Systex Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2012 and 2011 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, 2012 and 2011, 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, 2012 of Systex Software & Service Corporation, Soft Mobile Inc., Chain Khan Technology Corporation, Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd., and 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., which are consolidated subsidiaries. The aggregate assets of these subsidiaries as of December 31, 2012 and 2011 amounted to NT$766,786 thousand and NT$1,130,835 thousand, respectively, or about 4.43% and 6.42% of the respective consolidated assets. The aggregate net operating revenues of these subsidiaries in 2012 and 2011 were about NT$850,796 thousand and NT$714,218 thousand, respectively, or about 5.85% and 5.25% of the respective consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2012 of AFE Solutions Limited, Bisnews International Limited, Enrichment I Venture Capital Corporation and Forms Syntron Information (Shenzhen) Limited, and 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, 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, 2012 and 2011 were NT$937,924 thousand and NT$386,104 thousand, respectively, or about 5.42% and 2.19% of the respective consolidated assets. The amounts of the equity in their net income were NT$167,260 thousand and NT$55,863 thousand, or about 53.44% and 32.40% of the consolidated pretax income of 2012 and 2011, 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, 2012 and 2011, 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, 2013

<u>Notice to Readers</u>

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, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value)

	2012		2011	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 1,977,690	11	$ 1,959,323	11
Financial assets at fair value through profit or loss (Notes 2 and 5)	3,850,966	22	5,007,590	28
Available-for-sale financial assets (Notes 2 and 6)	149,713	1	91,305	1
Notes receivable, net (Notes 2 and 7)	107,659	1	164,269	1
Accounts receivable, net (Notes 2, 7, 24 and 25)	2,800,869	16	2,681,361	15
Other receivables	120,222	1	116,035	1
Inventories (Notes 2 and 8)	1,981,869	12	1,362,056	8
Prepayments	414,960	2	441,984	2
Deferred income tax assets - current (Notes 2 and 20)	49,223	-	52,208	-
Pledged time deposits - current (Note 25)	253,151	2	325,418	2
Refundable deposits - current (Note 26)	204,834	1	134,406	1
Other current assets	49,225	-	42,854	-
Total current assets	11,960,381	69	12,378,809	70
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Notes 2 and 9)	558,140	3	503,478	3
Investments accounted for by the equity method (Notes 2 and 10)	1,243,153	7	1,289,436	7
Total long-term investments	1,801,293	10	1,792,914	10
PROPERTY AND EQUIPMENT (Notes 2, 11 and 25)				
Cost				
Land	1,054,217	6	1,054,278	6
Buildings	1,534,432	9	1,545,892	9
Computer equipment	314,522	2	342,993	2
Transportation equipment	13,409	-	14,252	-
Leasehold improvements	73,322	-	79,306	-
Other equipment	87,018	1	118,099	1
Total cost	3,076,920	18	3,154,820	18
Less: Accumulated depreciation	647,802	4	665,093	4
Less: Accumulated impairment loss	25,042	-	44,275	-
Prepayments for equipment	3,850	-	1,839	-
Net property and equipment	2,407,926	14	2,447,291	14
INTANGIBLE ASSETS (Note 2)				
Computer software	69,164	1	43,492	-
Goodwill	409,037	2	266,747	2
Technological expertise	242,339	2	262,431	2
Other intangible assets	67,179	-	35,749	-
Total intangible assets	787,719	5	608,419	4
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 12)	93,283	1	104,611	1
Refundable deposits - noncurrent (Note 26)	97,701	1	119,201	1
Deferred income tax assets - noncurrent (Notes 2 and 20)	40,918	-	56,580	-
Pledged time deposits - noncurrent (Note 25)	47,453	-	37,796	-
Others (Notes 2, 13 and 17)	80,683	-	58,616	-
Total other assets	360,038	2	376,804	2
TOTAL	$ 17,317,357	100	$ 17,604,237	100

	2012		2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Notes 14 and 25)	$ 270,455	2	$ 143,554	1
Short-term bills payable (Note 15)	29,934	-	29,912	-
Notes and accounts payable (Note 24)	2,609,500	15	2,529,215	14
Income tax payable (Notes 2 and 20)	41,786	-	45,356	-
Accrued expenses (Note 18)	546,164	3	629,971	4
Other payables	45,362	-	45,857	-
Receipts in advance	635,302	4	684,197	4
Current portion of long-term bank loans (Notes 16 and 25)	6,692	-	7,377	-
Other current liabilities (Notes 2 and 20)	201,637	1	162,549	1
Total current liabilities	4,386,832	25	4,277,988	24
LONG-TERM LIABILITIES				
Long-term bank loans (Notes 16 and 25)	38,479	-	43,794	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 17)	112,684	1	77,803	1
Others (Notes 2, 20 and 24)	13,400	-	19,149	-
Total other liabilities	126,084	1	96,952	1
Total liabilities	4,551,395	26	4,418,734	25
EQUITY ATTRIBUTABLE TO THE PARENT'S STOCKHOLDERS (Notes 2, 18 and 19)				
Capital stock - par value NT$10, authorized - 400,000 thousand shares; issued - 259,825 thousand shares in 2012 and 259,321 thousand shares in 2011	2,598,245	15	2,593,210	15
Advance receipts for common stock - 110 thousand shares	1,100	-	-	-
Total capital stock	2,599,345	15	2,593,210	15
Capital surplus				
Additional paid-in capital	7,854,090	45	8,358,116	48
Treasury stock transactions	924,101	5	875,061	5
Gain on sale of property and equipment	4,493	-	4,493	-
Donations	544	-	544	-
Long-term investments	65,843	1	65,843	-
Employee stock options	97,157	1	65,177	-
Total capital surplus	8,946,228	52	9,369,234	53
Retained earnings				
Legal reserve	542,289	3	527,709	3
Special reserve	611,439	3	347,018	2
Unappropriated earnings	1,187,959	7	1,168,511	7
Total retained earnings	2,341,687	13	2,043,238	12
Other equity				
Cumulative translation adjustments	(322,626)	(2)	(158,469)	(1)
Net loss not recognized as pension cost	(53,622)	-	(18,469)	-
Unrealized loss on financial instruments	(160,851)	(1)	(160,822)	(1)
Unrealized revaluation increment	56	-	56	-
Treasury stock - 24,520 thousand shares	(869,672)	(5)	(869,672)	(5)
Total other equity	(1,406,715)	(8)	(1,207,376)	(7)
Total equity attributable to the parent's stockholders	12,480,545	72	12,798,306	73
MINORITY INTEREST	285,417	2	387,197	2
Total stockholders' equity	12,765,962	74	13,185,503	75
TOTAL	$ 17,317,357	100	$ 17,604,237	100

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

(With Deloitte & Touche audit report dated March 21, 2013)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2, 5, 10 and 24)				
Sales	$ 10,123,513	69	$ 9,420,573	69
Less: Sales returns and allowances	37,615	-	13,925	-
Net sales	10,085,898	69	9,406,648	69
Service revenue	4,041,136	28	3,834,736	28
Others	408,373	3	371,155	3
Total operating revenues	14,535,407	100	13,612,539	100
OPERATING COSTS (Notes 2, 5, 6, 8, 9, 21, 24 and 26)				
Cost of goods sold	8,715,491	60	8,018,355	59
Service cost	1,687,658	12	1,760,311	13
Others	120,684	1	378,618	2
Total operating costs	10,523,833	73	10,157,284	74
GROSS PROFIT	4,011,574	27	3,455,255	26
REALIZED GROSS PROFIT FROM RELATED PARTIES (Notes 2 and 24)	3,844	-	3,844	-
REALIZED GROSS PROFIT	4,015,418	27	3,459,099	26
OPERATING EXPENSES (Notes 18 and 21)				
Selling expenses	2,685,624	19	2,546,715	19
General and administrative expenses	473,220	3	398,363	3
Research and development expenses	499,701	3	445,149	3
Total operating expenses	3,658,545	25	3,390,227	25
OPERATING INCOME	356,873	2	68,872	1
NON-OPERATING INCOME AND GAINS				
Interest income	4,902	-	6,380	-
Investment income recognized under equity method, net (Notes 2 and 10)	16,811	-	28,959	-
Dividend income (Note 2)	32,728	1	24,820	-
Gain on sale of property and equipment (Note 2)	-	-	37,615	-
Gain on sale of investments, net (Note 2)	10,528	-	25,002	-
Reversal of impairment loss on idle assets (Note 2)	-	-	16,921	-
Others (Note 2)	24,571	-	39,184	1
Total non-operating income and gains	89,540	1	178,881	1

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	**%**	**Amount**	**%**
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	$ 15,218	-	$ 11,042	-
Exchange loss, net (Note 2)	21,486	-	-	-
Impairment loss on financial assets carried at cost (Notes 2 and 9)	15,594	-	24,882	-
Impairment loss on property and equipment and intangible assets (Notes 2 and 11)	56,200	1	12,686	-
Others (Notes 2, 5 and 6)	24,942	-	26,745	1
Total non-operating expenses and losses	133,440	1	75,355	1
INCOME BEFORE INCOME TAX	312,973	2	172,398	1
INCOME TAX (Notes 2 and 20)	69,379	-	41,109	-
CONSOLIDATED NET INCOME	$ 243,594	2	$ 131,289	1
ATTRIBUTABLE TO:				
Stockholders of the parent	$ 298,449	2	$ 145,798	1
Minority interest	(54,855)	-	(14,509)	-
	$ 243,594	2	$ 131,289	1

	2012		2011	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 22)				
Basic	$ 1.44	$ 1.27	$ 0.69	$ 0.61
Diluted	$ 1.44	$ 1.27	$ 0.69	$ 0.61

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(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):

	2012		2011	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
PRO FORMA EARNINGS PER SHARE				
Basic	$ 1.31	$ 1.15	$ 0.81	$ 0.75
Diluted	$ 1.30	$ 1.15	$ 0.81	$ 0.75

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

(With Deloitte & Touche audit report dated March 21, 2013) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Capital Stock Issued and Outstanding		Advance Receipts for Common Stock	Capital Surplus (Notes 2 and 18)	Retained Earnings (Notes 2 and 18)				Other Equity					Minority Interest	Total Stockholders' Equity
	Shares (Thousands)	Amount			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Notes 2 and 18)	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)		
BALANCE, JANUARY 1, 2011	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
Appropriations of earnings															
Special reserve	-	-	-	-	-	264,421	(264,421)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	14,580	-	(14,580)	-	-	-	-	-	-	-	-
Distribution in cash of the capital surplus - NT$2 per share	-	-	-	(518,705)	-	-	-	-	-	-	-	-	-	-	(518,705)
Issuance of stock for exercised employee stock options	504	5,035	1,100	10,265	-	-	-	-	-	-	-	-	-	-	16,400
Compensation recognized for employee stock options	-	-	-	36,394	-	-	-	-	-	-	-	-	-	-	36,394
Consolidated net income for the year ended December 31, 2012	-	-	-	-	-	-	298,449	298,449	-	-	-	-	-	(54,855)	243,594
Change in translation adjustments on investments accounted for by the equity method	-	-	-	-	-	-	-	-	(164,157)	-	-	-	-	-	(164,157)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(35,153)	-	-	-	-	(35,153)
Equity in changes in investees' unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	-	(9,729)	-	-	-	(9,729)
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	9,700	-	-	-	9,700
Distribution in cash of the capital surplus received by subsidiaries from the Corporation	-	-	-	49,040	-	-	-	-	-	-	-	-	-	-	49,040
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(46,925)	(46,925)
BALANCE, DECEMBER 31, 2012	259,825	$ 2,598,245	$ 1,100	$ 8,946,228	$ 542,289	$ 611,439	$ 1,187,959	$ 2,341,687	$ (322,626)	$ (53,622)	$ (160,851)	$ 56	$ (869,672)	$ 285,417	$ 12,765,962

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

(With Deloitte & Touche audit report dated March 21, 2013)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 243,594	$ 131,289
Depreciation	147,339	148,685
Amortization	61,782	28,931
Provision for allowance for doubtful accounts	12,366	936
Compensation cost of employee stock options	36,394	43,238
Interest amortization for short-term bills payable	22	67
Provision for loss on inventories	17,856	22,165
Investment income recognized under the equity method	(127,494)	(90,928)
Cash dividends received from investees under the equity method	4,499	91,149
Loss (gain) on sale of property and equipment	6,769	(37,615)
Loss (gain) on sale of available-for-sale financial assets	12	(92,732)
Gain on sale of financial assets carried at cost	(8,802)	(35,097)
Valuation loss (gain) on financial assets, net	(51,599)	335,251
Impairment loss on available-for-sale financial assets	41,653	-
Impairment loss on financial assets carried at cost	28,818	35,552
Impairment loss on property and equipment and intangible assets	56,200	12,686
Reversal of impairment loss on idle assets	-	(16,921)
Realized gross profit from related parties	(3,844)	(3,844)
Deferred income tax	18,382	23,354
Change in cumulative translation adjustments due to capital reduction of investee	29,230	-
Net changes in operating assets and liabilities		
Financial assets held for trading	1,153,520	833,930
Notes receivable	56,610	(33,043)
Accounts receivable	(119,076)	(183,013)
Other receivables	64,528	(27,989)
Inventories	(629,558)	(190,274)
Prepayments	33,064	(152,394)
Other current assets	(6,621)	10,546
Notes and accounts payable	83,789	428,041
Income tax payable	(3,515)	(31,127)
Accrued expenses	(96,478)	57,060
Other payables	1,139	(23,397)
Receipts in advance	(52,658)	267,234
Other current liabilities	40,529	33,350
Prepaid pension cost/accrued pension cost	(7,165)	(11,641)
Net cash provided by operating activities	1,031,285	1,573,449
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale financial assets	4,756	175,477
Acquisition of financial assets carried at cost	(247,980)	(38,822)
Proceeds from sale of financial assets carried at cost	28,015	54,783
Acquisition of investments accounted for by the equity method	-	(137,555)
Net cash paid for acquisition of subsidiaries	(323,411)	(488,873)

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
Return of capital upon investees' capital reduction and liquidation	$ 101,096	$ 23,371
Acquisition of property and equipment and assets leased to others	(95,965)	(116,153)
Proceeds from sale of property and equipment and assets leased to others	870	84,911
Decrease (increase) in refundable deposits	(32,059)	218
Decrease (increase) in pledged time deposits	62,475	(7,585)
Increase in computer software	(49,674)	(7,002)
Decrease (increase) in other assets	(23,897)	4,530
Net cash used in investing activities	(575,774)	(452,700)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	132,175	18,553
Increase in short-term bills payable	-	19,897
Decrease in long-term bank loans	(6,000)	(13,377)
Decrease in guarantee deposits received	(98)	(1,180)
Distribution in cash of the capital surplus	(518,705)	-
Cash dividends paid	-	(533,131)
Proceeds from exercise of employee stock options	16,400	15,681
Acquisition of treasury stock	-	(326,820)
Decrease in minority interest	(48,236)	(168,384)
Distribution in cash of the capital surplus received by subsidiaries from the Corporation	49,040	-
Cash dividends received by subsidiaries from the Corporation	-	50,475
Net cash used in financing activities	(375,424)	(938,286)
EFFECT OF EXCHANGE RATE CHANGES	(61,720)	77,772
NET INCREASE IN CASH	18,367	260,235
CASH, BEGINNING OF YEAR	1,959,323	1,699,088
CASH, END OF YEAR	$ 1,977,690	$ 1,959,323
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 15,229	$ 11,124
Income tax paid	$ 57,497	$ 57,992
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term bank loans	$ 6,692	$ 7,377
Financial assets carried at cost reclassified to available-for-sale financial assets	$ 95,882	$ -

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
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)	$ 57,284	$ 51,354
Payable for acquisition of a subsidiary (included in other payables)	$ -	$ 36,517

The Corporation acquired 100.0% equity interest of Nexsys Corporation in September 2012. The fair values of the acquired assets and liabilities are summarized as follows:

Cash	$ 93,309
Notes and accounts receivable	54,282
Inventories	25,562
Prepayments and other current assets	22,819
Property and equipment, net	7,838
Deferred income tax assets - current	1,483
Intangible assets (computer software)	1,266
Leased assets, net	1,021
Refundable deposits - noncurrent	17,417
Notes and accounts payable	(26,524)
Receipts in advance	(6,334)
Accrued expenses and other current liabilities	(18,519)
Other liabilities (including accrued pension cost)	(7,435)
Net assets	166,185
Percentage of ownership acquired	100.0%
	166,185
Cash paid	(416,720)
Intangible assets	$ (250,535)

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)

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

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)

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)

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

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)

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

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

(With Deloitte & Touche audit report dated March 21, 2013) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, 2012 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)	Investment activities
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
Rainbow Tech Information (HK) Limited (RTIHK)	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
Nexsys Corporation (Nexsys)	Sale and development of computer software, data-processing services
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	Investment activities
Systex SDC China Ltd. (SDC)	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
Systex Group (China) Ltd. (Sytex Group)	Enterprise management and consultancy services, marketing, financial management services

(Concluded)

The Corporation transferred 11.1% equity interest of Cloudena to Cloudena Cayman in June 2012. The difference between consideration transferred (total of $9,970 thousand) and carrying amount was recognized in capital surplus - from long-term investments. After this transfer, Cloudena Cayman holds 100% equity interest of Cloudena.

TaiwanPay was dissolved in the stockholders’ meeting in February 2012 and completed liquidation process in June 2012.

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, 2012 and 2011, the Corporation and subsidiaries had 3,006 and 2,962 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 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 difference between its carrying amount and consolidation transferred was recognized stockholders' equity. The remaining issued shares held by minority interest were accounted for based on the ROC Statement of Financial Accounting Standards No. 25 "Business Combinations."

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, 2011 included the following entities: The Corporation, CSMC, SCGI, Ching Ho, Ching Feng, Taifon, Etech, Hanmore, Syspower, Smartnet, Soft Mobile, CKT, Ching Pu, GBC, SSSC, Cloudena, TaiwanPay, TEDP, Medincom, TEDP HK, Kimo BVI, Sysware Singapore, Sysware Thailand, Sysware Indonesia, Systex Solutions (HK) Limited, Systex Info, ICT Systex, Yisheng, Sysware Shenglong, Optima, UCOM Shanghai, Systek, RTGI, SDC, and Cloudena Cayman.

RTIHK was incorporated in July 2012; Systex Group was incorporated in November 2012. The Corporation acquired a total of 100% of Nexsys's stocks in September 2012. Thus, the entities mentioned above were included in the consolidated financial statements as of and for the year ended December 31, 2012.

Among the abovementioned entities, the financial statements as of and for the year ended December 31, 2012 of Sysware Singapore, Sysware Thailand, Sysware Indonesia, and Yisheng, and 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 were not audited. The aggregate assets of these subsidiaries as of December 31, 2012 and 2011 amounted to $70,656 thousand and $97,980 thousand, respectively, which were about 0.41% and 0.56% of the respective consolidated assets, and the aggregate liabilities amounted to $27,903 thousand and $32,551 thousand, respectively, which were about 0.61% and 0.74% of the respective consolidated liabilities. The aggregate net operating revenues of these subsidiaries in 2012 and 2011 amounted to $155,641 thousand and $128,803 thousand, respectively, which were about 1.07% and 0.95% of the respective consolidated net operating revenues, and the aggregate amounts of net loss amounted to $12,627 thousand and $10,545 thousand in 2012 and 2011, respectively, which were about (5.18%) and (8.03%) 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.

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.

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, 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' share in losses of an investee accounted for by the equity method equals their investment in that investee, the Corporation and subsidiaries discontinue applying the equity method.

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. Distributions in cash of the capital surplus released by the Corporation to its subsidiaries are adjusted in investments accounted for by the equity method and 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 on 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.

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.

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."

4. CASH

	December 31	
	2012	2011
Cash on hand	$ 1,970	$ 2,277
Checking and savings accounts	1,152,061	930,888
Time deposits: Interest 0.30%-3.05% in 2012 and 0.15%-3.10% in 2011	823,659	1,026,158
	$ 1,977,690	$ 1,959,323

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2012	2011
Financial assets held for trading		
Mutual funds	$ 3,162,052	$ 4,340,264
Listed shares and TDR	222,764	196,876
Corporate bonds	466,150	470,450
	$ 3,850,966	$ 5,007,590

Valuation of financial assets held for trading resulted in gain of $51,599 thousand in 2012 and loss of $335,251 thousand in 2011.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2012	2011
Listed shares	$ 149,713	$ 91,305

In 2012, the Corporation and its subsidiaries assessed the recoverable amount of the available-for-sale financial assets and recognized an impairment loss of $41,653 thousand, which was included in other operating cost for $38,909 thousand and impairment loss on available-for-sale financial assets for $2,744 thousand, respectively.

7. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2012	2011
Notes receivable	$ 107,890	$ 164,526
Less: Allowance for doubtful accounts	231	257
	$ 107,659	$ 164,269
Accounts receivable (Note 24)	$ 2,944,393	$ 2,820,428
Less: Allowance for doubtful accounts	143,524	139,067
	$ 2,800,869	$ 2,681,361

8. INVENTORIES

	December 31	
	2012	2011
Merchandise	$ 1,953,253	$ 1,334,999
Maintenance parts	28,616	27,057
	$ 1,981,869	$ 1,362,056

As of December 31, 2012 and 2011, the allowance for inventory devaluation was $151,875 thousand and $153,948 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2012 and 2011 was $8,715,491 thousand and $8,018,355 thousand, respectively, which included $17,856 thousand and $22,165 thousand, respectively, write-downs of inventories.

9. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2012	2011
Unlisted common stocks	$ 518,535	$ 448,265
Unlisted preferred stocks	17,338	23,047
Others	22,267	32,166
	$ 558,140	$ 503,478

The Corporation and subsidiaries held more than 20% of the stock with voting rights of SuperGeo Technologies Inc. in 2012 and 2011, 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 2012 and 2011, the Corporation charged amortization expenses of $15,437 thousand and $7,722 thousand, respectively, which were included in the impairment loss on the financial assets carried at cost, and Ching Pu charged amortization expenses of $3,426 thousand and $3,259 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 $9,955 thousand and $24,571 thousand in 2012 and 2011, respectively.

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2012		2011	
	Carrying Value	Owner-ship %	Carrying Value	Owner-ship %
Unlisted common stocks				
Forms Syntron Information (Shenzhen) Limited	$ 623,385	26.6	$ 548,614	26.6
AFE Solutions Limited	243,448	49.0	260,789	49.0
Investment Media Ltd.	87,391	40.0	86,286	40.0
Systex Data Management & Integration Service Corporation, Shanghai	77,167	49.0	107,816	49.0
Systemweb Technologies Co., Ltd.	69,664	35.0	69,673	35.0
Bisnews International Limited	67,384	49.0	75,959	49.0
E-Customer Capital Limited	38,495	23.5	41,108	23.5
Sanfran Technologies Inc. (Sanfran)	23,285	15.0	21,344	15.0
Systex Data Management & Integration Service Corporation, Beijing	6,132	21.4	15,422	21.4
Enrichment I Venture Capital Corporation (EIVCC)	3,707	43.4	49,356	43.4

(Continued)

	December 31			
	2012		2011	
	Carrying Value	Owner-ship %	Carrying Value	Owner-ship %
Systex Infopro Co., Ltd.	$ 3,095	20.0	$ 3,165	20.0
Rimage Information Technology (Shanghai) Co., Ltd.	-	49.0	9,904	49.0
Elegance Technology Inc.	-	24.6	-	24.6
Allied Info Inc.	-	-	-	30.0
	$ 1,243,153		$ 1,289,436	

(Concluded)

The Corporation exercised significant influence on Sanfran 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 July and November 2012 and April 2011, and returned $54,048 thousand and $23,265 thousand of cash to the Corporation and subsidiaries.

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, 2012, Allied Info had completed the 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	2012	2011
Forms Syntron Information (Shenzhen) Limited	$ 97,654	$ 70,498
AFE Solutions Limited	51,023	22,938
Enrichment I Venture Capital Corporation	26,303	13,351
Sanfran Technologies Inc.	3,613	1,277
Bisnews International Limited	(7,720)	(5,373)
Systex Data Management & Integration Service Corporation, Beijing	(8,815)	(2,860)
Rimage Information Technology (Shanghai) Co., Ltd.	(9,654)	(7,534)
Systex Data Management & Integration Service Corporation, Shanghai	(26,827)	(14,393)
Syspower Corporation	-	24,947
Others	1,917	(11,923)
	$ 127,494	$ 90,928

11. PROPERTY AND EQUIPMENT

Accumulated depreciation consisted of:

	December 31	
	2012	2011
Buildings	$ 399,353	$ 375,435
Computer equipment	153,884	182,799
Transportation equipment	6,040	6,251
Leasehold improvements	32,823	33,248
Other equipment	55,702	67,360
	$ 647,802	$ 665,093
Accumulated impairment loss	$ 25,042	$ 44,275

Cloudena recognized impairment loss of $230 thousand and $11 thousand on leasehold improvements and other equipment, respectively, in 2012.

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	
	2012	2011
Cost		
Land	$ 11,523	$ 11,523
Buildings	3,990	3,990
Computer equipment	139,509	169,227
	155,022	184,740
Accumulated depreciation		
Buildings	1,085	1,031
Computer equipment	57,624	76,068
	58,709	77,099
Accumulated impairment loss (land and buildings)	3,030	3,030
	$ 93,283	$ 104,611

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	
	2012	**2011**
Cost		
Land	$ 15,657	$ 15,657
Buildings	22,258	22,258
	37,915	37,915
Accumulated depreciation - building	9,740	9,592
Accumulated impairment loss	13,508	13,508
	$ 14,667	$ 14,815

14. SHORT-TERM LOANS

	December 31	
	2012	**2011**
Unsecured bank loans: 2.00%-7.18% interest per annum in 2012; due between February and December 2013; 2.25%-2.60% interest per annum in 2011; due between March and June 2012	$ 95,005	$ 55,000
Secured bank loans: 6.60% interest per annum in 2012; due between January and August 2013; 7.22%-8.21% interest per annum in 2011; due between January and September 2012	175,450	88,554
	$ 270,455	$ 143,554

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	
	2012	**2011**
Commercial paper issued: Interest 2.23%- 2.28% in 2012; 2.24% in 2011	$ 30,000	$ 30,000
Less: Unamortized discount on commercial paper issued	66	88
	$ 29,934	$ 29,912

16. LONG-TERM BANK LOANS

	December 31	
	2012	2011
Secured bank loans: Quarterly repayment from July 2004 to July 2019, 2.25% interest per annum in 2012; 2.38% interest per annum in 2011	$ 45,171	$ 51,171
Less: Current portion	6,692	7,377
	$ 38,479	$ 43,794

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 $96,972 thousand and $92,333 thousand in 2012 and 2011, respectively.

Systex Information (H.K.) Limited, Rainbow Tech Information (HK) Limited, ICT-Systex Information Systems Co., Ltd., Beijing Yisheng Financial and Economic Information Consulting Co., Ltd., Systek Information (Shanghai) Ltd., UCOM Information Ltd. (Shanghai), Systex SDC China Ltd., Sysware Shenglong Information Systems Co., Ltd., Optima Financial Software Company, Rainbow Technology (Guangzhou) Inc., Systex Group (China) Ltd., 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 $27,721 thousand and $21,527 thousand in 2012 and 2011, 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% of salaries and wages to a pension fund in 2012 and 2011. 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 $10,479 thousand and $10,379 thousand as of December 31, 2012 and 2011 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

	2012		2011	
Service cost		$ 2,963		$ 2,803
Interest cost		8,499		8,519
Actual return on plan assets	$ 2,734		$ 3,249	
Loss on plan assets	3,451		2,513	
Projected return on plan assets		(6,185)		(5,762)
Amortization		1,974		1,128
Gains on curtailment		-		(1,423)
Net periodic pension cost		$ 7,251		$ 5,265

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

	December 31	
	2012	2011
Benefit obligation		
Vested benefit obligation	$ 35,605	$ 7,612
Non-vested benefit obligation	352,126	342,841
Accumulated benefit obligation	387,731	350,453
Additional benefits based on future salaries	77,263	72,589
Projected benefit obligation	464,994	423,042
Fair value of plan assets	(297,346)	(296,963)
Funded status	167,648	126,079
Unrecognized net transition obligation	(2,957)	(3,809)
Unrecognized past service cost	17,334	18,242
Unrecognized net actuarial loss	(127,607)	(86,341)
Additional liability	53,622	18,469
	$ 108,040	$ 72,640
Accrued pension cost	$ 112,684	$ 77,803
Prepaid pension cost (included in other assets - others)	(4,644)	(5,163)
	$ 108,040	$ 72,640
Vested benefit	$ 37,815	$ 9,884

c. Actuarial assumptions

	December 31	
	2012	2011
Discount rate used in determining present value	1.75%-3%	2%-3%
Future salary increase rate	1%-3%	1%-3%
Expected rate of return on plan assets	1.75%-2%	2%

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 and March 19, 2007 - to grant employees 10,000 units and 9,500 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 and June 14, 2007, respectively.

The Corporation issued 6,800 units, 3,200 units, 425 units, 4,440 units and 4,635 units on February 17, 2011, May 10, 2010, June 12, 2008, January 16, 2008 and September 19, 2007, 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 2012 and 2011 were as follows:

	2012		2011	
Employee Stock Option	Number of Outstanding Options	Weighted-average Exercise Price (NT$)	Number of Outstanding Options	Weighted-average Exercise Price (NT$)
Beginning outstanding balance	13,677.8	$ 37.62	7,673.6	$ 36.19
Options granted	-	$ -	6,800.0	$ 38.40
Options forfeited	(952.5)	$ 35.47	(190.8)	$ 37.69
Decrease due to capital reduction	(613.5)	$ 26.63	(555.5)	$ 28.21
Options exercised	(2,011.5)	$ 39.10	(49.5)	$ 27.00
Ending outstanding balance	10,100.3	$ 34.97	13,677.8	$ 37.62
Ending exercisable balance	2,755.3		3,857.8	
Weighted average fair value of the options granted (NT$)	$ -		$ 11.97	

As of December 31, 2012, outstanding employee stock options were as follows:

Range of Exercise Price (NT$)	Number of Outstanding Options	Weighted-average Remaining Life (Years)	Weighted-average Exercise Price of Outstanding Options (NT$)	Number of Exercisable Options	Weighted-average Exercise Price (NT$)
$ 27.0	877.5	0.04	$ 27.0	877.5	$ 27.0
$ 23.9	152.8	0.45	$ 23.9	152.8	$ 23.9
$ 36.0	2,875.0	2.36	$ 36.0	1,725.0	$ 36.0
$ 35.9	6,195.0	3.13	$ 35.9	-	$ -

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	$30.80
Exercise price (NT$)	$35.90	$36.00	$23.90	$27.00
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 $36,394 thousand and $43,238 thousand in 2012 and 2011, respectively.

Capital Surplus

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's paid-in capital and once a year).

The capital surplus from long-term investments and employee stock options 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.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and 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 of earnings for 2011 and 2010 had been approved in the stockholders' meetings held on June 15, 2012 and June 24, 2011, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2011	**For Year 2010**	**For Year 2011**	**For Year 2010**
Special reserve	$ 264,421	$ 347,018	$ -	$ -
Legal reserve	14,580	104,196	-	-
Cash dividends	-	533,131	-	2.05856
	$ 279,001	$ 984,345	$ -	$ 2.05856

The stockholders also resolved the distribution in cash of the capital surplus from shares issued in excess of par in the stockholders' meeting on June 15, 2012. The distribution amounted to $518,705 thousand at NT$2 per share.

There were no bonus to employees and remuneration to directors for the year ended December 31, 2011 because no earnings can be distributed after legal reserve and special reserve were appropriated. Bonus to employees and remuneration to directors for 2010 resolved in the stockholders' meetings held on June 24, 2011 were as follows:

	Year Ended December 31, 2010	
	Bonus to Employees	Remuneration to Directors
Amounts approved in stockholders’ meetings	$ 590	$ 11,814
Amounts recognized in financial statements	590	11,804
	$ -	$ 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 or 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 year ended December 31, 2012, the bonus to employees and the remuneration to directors were $147 thousand and $2,930 thousand, respectively.

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 2012 had been proposed by the board of directors on March 21, 2013 as follows:

	Appropriation of Earnings
Legal reserve	$ 29,845
Special reserve	122,100

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 $521,440 thousand at NT$2 per share.

The appropriations of 2012 earnings and distribution of capital surplus will be resolved by the stockholders in their meeting scheduled for June 2013.

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, 2012 and 2011, 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, 2012			
Balance, beginning of year	$ 164	$ (160,986)	$ (160,822)
Recognized in stockholders' equity	12,444	(9,729)	2,715
Transferred to profit or loss	(2,744)	-	(2,744)
Balance, end of year	$ 9,864	$ (170,715)	$ (160,851)
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)

Cumulative Translation Adjustments

For the years ended December 31, 2012 and 2011, movements of cumulative translation adjustments were as follows:

	2012	2011
Balance, beginning of year	$ (158,469)	$ (399,144)
Recognized in stockholders' equity	(193,387)	240,675
Transferred to profit or loss	29,230	-
Balance, end of year	$ (322,626)	$ (158,469)

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
2012				
Reclassification of parent company stock held by subsidiaries from equity-method investments into treasury stock	24,520	-	-	24,520

(Continued)

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

(Concluded)

The Corporation's shares held by subsidiaries as of December 31, 2012 and 2011 were as follows:

Subsidiary	Shares (In Thousands)	Investment Cost	Market Value
December 31, 2012			
Hanmore Investment Corporation (Hanmore)	23,586	$ 1,155,848	$ 777,148
Ching Pu Investment Corporation	12,982	$ 488,011	$ 427,740
December 31, 2011			
Hanmore Investment Corporation (Hanmore)	23,586	$ 1,155,848	$ 750,025
Ching Pu Investment Corporation	12,982	$ 488,011	$ 412,811

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 2012 and 2011. 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:

	2012	2011
Currently payable	$ 71,240	$ 59,760
Additional income tax on unappropriated earnings	482	16,922
Deferred income tax expenses	(4,448)	(37,279)
Prior years' tax adjustment	2,105	1,706
Income tax expense	$ 69,379	$ 41,109

Income tax payable as of December 31, 2012 and 2011 was net of prepaid income taxes of $4,357 thousand and $2,491 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.

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

	2012	2011
Tax on pretax income at statutory rate	$ 59,406	$ 57,928
Add (deduct) tax effects of:		
Unrealized loss on valuation of financial instruments	206	36,746
Dividend income	(6,689)	(20,131)
Income on sale of securities	(9,946)	(15,830)
Loss on liquidation of investees	(12,453)	-
Impairment loss on available-for-sale financial assets	7,081	-
Impairment loss on intangible assets	9,514	-
Others	(4,521)	6,127
Loss carryforwards generated (used)	28,642	(5,080)
Currently payable	$ 71,240	$ 59,760

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

	December 31	
	2012	2011
Deferred income tax assets - current		
Unused investment tax credits	$ 29,854	$ 13,395
Allowance for loss on inventories	22,606	23,125
Unrealized cost of sales	22,130	25,166
Allowance for doubtful accounts	18,812	18,194
Others	1,590	755
	94,992	80,635
Less: Valuation allowance	45,769	28,427
	$ 49,223	$ 52,208

(Continued)

	December 31	
	2012	2011
Deferred income tax assets (liabilities) - noncurrent		
Unused investment tax credits	$ 99,297	$ 128,242
Unused loss carryforwards	95,094	102,323
Impairment loss on financial assets carried at cost	90,275	85,787
Accrued pension cost	7,250	8,325
Cumulative investment loss on foreign investees under equity method	4,183	4,183
Goodwill from merger	(10,543)	(9,368)
Others	3,620	5,539
	289,176	325,031
Less: Valuation allowance	248,258	268,451
	$ 40,918	$ 56,580
Deferred income tax liability - current (included in other current liabilities)		
Foreign withholding taxes	$ (874)	$ -
Deferred income tax liability - noncurrent (included in other liabilities - others)		
Foreign withholding taxes	$ -	$ (1,748)

(Concluded)

d. Unused loss carryforwards as of December 31, 2012 were as follows:

Expiry Year	Total Credit Available	Unused Credit
2014	$ 23,015	$ 22,886
2016	51,125	51,125
2017	134,451	133,833
2018	19,457	19,457
2019	118,548	118,548
2020	26,717	19,687
2021	20,939	20,939
2022	172,902	172,902
	$ 567,154	$ 559,377

e. As of December 31, 2012, 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	$ 64,883	$ 59,058	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
Act for promotion of private participation in infrastructure project	Investments in private participation in infrastructure projects	34,043	34,043	2015
		$ 134,976	$ 129,151	

f. Information about integrated income tax was as follows:

	December 31	
	2012	2011
Imputation credit account (ICA) balance	$ 193,453	$ 163,191

The creditable ratio for distribution of earnings of 2012 and 2011 was 9.13% (estimate) and 10.36%, 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 2012 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

g. Income tax returns through 2011, and undistributed earnings returns through 2010 of TaiwanPay Corporation, and income tax returns through 2011 of Cloudena Corporation, Soft Mobile Inc., Golden Bridge Corporation and Systex Software & Service Corporation, and income tax returns through 2010, and undistributed earnings returns through 2009 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, Medincom Technology Corporation, Syspower Corporation, Nexsys Corporation and Smartnet Technology Co., Ltd. have been assessed by the tax authorities.

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., 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

	2012		
	Operating Costs	Operating Expenses	Total
Personnel			
Payroll	$ -	$ 2,309,118	$ 2,309,118
Insurance	-	168,640	168,640
Pension	-	131,944	131,944
Others	-	94,103	94,103
	$ -	$ 2,703,805	$ 2,703,805
Depreciation	$ 54,896	$ 92,443	$ 147,339
Amortization	$ 5,533	$ 56,249	$ 61,782

	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

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
2012					
Basic earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 338,625	$ 298,449	234,867	$ 1.44	$ 1.27
Diluted earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 338,625	$ 298,449	235,030	$ 1.44	$ 1.27

(Continued)

	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

(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
2012					
Pro forma basic earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 338,625	$ 298,449	259,387	$ 1.31	$ 1.15
Pro forma diluted earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 338,625	$ 298,449	259,550	$ 1.30	$ 1.15
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

23. FINANCIAL INSTRUMENTS

In 2012 and 2011, the Corporation and subsidiaries did not engage in transactions involving derivative instruments.

a. Fair values of financial instruments

	December 31			
	2012		2011	
Non-derivative Instruments	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets				
Financial assets at fair value through profit or loss	$ 3,850,966	$ 3,850,966	$ 5,007,590	$ 5,007,590
Available-for-sale financial assets	149,713	149,713	91,305	91,305
Financial asset carried at cost - noncurrent	558,140	-	503,478	-
Investments accounted for by the equity method - unlisted stocks	1,243,153	-	1,289,436	-
Refundable deposits - noncurrent	97,701	97,701	119,201	119,201
Pledged time deposits - noncurrent	47,453	47,453	37,796	37,796
Long-term lease receivables, net (included in other assets - others)	48,353	48,353	11,847	11,847
Long-term receivables from related parties (included in other assets - others)	-	-	8,323	8,323
Liabilities				
Guarantee deposits received (included in other liabilities - others)	8,957	8,957	9,114	9,114
Long-term payables to related parties (included in other liabilities - others)	600	600	600	600

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

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

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

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

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

5) For long-term lease receivables, 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, 2012 and 2011, financial liabilities exposed to cash flow interest rate risk amounted to $315,626 thousand and $194,725 thousand, respectively. As of December 31, 2012 and 2011, financial liabilities exposed to fair value interest rate risk amounted to $29,934 thousand and $29,912 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
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. (Systemweb)	Investee accounted for by the equity method of the Corporation (after the Corporation acquired 35% equity in April 2011)
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

(Continued)

Related Parties	Relationship with the Corporation and Subsidiaries
Rimage Information Technology (Shanghai) Co., Ltd. (Rimage Shanghai)	Investee accounted for by the equity method of TEDP HK
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)
Liu, Yuan-De	Chairman of Chain Khan Technology Corporation

(Concluded)

b. Significant related party transactions (in addition to those disclosed in Note 26)

	2012		2011	
	Amount	% to Total	Amount	% to Total
For the year				
Sales				
Systemweb	$ 2,435	-	$ -	-
Forms Syntron Hong Kong	2,156	-	15,545	-
Sanfran	2,119	-	5,593	-
Forms Syntron Shenzhen	-	-	2,029	-
Others	1,873	-	4,042	-
	$ 8,583	-	$ 27,209	-
Purchases				
Sanfran	$ 118,543	1	$ 45,298	-
Forms Syntron Hong Kong	1,565	-	8,760	-
Others	612	-	729	-
	$ 120,720	1	$ 54,787	-
Service cost				
I-Media	$ 19,429	1	$ 19,429	1
Others	52	-	682	-
	$ 19,481	1	$ 20,111	1
At the end of the year				
Receivables from related parties				
Rimage Shanghai	$ 8,712	-	$ 17,749	1
Forms Syntron Hong Kong	-	-	1,741	-
Others	902	-	1,644	-
	9,614	-	21,134	1
Less: Long-term receivables (included in other assets - others)				
Rimage Shanghai	-	-	8,323	-
	$ 9,614	-	$ 12,811	1

	2012		2011	
	Amount	% to Total	Amount	% to Total
Payables to related parties				
Sanfran	$ 62,716	2	$ 21,806	1
I-Media	1,707	-	1,786	-
Forms Syntron Hong Kong	-	-	2,960	-
Others	-	-	622	-
	$ 64,423	2	$ 27,174	1
Deferred credits (included in other liabilities - others)				
Rimage Shanghai	$ 3,843	100	$ 9,435	100
Long-term payables (included in other liabilities - others)				
Liu, Yuan-De	$ 600	100	$ 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:

	2012	2011
Salaries	$ 59,334	$ 46,165
Incentives	32,452	27,623
Special compensation	456	530
Bonus	147	173
	$ 92,389	$ 74,491

25. PLEDGED ASSETS

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

	December 31	
	2012	2011
Accounts receivable, net	$ -	$ 16,385
Property and equipment - land	107,194	107,194
Property and equipment - buildings, net	274,182	290,775
Pledged time deposits - current	253,151	325,418
Pledged time deposits - noncurrent	47,453	37,796
	$ 681,980	$ 777,568

26. SIGNIFICANT CONTINGENT LIABILITIES AND COMMITMENTS AS OF DECEMBER 31, 2012

a. Unused letters of credit of the Corporation and subsidiaries in aggregate amount of about $807 thousand.

b. Outstanding sales contracts of the Corporation and subsidiaries in the amount of about $4,281,451 thousand.

c. The Corporation provided endorsements for UCOM Information Ltd. (Shanghai), Systek Information (Shanghai) Ltd., Systex Software & Service Corporation, and Systex Information (H.K.) Ltd. up to $435,600 thousand, $58,080 thousand, $785,000 thousand and $58,080 thousand, respectively. Taifon Computer Co., Ltd. provided endorsement for Etech Corporation up to $60,000 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 $34 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 $138,312 thousand as loss for this contract in 2012.

e. Lease contracts for office premises and warehouse, expiring between January 2013 and December 2016, with refundable deposits of $28,932 thousand. Future rentals are as follows:

Year	**Amount**
2013	$ 89,583
2014	33,671
2015	7,344
2016	621

27. SUBSEQUENT EVENTS

Due to violation of Government Procurement Act over the Procurement of Assessment of Improvement of Dock's Surveillance System, the Southern Coastal Patrol Office of Coast Guard Administration has published the violation on the Government Procurement Gazette on February 20, 2013, and suspended the Corporation's right to tender for three years. The suspension would only affect the Corporation's right of tender for government procurement in the following three years. In addition to strengthen existing business, the Corporation will dedicate to development of overseas business and related investments. For the time being, the operation and finances of the Corporation are as usual. The effect of the suspension on the Corporation's business is expected to be controllable and has no material impact.

28. OPERATING SEGMENT INFORMATION

Segment information is presented in the accompanying Table 2.

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

Significant financial assets and liabilities denominated in foreign currencies as of December 31, 2012 and 2011 were summarized as follows:

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

	December 31					
	2012			2011		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 27,798	29.04	$ 807,242	$ 42,007	30.28	$ 1,271,762
HKD	67,388	3.75	252,502	83,748	3.90	326,365
SGD	1,654	23.76	39,308	2,252	23.31	52,498
RMB	259,857	4.62	1,199,850	161,988	4.80	778,337
THB	12,316	0.95	11,743	18,350	0.98	17,702
Non-monetary items						
USD	48,812	29.04	1,417,504	40,124	30.28	1,214,759
Investment accounted for by the equity method						
USD	3,646	29.04	105,879	3,867	30.28	117,067
THB	3,246	0.95	3,095	3,246	0.98	3,165
RMB	62,215	4.62	288,367	68,345	4.80	328,416
HKD	64,972	3.75	243,448	66,920	3.90	260,789
Financial liabilities						
Monetary item						
USD	3,636	29.04	105,592	2,658	30.28	80,471
SGD	643	23.76	15,267	833	23.31	19,418
HKD	34,296	3.75	128,508	34,060	3.90	132,733
RMB	144,698	4.62	668,105	90,959	4.80	437,050

30. 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, 2012 were as follows:

Contents of Plan	Responsible Department	Status of Execution
1) Establish the IFRSs project team	CFO office	Finished

(Continued)

Contents of Plan	Responsible Department	Status of Execution
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
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	Finished
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	Finished

(Concluded)

b. Exemptions from IFRS 1

1) IFRS 1, “First-time Adoption of International Financial Reporting Standards,” establishes the procedures for the Corporation and subsidiaries’ first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Corporation and subsidiaries are required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs (January 1, 2012; the transition date) except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The main optional exemptions the Corporation and subsidiaries adopted are summarized as follows:

   Business combinations

   The Corporation and subsidiaries elected not to apply IFRS 3, “Business Combinations,” retrospectively to business combinations that occurred before January 1, 2012. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations remains the same as recognized the one under ROC GAAP as of December 31, 2011.

   Share-based payment

   The Corporation and subsidiaries elected the optional exemption from applying IFRS 2, “Share-based Payment,” for the shared-based payment transactions granted and vested before January 1, 2012.

   Revaluation amount as deemed cost

   The Corporation and subsidiaries use revalued amounts as deemed cost of property and equipment and assets leased to others under ROC GAAP as of December 31, 2011. Thus, no revalued property and equipment and assets leased to others were recorded as carried at cost under IFRSs.

   Employee benefits

   The Corporation and subsidiaries elected to recognize all cumulative actuarial gains and losses in retained earnings as of January 1, 2012.

   The effects of exemptions from IFRS 1 were described in the “material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs.”

2) Reconciliation of consolidated balance sheet as January 1, 2012

	ROC GAAP	Effect Amount	IFRSs	Note
Assets				
Cash	$ 1,959,323	$ (287)	$ 1,959,036	a)
Deferred income tax assets - current	52,208	(52,208)	-	c)
Prepayments	441,984	94,203	536,187	l)
Other current assets	42,854	287	43,141	a)
Investments accounted for by the equity method/investment in associates	1,289,436	(53,523)	1,235,913	e)
Property and equipment, net/property, plant and equipment	2,447,291	(1,839)	2,569,491	b)
		119,426		f)
		4,613		g)
Intangible assets	608,419	589	609,008	g)
Deferred income tax assets - noncurrent	56,580	62,715	132,233	c)
		3,623		h)
		507		i)
		8,808		l)
Other assets - others	320,224	1,839	192,272	b)
		(119,426)		f)
		(4,613)		g)
		(589)		g)
		(5,163)		i)
Liabilities				
Accrued expenses	629,971	23,989	653,960	h)
Receipts in advance	684,197	146,017	830,214	l)
Accrued pension cost	77,803	83,974	161,777	i)
Deferred credits (included in other liabilities - others)	7,687	(7,687)	-	e)
Deferred income tax liabilities - noncurrent	-	10,507	10,507	c)
Equity				
Capital surplus	9,369,234	(65,843)	9,303,391	e)
Retained earnings	2,043,238	20,007	1,897,694	e)
		(19,751)		h)
		(104,717)		i)
		56		k)
		(41,139)		l)
Net loss not recognized as pension cost	(18,469)	18,469	-	i)
Unrealized gain or loss on financial instruments/unrealized gain or loss on available-for-sale financial assets	(160,822)	183,794	22,972	j)
Unrealized revaluation increment	56	(56)	-	k)
Treasury stock	(869,672)	(183,794)	(1,053,466)	j)
Minority interest/non-controlling interest	387,197	(615)	382,333	h)
		(2,382)		i)
		(1,867)		l)

3) Reconciliation of consolidated balance sheet as December 31, 2012

	ROC GAAP	Effect Amount	IFRSs	Note
Assets				
Cash	$ 1,977,690	$ (6,157)	$ 1,971,533	a)
Deferred income tax assets - current	49,223	(49,223)	-	c)
Prepayments	414,960	84,697	499,657	l)
Other current assets	49,225	6,157	55,382	a)
Financial assets carried at cost	558,140	18,863	577,003	d)
Investments accounted for by the equity method/investment in associates	1,243,153	(63,348)	1,179,805	e)
Property and equipment, net/property, plant and equipment	2,407,926	(3,850)	2,515,940	b)
		107,949		f)
		3,915		g)
Intangible assets	787,719	70	778,188	g)
		(1,720)		m)
		(7,881)		n)
Deferred income tax assets - noncurrent	40,918	60,695	112,308	c)
		3,860		h)
		480		i)
		6,355		l)
Other assets - others	319,120	3,850	206,392	b)
		(107,949)		f)
		(3,915)		g)
		(70)		g)
		(4,644)		i)
Liabilities				
Accrued expenses	546,164	24,491	570,655	h)
Receipts in advance	635,302	122,081	757,383	l)
Accrued pension cost	112,684	75,659	188,343	i)
Deferred credits (included in other liabilities - others)	3,843	(3,843)	-	e)
Deferred income tax liabilities - noncurrent	-	11,472	16,441	c)
		4,969		o)
Equity				
Capital surplus	8,946,228	(65,843)	8,880,385	e)
Retained earnings	2,341,687	18,863	2,199,600	d)
		6,338		e)
		(20,090)		h)
		(130,931)		i)
		56		k)
		(30,983)		l)
		(1,720)		m)
		(7,881)		n)
		24,261		o)
Cumulative translation adjustments/the effect of changes in foreign exchange rates	(322,626)	(29,230)	(351,856)	o)
Net loss not recognized as pension cost	(53,622)	53,622	-	i)

(Continued)

	ROC GAAP	Effect Amount	IFRSs	Note
Unrealized gain or loss on financial instruments/unrealized gain or loss on available-for-sale financial assets	$ (160,851)	$ 183,794	$ 22,943	j)
Unrealized revaluation increment	56	(56)	-	k)
Treasury stock	(869,672)	(183,794)	(1,053,466)	j)
Minority interest/non-controlling interest	285,417	(541)	282,316	h)
		(2,514)		i)
		(46)		l)

(Concluded)

4) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012

	ROC GAAP	Effect Amount	IFRSs	Note
Operating revenues	$14,535,407	$ 23,936	$14,559,343	l)
Operating costs	10,523,833	(3,426)	10,529,913	d)
		9,506		l)
Operating expenses	3,658,545	502	3,654,992	h)
		(4,055)		i)
Non-operating income and losses	133,440	(15,437)	90,493	d)
		1,720		m)
		(29,230)		o)
Income tax	69,379	(237)	76,591	h)
		27		i)
		2,453		l)
		4,969		o)
Other equity/other comprehensive income				
Cumulative translation adjustments/the effect of changes in foreign exchange rates	(164,157)	(29,230)	(193,387)	o)
Unrealized gain or loss on available-for-sale financial assets (included non-controlling interest)	(7,735)	-	(7,735)	
Net loss not recognized as pension cost/actuarial loss from defined benefit plans	(35,153)	35,153	(44,043)	i)
		(30,374)		i)
		(13,669)		e)

5) The material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

Item	Accounting Issues	Description of Differences
a)	Definition of cash and reclassification	Under ROC GAAP, the term "cash" used in the financial statements includes time deposits that are cancellable but without any loss of principal. However, under IFRSs, an investment is normally not classified as cash when it has a term of more than three months from the date of acquisition. Certificates of deposit that do not have quoted market prices in an active market and have term of more than three months from the date of acquisition are classified as other current financial assets. Thus, as of December 31, 2012 and January 1, 2012, the amounts reclassified were $6,157 thousand and $287 thousand.

(Continued)

Item	Accounting Issues	Description of Differences
b)	The reclassification of prepayments for equipment	Under ROC GAAP, prepayments for equipment are classified under property and equipment. Under IFRSs, the aforementioned items are classified as prepayments. As of December 31, 2012 and January 1, 2012, the amounts reclassified from prepayments for equipment to prepayments - noncurrent (included in other assets - others) were $3,850 thousand and $1,839 thousand, respectively.
c)	The classification of deferred income tax assets/liabilities and valuation allowance account	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. 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. As of December 31, 2012, the amounts reclassified from deferred income tax assets and liabilities to non-current assets and liabilities were $60,695 thousand and $11,472 thousand, respectively. As of January 1, 2012, the amounts reclassified from deferred income tax assets and liabilities to non-current assets and liabilities were $62,715 thousand and $10,507 thousand, respectively.
d)	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 aforementioned interpretation is not applicable.

(Continued)

Item	Accounting Issues	Description of Differences
		Operating cost and non-operating expenses and losses for the year ended December 31, 2012 were adjusted for decrease of $3,426 thousand and $15,437 thousand, respectively. As of December 31, 2012, financial assets carried at cost were adjusted for an increase of $18,863 thousand.
e)	Investments accounted for using the equity method	The assessed difference between existing accounting policy and IFRSs that would have possible significant effect on investments in associates accounted for by the equity method is pension actuarial gains and losses. Under IFRSs, as of January 1, 2012, investments accounted for by the equity method and retained earnings were adjusted for decrease of $15,405 thousand, respectively. Actuarial loss from defined benefit plans of investees resulted in a decrease of $13,669 thousand in other comprehensive income for the year ended December 31, 2012, and investments accounted for by the equity method was adjusted for a decrease of $13,669 thousand. In addition, the presentation difference of downstream transactions with related parties as of December 31, 2012 and January 1, 2012 was reconciled by reclassifying deferred credits to investments accounted for by the equity method in the amounts of $3,843 thousand and $7,687 thousand, respectively.
		Under ROC GAAP, when an investee's equity (exclusive of capital and retained earnings) changed, the investor should adjust its long-term stock investments and capital surplus account in proportion to the investor's percentage of ownership in the investee.
		However, under IFRSs, the investor only recognized equity in associate's profit or loss and other comprehensive income based on its stockholding percentage. As a result, long-term investments and capital surplus - long-term investments were adjusted for decrease of $30,431 thousand, respectively.
		According to "Q&A for Adoption of International Financial Reporting Standards by Companies in the ROC," issued by TWSE, capital surplus does not follow the regulations of IFRSs, or those with no violation of related regulation of Company Law and related interpretations issued by the MOEA should be adjusted to retained earnings at the transition date.
		As of December 31, 2012 and January 1, 2012, due to the account of capital surplus - from long-term investments not following the regulations of IFRSs, the Corporation and subsidiaries decreased capital surplus and increased retained earnings by $35,412 thousand, respectively.

(Continued)

Item	Accounting Issues	Description of Differences
f)	The classification of assets leased to others and idle assets	Under ROC GAAP, assets leased to others and idle assets are classified as other assets. Under IFRSs, the aforementioned items are classified as property, plant and equipment or investment property according to their nature. As of December 31, 2012 and January 1, 2012, the amounts reclassified from other assets - other to property, plant and equipment were $107,949 thousand and $119,426 thousand, respectively.
g)	The classification of deferred charges	Under ROC GAAP, deferred charges are classified as other assets. Under IFRSs, the aforementioned items are classified as property, plant and equipment or intangible asset according to their nature. As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred charges to property, plant and equipment were $3,915 thousand and $4,613 thousand, respectively; the amounts reclassified from deferred charges to intangible assets were $70 thousand and $589 thousand, respectively.
h)	Employee benefits - 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. As of December 31, 2012 and January 1, 2012, accrued expenses were adjusted for the aforementioned differences for increase of $24,491 thousand and $23,989 thousand, respectively; deferred income tax assets were adjusted for increase of $3,860 thousand and $3,623 thousand, respectively. As of January 1, 2012, retained earnings was adjusted for a decrease of $19,751 thousand and non-controlling interest was adjusted for a decrease of $615 thousand. Payroll expenses was adjusted for an increase of $502 thousand and income tax expenses was adjusted for a decrease of $237 thousand (including an increase of $74 thousand in non-controlling interest) in 2012.
i)	Employee benefits - actuarial gains and losses	Under ROC GAAP, first-time adoption of Statement of Financial Accounting Standard No. 18 " Accounting for Pensions" resulted in unrecognized net transition obligation which should be amortized using the straight-line method over the average remaining service years of employees and recognized in net pension cost.

(Continued)

Item	Accounting Issues	Description of Differences
		Under IFRSs, the aforementioned accounting treatment is not applicable, and unrecognized net transition obligation should be adjusted to retained earnings at the transition date. Under ROC GAAP, the Corporation and subsidiaries amortize actuarial gains and losses using the corridor approach. However, under IAS19, "Employee Benefit," the Corporation and subsidiaries elect to recognize actuarial gains and losses immediately in full in the period in which they occur in other comprehensive income. The subsequent reclassification to earnings is not permitted. Under ROC GAAP, 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. Under IFRSs, there is no aforementioned requirement of minimum pension liability. As of December 31, 2012 and January 1, 2012, the IFRS adjustment resulted in increase in accrued pension liability by $75,659 thousand and $83,974 thousand, respectively; decrease in prepaid pension cost (included in other assets - other) by $4,644 thousand and $5,163 thousand, respectively; increase in deferred income tax assets by $480 thousand and $507 thousand, respectively; decrease in net loss not recognized as net pension cost by $53,622 thousand and $18,469 thousand, respectively. As of January 1, 2012, retained earnings and non-controlling interest were adjusted for decrease of $104,717 thousand and $2,382 thousand, respectively. For the year ended December 31, 2012, pension cost was adjusted for a decrease of $4,055 thousand, and income tax expenses was adjusted for an increase of $27 thousand (including an increase of $125 thousand in non-controlling interest); actuarial loss from defined benefit plans was recognized in the amount of $30,374 thousand (including an increase of $257 thousand in non-controlling interest).

(Continued)

Item	Accounting Issues	Description of Differences
j)	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. As of January 1, 2012, unrealized loss on financial instruments was adjusted for a decrease of $183,794 thousand and treasury stock was adjusted for an increase of $183,794 thousand.
k)	Revaluation basis of property, plant and equipment	The Corporation and subsidiaries use revalued amounts as deemed cost of property and equipment and assets leased to others under ROC GAAP as of December 31, 2011. Thus, no revalued property and equipment and assets leased to others were recorded as carried at cost under IFRSs. As of January 1, 2012, the amount adjusted from unrealized revaluation increment to retained earnings was $56 thousand.
l)	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. As of January 1, 2012, retained earnings and non-controlling interest were adjusted for decrease of $41,139 thousand and $1,867 thousand, respectively. Deferred cost (included in prepayments), receipts in advance and deferred income tax assets were adjusted for increase of $94,203 thousand, $146,017 thousand and $8,808 thousand, respectively. For the year ended December 31, 2012, operating revenue, operating cost and income tax expenses were adjusted for increase of $23,936 thousand, $9,506 thousand and $2,453 thousand (including an increase of $1,821 thousand in non-controlling interest), respectively.
m)	Accounting treatment of acquisition cost of subsidiaries	Under ROC GAAP, the acquisition cost of subsidiaries included direct costs relating to the acquisition. Under IFRSs, acquisition-related costs should be recognized as expenses in the period. As of December 31, 2012, the amount of intangible assets was adjusted for a decrease of $1,720 thousand. For the year ended December 31, 2012, the amount of non-operating expenses and losses was adjusted for an increase of $1,720 thousand.

(Continued)

Item	Accounting Issues	Description of Differences
n)	Additional acquisition of partial equity did not affect significant influence	Under ROC GAAP, acquisition premium or discount was calculated on the basis of fair values when parent corporation acquired non-controlling interest. Under IFRSs, when a parent's ownership interest in a subsidiary changes, this change should be treated as equity transactions; percentage change in subsidiaries' interest should be adjusted in controlling interest and non-controlling interest to reflect their relative interests in subsidiaries. As of December 31, 2012, additional acquisition of partial equity in a subsidiary resulted in decrease in retained earnings (due to shortage of capital surplus) and intangible assets by $7,881 thousand, respectively.
o)	Accounting treatment of cumulative translation adjustments for receiving returned capital from foreign investees accounted for by the equity method	Under ROC GAAP, when foreign investees accounted for by the equity method returned capital, the change of cumulative translation adjustments due to capital reduction should be adjusted as foreign exchange gain or loss. Under IFRSs, if the investor's proportionate share is not affected by the capital reduction, the Corporation and its subsidiaries' ownership of the investee is treated as unchanged. No adjustment for the change of cumulative translation adjustments due to capital reduction would be made. The Corporation and subsidiaries received returned capital from foreign investees accounted for by the equity method. For the year ended December 31, 2012, non-operating expenses and losses and the effect of changes in foreign exchange rates were adjusted for decrease of $29,230 thousand, respectively; income tax expenses and deferred income tax liabilities were adjusted for increase of $4,969 thousand, respectively.

(Concluded)

c. Special reserve at the date of transition to IFRSs

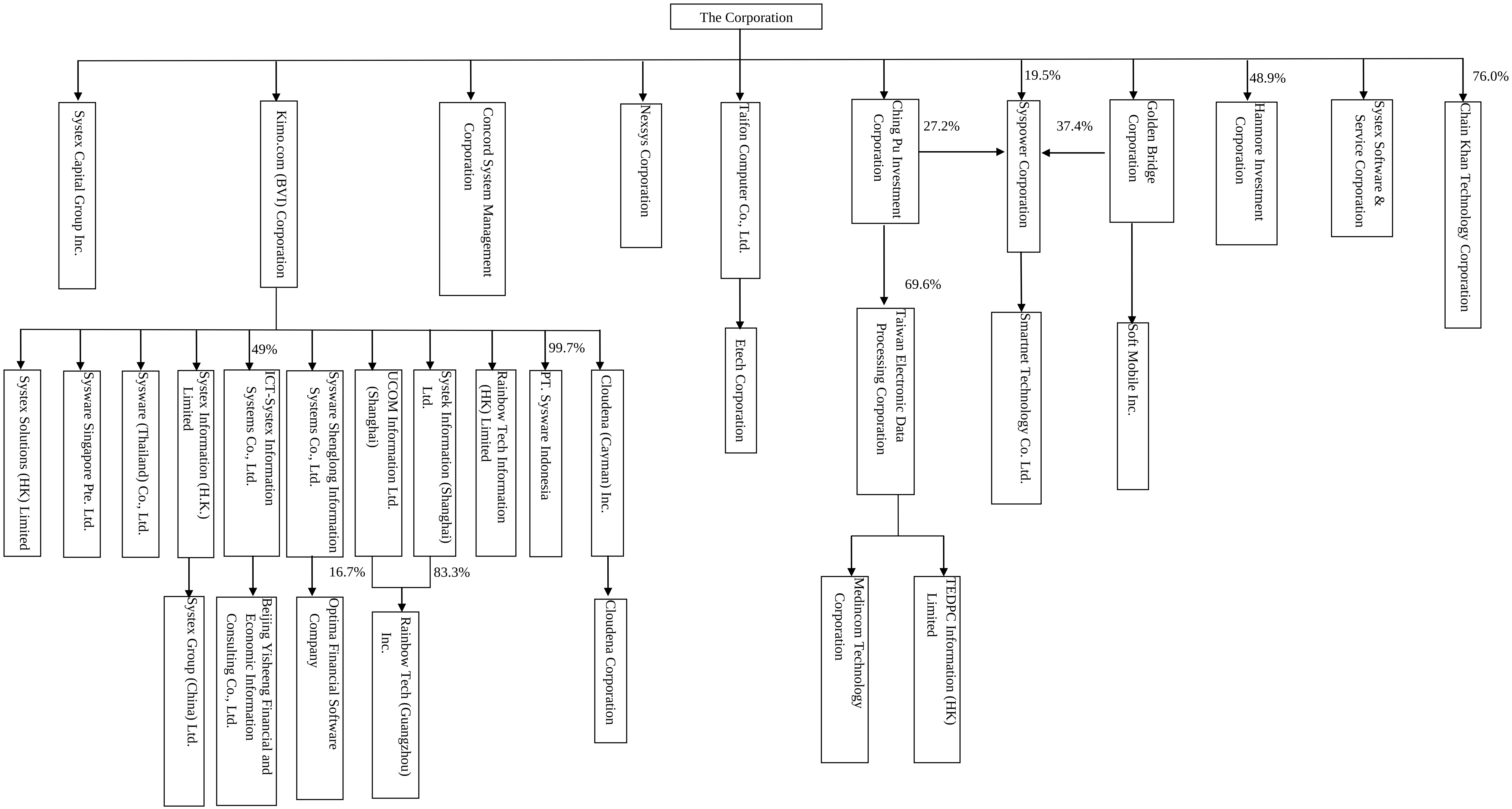
Under order VI-1010012865 issued by the FSC on April 6, 2012, on the first-time adoption of IFRSs, if an entity elects to use the exemptions specified in IFRS 1 and transfers its unrealized revaluation increment and cumulative translation differences to retained earnings, the entity has to appropriate the sum of the increment and the differences to special reserve. However, if the retained earnings recognized from IFRS adjustment at the first-time adoption is smaller, special reserve should be appropriated at the amount of the retained earnings recognized as a result of the IFRS adjustment. On the subsequent usage, disposal or reclassification of the related assets, the special reserve can be reversed proportionately. The Corporation and subsidiaries' total IFRS adjustments, at the first-time adoption of IFRSs, resulted in a decrease in retained earnings. Thus, no special reserve was appropriated.

d. The Corporation and subsidiaries have prepared the above assessments in compliance 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. Actual results may differ from these assessments.

TABLE 1

SYSTEX CORPORATION AND SUBSIDIARIES

THE RELATIONSHIP AND PERCENTAGE OF OWNERSHIP BETWEEN THE CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2012



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

TABLE 2

SYSTEX CORPORATION AND SUBSIDIARIES

OPERATING SEGMENT INFORMATION
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

A. Industry information

	Financial Business Integration	Outsourcing Business Integration	Technological Business Integration	Investment Department	Adjustment and Elimination	Total
2012						
Sales to customers	$ 1,704,745	$ 2,776,975	$ 9,750,271	$ 303,416	$ -	$ 14,535,407
Sales to other segments	169,029	65,787	720,108	2,150	(957,074)	-
Total sales	$ 1,873,774	$ 2,842,762	$ 10,470,379	$ 305,566	$ (957,074)	$ 14,535,407
Segment income	$ 87,987	$ 240,501	$ 103,041	$ 143,572	$ -	$ 575,101
Corporate general expenses						(262,128)
Income before income tax						$ 312,973
Segment depreciation and amortization expenses	$ 70,346	$ 50,041	$ 69,354	$ -		$ 189,741
Non-segment depreciation and amortization expenses						19,380
Total depreciation and amortization expenses						$ 209,121
Segment assets	$ 2,042,052	$ 1,646,681	$ 5,982,466	$ 6,580,289		$ 16,251,488
General assets						1,065,869
Total assets						$ 17,317,357
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

(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	
	2012	**2011**	**2012**	**2011**
Domestic	$ 11,205,072	$ 11,217,390	$ 3,742,245	$ 3,401,998
Asia	3,165,434	2,274,626	1,134,996	1,252,616
Others	164,901	120,523	479,735	570,814
	$ 14,535,407	$ 13,612,539	$ 5,356,976	$ 5,225,428

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, 2012 and 2011.

(Concluded)