-	〃	12	7,932	-	2,952
Ares International Corp.	Beneficiary certificate	GRANDWAY MULTI-STRATEGY FUND	-	〃	0.5	16,295	-	5,454
Ares International Corp.	Beneficiary certificate	YUANTA GLOBAL REALTY & INFRASTRUCTURE FUND	-	〃	500	5,000	-	3,395
Ares International Corp.	Beneficiary certificate	UPAMC JAMES BOND Fund	-	〃	641	10,007	-	10,277
Ares International Corp.	Beneficiary certificate	FSITC Taiwan Bond Fund	-	〃	346	5,000	-	5,063
Ares International Corp.	Beneficiary certificate	Capital Global REITs Balanced Fund	-	〃	1,000	10,000	-	6,270
						100,022		$ 66,004
				Valuation Adjustment		(34,018)		
						$ 66,004		

Note 1: This column may be left blank in case where the securities issuer is not a stakeholder.

Note 2: Where there is no open market price, this column is filled in with the net asset value per share for stocks or left blank for other instruments.

4. The buying or selling of the same security accumulatively amounting to NT$100 million or 20% of the paid in capital: None.
5. The acquisition of real estate amounted to NT$100 million or 20% of the paid in capital: None.
6. The disposition of real estate amounted to NT$100 million or 20% of the paid in capital: None
7. The trade between related parties in sales or purchases amounting to NT$100 million or 20% of the paid in capital: None
8. Receivables from related parties amounted to NT$100 million or 20% of the paid in capital: None
9. Derivative financial instrument transactions: None.

(II) Information related to reinvested enterprises

1. Information on investees:

Investor name	Investees	Location	Major business activities	Original investments: Ending	Original investments: End of previous period	Holding status: Quantity of share (thousand shares)	Holding status: Proportion	Holding status: Book value	Net income(loss) of investees	Investment income recognized by the Company	Note
Ares International Corp.	Argo Technology	Address: No. 112, Chung Shan North Road Section II, 12-5F, Taipei City	Provision of professional services related to computer application package software and transaction of peripheral equipment of computers	$ 14,014	$ 14,014	1,567	34.83%	$ 11,605	$ 6,796	$ 2,367	
Ares International Corp.	M-power Information	No. 21, Nanking East Road Section III, 3/F, Taipei	Agency and sale of database systems and professional services related to software	13,677	13,677	1,259	22.98%	11,858	3,218	739	
Ares International Corp.	ARES INTERNATIONAL CORP. (BAHAMAS)	Bahamas	Investment	31,141 (US$ 1,010,050)	31,141 (US$ 1,010,050)	20	66.67%	-	-	-	Subsidiary
Ares International Corp.	ARES INTERNATIONAL CORP. (SAMOA)	Samoa	Investment	52,405 (US$ 1,534,974)	52,405 (US$ 1,534,974)	355	100.00%	10,405	(3,672)	(3,672)	Subsidiary
Ares International Corp.	ARES GROUP CORP. (ARES GROUP)	Brunei	Investment	35,029 (US$ 1,150,000)	35,029 (US$ 1,150,000)	1,150	100.00%	33,734	860	860	Subsidiary
Ares International Corp.	APLUSOFT CO., LTD.	5FL., NO.111, SEC.2, JUNGSHAN N. RD., TAIPEI, TAIWAN	Consulting service related to computer installation and information & software provision	9,889	9,889	1,200	100.00%	(2,891)	9,793	9,793	Subsidiary
								$ 64,711		$ 10,087	subsidiary of a subsidiary
ARES INTERNATIONAL CORP. (SAMOA)	ARES INTERNATIONAL CORP. (SHANGHAI)	Zhang Jiang High Tech Industrial Park, Shanghai	R & D and production of computer software. Sales of self-manufactured products, related consultation services	51,271 (US$ 1,500,000)	51,271 (US$ 1,500,000)	-	100.00%	$ 12,526	(3,630)	Note	subsidiary of a subsidiary
APLUSOFT CO., LTD.	WELJOIN TECHNOL0GIES LIMITED (BVI)	British Virgin Islands	Investment	5,567 (US$ 160,000)	5,567 (US$ 160,000)	50	100.00%	(3,488)	9,793	Note	
WELJOIN TECHNOL0GIES LIMITED (BVI)	APLUSOFT CO., LTD.(Suzhou)	328 Jiching Hu Road, Suzhou Industrial Park, International Technology Park B402	R&D of business management related software and sales of the Company's products	5,228 (US$ 150,000)	5,228 (US$ 150,000)	-	100.00%	(3,523)	9,835	Note	subsidiary of a subsidiary
ARES GROUP CORP. (ARES GROUP)	SHARP KEEN MANAGEMENT LIMITED	British Virgin Islands	Investment	34,115 (US$ 1,120,000)	34,115 (US$ 1,120,000)	1,120	100.00%	32,974	903	Note	subsidiary of a subsidiary
SHARP KEEN MANAGEMENT LIMITED	BLITZ IT CONSULTANTS PTE LTD	Singapore	Agency of computer software and network-related business	33,256 (US$ 1,091,783)	33,256 (US$ 1,091,783)	484	40.00%	32,390	2,403	Note	-

Note: The income in the current period has been duly recognized by the subsidiaries invested in by the Company.

2. Major transactions of investment

(1) Financing provided to others: None.

(2) Endorsement/guarantee provided to others: none

(3) The balance of securities held at the end of the period:

	Types and names of securities				Ending				
Investor	Type	Name	Relationship with security issuers (Note 1)	General ledger accounts	Number of shares (in thousand shares)	Book value	Proportion of shareholding	Market value (Note 2)	Remark
ARES International Corp. (BAHAMAS)	Stock	eASPNET Inc	-	Financial assets carried at cost	1,500	$ -	3.53%	$ -	-
ARES International Corp. (SAMOA)	Stock	ARES INTERNATIONAL CORP. (SHANGHAI)	Subsidiary of ARES INTERNATIONAL CORP (SAMOA)	Long-term investments (Equity method)	-	12,526	100.00%	12,526	-
APLUSOFT CO., LTD.	Stock	WELJOIN Technologies Limited(BVI)	Subsidiary of APLUSOFT CO., LTD.	Long-term investments (Equity method)	50	(3,488)	100.00%	(3,488)	-
WELJOIN Technologies Limited(BVI)	Stock	APLUSOFT CO., LTD.(Suzhou)	Subsidiary of WELJOIN TECHNOLOGIES LIMITED	Long-term investments (Equity method)	-	(3,523)	100.00%	(3,523)	-
ARES GROUP CORP.	Stock	SHARP KEEN MANAGEMENT LIMITED	Subsidiary of ARES GROUP CORP.	Long-term investments (Equity method)	1,120	32,974	100.00%	32,974	-
SHARP KEEN MANAGEMENT LIMITED	Stock	BLITZ IT CONSULTANTS PTE LTD	Investee of SHARP KEEN MANAGEMENT LIMITED under equity method	Long-term investments (Equity method)	484	32,390	40.00%	32,390	-

Note 1: This column may be left blank where the securities issuer is not a related party.

Note 2: Where there is no open market price, this column is filled in with the net asset value per share for stocks or left blank for other instruments.

(4) The buying or selling of the same security accumulatively amounting to NT$100 million or 20% of the paid in capital: None.

(5) The acquisition of real estate amounted to NT$100 million or 20% of the paid in capital: None.

(6) The disposition of real estate amounted to NT$100 million or 20% of the paid in capital: None

(7) The trade between stakeholders in sales or purchases amounting to NT$100 million or 20% of the paid in capital: None

(8) Receivables from related parties amounting to NT$100 million or 20% of the paid in capital: None

(9) Derivative financial instrument transactions: None.

(III) Information about investments in Mainland China

1. Information on investments in Mainland China

Names of investees in Mainland China	Major business activities	Paid-in Capital	Investment Method (Note 1)	Accumulated Outflow of Investment from Taiwan at the beginning of the present term	Investment Flows		Accumulated Outflow of Investment from Taiwan at the end of the present term	The Company's Direct or Indirect Investment Holding Ratio	Investment income recognized in the Current Period	Carrying Value of Investment at the End of the Period	Accumulated Inward Remittance of Earnings as of the present term
					Outflow	Inflow					
ARES INTERNATIONAL CORP. (SHANGHAI)	R & D and production of computer software. Sales of self-manufactured products, related consultation services	$ 51,271 (US$1,500,000)	(2)	$ 51,271 (US$1,500,000)	$ -	$ -	$ 51,271 (US$1,500,000)	100%	($ 3,630) (Note 2 (II) 2)	$ 12,526	$ -
APLUSOFT CO., LTD.(Suzhou)	R&D of business management related software and sales of the Company's products	$ 5,228 (US$150,000)	(3)	$ 5,228 (US$150,000)	-	-	$ 5,228 (US$150,000)	100%	$ 9,835 (Note 2 (II) 2)	($ 3,523)	-

Accumulated Outflow of Investments in Mainland China from Taiwan at the end of the current term	Investment Amount Approved by Investment Commission of MOEA	Ceiling amount of investment in Mainland China by MOEA
$ 56,499 (US$1,650,000)	$ 61,727 (US$1,800,000)	$ 422,678

Note 1: There are five ways to invest in Mainland China:

(I) Investment made by remittance through a third territory

(II) Establishment of a company in a third territory through which investment is made.

(III) Through direct investment in a company in a third territory through which investment in China is made.

(IV) Direct investment in a company of Mainland China.

(V) Others: EX: Commissioned investment

Note 2: Recognized investment income for current period:

(I) Specify if it is still in the stage of preparation so that no income resulted.

(II) There are three ways to recognize investment income, which must be specified.

1. Financial statements audited by public accountants in cooperation with the public accountants in the Republic of China.
2. Financial statements audited by the public accountants of the parent firm in Taiwan.
3. Financial statements that were prepared by the Company independently in the same period but not audited by the public accounts

Note 3: The figures in this statement shall be expressed in NT Dollars.

2. Major transactions with investees in Mainland China via a third territory directly or indirectly: Please refer to Note V: Transactions with related parties.

XII. Financial information disdosures for industry segments

(I) Financial information on different industries

The primary business of the Company is the design, trade, maintenance and lease of computers, related equipment, software and hardware. Therefore, financial information by industry for disclosure is not applicable in this context.

(II) Financial information on different geographic areas

For 2010 and 2009, no department operated overseas reported revenue accounting for 10% or more of the total operating revenues stated on the Income Statements or had identifiable department assets accounting for 10% or more of total assets stated on corporate balance sheets.

(III) Information on export

The total export of the Company in 2010 and 2009 are stated as follows:

	Amount	
Territory	2010	2009
Asia	$ 34,393	$ 31,128
America	15,272	10,549
Australia	4,346	1,509
Africa	651	1,711
	$ 54,662	$ 44,897

(IV) Information on major customers

There is no customer from which the sales revenue accounts for over 10% of the total operating revenues of the Company stated on the Income Statement for the years ended December 31, 2010 and 2009.

Ares International Corp.

Statement of Cash and cash equivalents

December 31, 2010

Expressed in Thousands of New Taiwan Dollars

(Except for foreign currency in dollars)

Contents	Summary	Amount
Cash on hand and petty cash		
- NTD		$ 58
- Foreign currency	US$18 Exchange rate: 29.08	1
	RMB$695 Exchange rate: 4.349	3
	AUD$708 Exchange rate: 29.58	22
		84
Checking deposits		16,074
Demand deposits		
- NTD		161,501
- Foreign currency	US$ 1,828,807.74 Exchange rate: 29.08	53,182
	HK$5,792,241.42 Exchange rate: 3.718	21,536
	EUR$105,879.06 Exchange rate: 38.72	4,100
	AUD$2,045.81 Exchange rate: 29.58	61
		240,380
Time deposits		
- NTD		151,350
- Foreign currency	US$1,750,000 Exchange rate: 29.08	50,890
	AUD$265,011.61 Exchange rate: 29.58	7,839
		210,079
		$ 466,617

Ares International Corp.

Statement of Financial assets at fair value through profit or loss-current

December 31, 2010

Expressed in Thousands of New Taiwan Dollars

Name of securities	Summary	Number of shares/ beneficiary certificates (in thousand shares)	NAV per share (NTD)	Total amount	Market price Unit price	Market price Total amount	Remark
Capital Heng-Li No.9 Fund	Beneficiary certificate	1,275	$ 9.90	$ 12,625	$ 9.89	$ 12,608	None
Capital Income Fund	Beneficiary certificate	327	15.28	5,000	15.46	5,059	〃
American Pegasus auto loan fund	Beneficiary certificate	3	3,830.00	11,490	2,520.00	7,562	〃
ING Asia New Rising Star Fund	Beneficiary certificate	50	333.46	16,673	147.28	7,364	〃
Advanced Micro Devices Inc.	common stocks	12	661.00	7,932	246.00	2,952	〃
GRANDWAY MULTI-STRATEGY FUND	Beneficiary certificate	0.5	32,590	16,295	10,908.42	5,454	〃
YUANTA GLOBAL REALTY & INFRASTRUCTURE FUND	Beneficiary certificate	500	10.00	5,000	6.79	3,395	〃
UPAMC JAMES BOND Fund	Beneficiary certificate	641	15.61	10,007	16.03	10,277	〃
FSITC Taiwan Bond Fund	Beneficiary certificate	346	14.46	5,000	14.65	5,063	〃
Capital Global REITs Balanced Fund	Beneficiary certificate	1,000	10.00	10,000	6.27	6,270	〃
				100,022		$ 66,004	
Less: Allowance for valuation adjustments				(34,018)			
				$ 66,004			

Ares International Corp.

Statement of Accounts Receivable

December 31, 2010

Expressed in Thousands of New Taiwan Dollars

Customer Name	Amount	Remark
Ordinary Customers		
Accounts receivable		
AU Optronics Corp.	$ 11,291	
LITE-ON IT CORP. In Hsinchu	8,402	
Land Bank	8,319	
ChipMOS TECHNOLOGIES (Bermuda) Ltd.	6,185	
Others	60,311	The balance of every single customer did not exceed 5% of the balance of this account
	94,508	
Less: Allowance for bad debt	(1,605)	
	92,903	
Service fee receivable		
Cosmos Bank	9,583	
Land Bank	8,333	
Taipei City Council	6,413	
Food and Drug Administration, Department of Health, Executive Yuan	6,195	
ChipMOS TECHNOLOGIES (Bermuda) Ltd.	4,662	
Others	47,219	The balance of every single customer did not exceed 5% of the balance of this account
	82,405	
Less: Unearned service fee	(9,643)	
	72,762	
	$ 165,665	

Ares International Corp.

Statement of Changes in Long-Term Investments under the Equity Method

January 1 to December 31, 2010

Expressed in Thousands of New Taiwan Dollars

Name	Balance - beginning: Number of shares (in thousand shares)	Balance - beginning: Amount	Increase (decrease) in current period: Number of shares (in thousand shares)	Increase (decrease) in current period: Amount	Gain (loss) on investment	Balance - ending: Number of shares (in thousand shares)	Balance - ending: Proportion of shareholding	Balance - ending: Amount	Market price or total net equity value	Facts of pledge or collateralization
Argo Technology Inc.	1,567	$ 9,238	-	$ -	$ 2,367	1,567	34.83	$ 11,605	$ 11,605	None
M-power Information Co., Ltd.	1,259	11,119	-	-	739	1,259	22.98	11,858	11,858	None
ARES INTERNATIONAL CORP. (BAHAMAS)	20	-	-	-	-	20	66.67	-	-	None
ARES INTERNATIONAL CORP. (SAMOA)	355	14,903	-	(826)	(3,672)	355	100.00	10,405	10,405	None
ARES GROUP CORP. (ARES GROUP)	1,150	36,173	-	(3,299)	860	1,150	100.00	33,734	33,734	None
		$ 71,433		($ 4,125)	$ 294			$ 67,602	$ 67,602	
Stated as other liabilities-other										
APLUSOFT CO., LTD.	1,200	($ 12,971)	-	$ 287	$ 9,793	1,200	100.00	($ 2,891)	($ 2,891)	None

Ares International Corp.

Statement of Changes in Fixed Assets

January 1 to December 31, 2010

Expressed in Thousands of New Taiwan Dollars

Contents	Balance - beginning	Increase in current period	Decrease in current period	Balance - ending	Facts of pledge or collateralization	Remark
Cost:						
Machinery and equipment	$ 34,856	$ 542	($ 4,726)	$ 30,672	None	
Transportation equipment	8,905	869	(862)	8,912	〃	
Office equipment	7,154	-	(375)	6,779	〃	
Leasehold improvements	10,253	-	(764)	9,489	〃	
Other equipment	1,601	-	(425)	1,176	〃	
	62,769	$ 1,411	($ 7,152)	57,028		
Accumulated depreciation:						
Machinery and equipment	(33,405)	($ 602)	$ 4,715	(29,292)		
Transportation equipment	(5,222)	(1,545)	863	(5,904)		
Office equipment	(6,823)	(161)	361	(6,623)		
Leasehold improvements	(8,384)	(789)	764	(8,409)		
Other equipment	(1,428)	(57)	401	(1,084)		
	(55,262)	($ 3,154)	$ 7,104	(51,312)		
Net book value	$ 7,507			$ 5,716		

Ares International Corp.

Statement of Changes in Leased Assets

January 1 to December 31, 2010

Expressed in Thousands of New Taiwan Dollars

Contents	Balance - beginning	Increase in current period	Decrease in current period	Balance - ending	Facts of pledge or collateralization	Remark
Cost:						
Lands	$ 27,587	$ -	$ -	$ 27,587	Note	
Buildings	20,216	-	-	20,216	〃	
	47,803	$ -	$ -	47,803		
Accumulated depreciation:						
Buildings	(5,683)	($ 361)	$ -	(6,044)		
	42,120			41,759		
Accumulated impairment	(9,739)	$ -	$ 361	(9,378)		
Net book value	$ 32,381			$ 32,381		

Note: As of December 31, 2010, the book value of land and buildings amounting to NT$32,381 was provided as collateral for loan finance facility.

Ares International Corp.

Statement of Accounts Payable

January 1 to December 31, 2010

Expressed in Thousands of New Taiwan Dollars

Name of Suppliers	Summary	Amount	Remark
Ordinary suppliers			
High Performance Information Corp.		$ 7,967	
Mega International Commercial Bank		7,091	
Others		63,913	The balance of every single customer did not exceed 5% of the balance of this account
		$ 78,971	

Ares International Corp.

Statement of Prepayments

January 1 to December 31, 2010

Expressed in Thousands of New Taiwan Dollars

Name of customers	Summary	Amount	Remark
Other unearned sales revenue		$ 560	
Unearned receipts for software		12,816	
		13,376	The balance of every single customer did not exceed 5% of the balance of this account
Unearned service fee			
Legislative Yuan		10,887	
China Development Industrial Bank		7,356	
Cameo Communications, Inc.		5,670	
Bank of Taipei		4,884	
Others		22,203	The balance of every single customer did not exceed 5% of the balance of this account
		51,000	
Less: Service fee receivable		(2,015)	
		48,985	
		$ 62,361	

Ares International Corp.

Statement of Operating Revenue

January 1 to December 31, 2010

Expressed in Thousands of New Taiwan Dollars

Contents	Summary	Amount	Remark
Sales revenues		$ 195,532	
Service revenues		549,308	
		$ 744,840	

Ares International Corp.

Statement of Operating Cost

January 1 to December 31, 2010

Expressed in Thousands of New Taiwan Dollars

Contents	Summary	Amount	Remark
Inventory at beginning		$ -	
Add: Purchases in current period		178,733	
Less: Transfer of inventory to prepaid project cost		(5,229)	
Cost of good sold (including costs of software products)		173,504	
Service costs		341,775	
		$ 515,279	

Ares International Corp.

Statement of Service Cost

January 1 to December 31, 2010

Expressed in Thousands of New Taiwan Dollars

Contents	Summary	Amount
Salaries		$ 166,648
Pension Fund		10,931
Rent expenses		10,411
Insurance expenses		12,212
Depreciation expenses		790
Amortizations		636
Software outsourcing		111,901
Other expenses		28,246
		$ 341,775

Ares International Corp.

Statement of Operating Expenses

January 1 to December 31, 2010

Expressed in Thousands of New Taiwan Dollars

Contents	Selling expenses	General & administrative expenses	Research and development expenses	Total
Salaries	$ 37,836	$ 26,256	$ 34,809	$ 98,901
Rent expenses	2,584	1,445	1,872	5,901
Insurance expenses	2,487	1,348	2,120	5,955
Travelling expenses	2,625	529	1,405	4,559
Pension Fund	1,940	1,282	2,055	5,277
Meal expenses	839	432	705	1,976
Depreciation expenses	33	2,250	81	2,364
Professional service fees	20	3,286	304	3,610
Amortizations	-	1,679	-	1,679
Others	2,599	4,488	1,771	8,858
	$ 50,963	$ 42,995	$ 45,122	$ 139,080