INDEPENDENT AUDITORS' REPORT
The Board of Directors and Shareholders
DFI, Inc.

We have audited the accompanying consolidated balance sheets of DFI, Inc. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements of some consolidated subsidiaries were audited by other auditors with unqualified opinions. Therefore, the opinion we gave concerning the figures of consolidated subsidiaries was based on those auditors' audit reports. The consolidated assets from those subsidiaries audited by other auditors total NT$192,872 thousands and NT$373,762 thousands, respectively, as of December 31, 2011 and 2010, representing 6.06% and 11.90% of consolidated assets for respective year. The consolidated revenues total NT$482,249 thousands and NT$985,356 thousands, respectively, for 2011 and 2010, representing 27.20% and 56.77% of consolidated revenue for respective year. The consolidated net income total NT$8,337 thousands and NT$17,960 thousands, respectively, for 2011 and 2010, representing 3.97% and 12.00% of consolidated revenue for respective year.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DFI, Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their consolidated operations and their consolidated 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.

Deloitte & Touche

Taipei, Taiwan
March 22, 2012

<u>*Notice to Readers*</u>

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

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

DFI Inc.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Par Value)

	2011		2010	
Assets	Amount	%	Amount	%
Cash and cash equivalents (Note 4)	$ 965,645	30	$903,260	29
Financial assets at fair value through profit or loss (Notes 2, 5 and 17)	994,458	31	979,363	31
Available-for-sale financial assets (Notes 2 and 6)	61,440	2	70,796	2
Held-to-maturity financial assets (Notes 2 and 8)	200,000	6	-	-
Notes and Accounts receivable (Notes 2 and 3)	209,519	7	162,239	5
Receivable from Affiliates (Note 18)	32,365	1	8,733	-
Other Receivables (Note 13)	15,983	1	21,373	1
Inventory (Notes 2 and 7)	288,418	9	350,225	11
Time deposits pledged (Note 19)	5,500	-	14,900	-
Deferred income taxes-current (Notes 2 and 13)	22,293	1	23,260	1
Prepayments and other current asset	10,950	-	15,498	1
Total Current Assets	2,806,571	88	2,549,647	81
LONG-TERM INVESTMENTS				
Available-for-sale financial assets (Notes 2 and 6)	-	-	14,044	1
Held-to-maturity financial assets (Notes 2 and 8)	-	-	200,000	6
Financial assets carried at cost (Notes 2 and 9)	13,454	-	13,454	-
Total long-term investments	13,454	-	227,498	7
PROPERTY, PLANT & EQUIPMENT (Notes 2 and 10)				
Land	30,154	1	29,735	1
Buildings	119,757	4	119,532	4
Machinery & equipment	399,700	12	444,119	14
Office equipment	21,557	1	19,393	1
Other equipment	31,316	1	33,024	1
Cost Subtotal	602,484	19	645,803	21
Accumulated Depreciation	453,269	14	487,239	16
Net property, plant & equipment	149,215	5	158,564	5
INTANGIBLE ASSETS (Note 2)				
Goodwill	187,365	6	187,365	6
Computer software	147	-	354	-
Total Intangible Assets	187,512	6	187,719	6
OTHER ASSETS				
Deferred charges (Note 2)	18,124	1	12,830	1
Guarantee deposits	4,402	-	2,863	-
Confined Assets (Note 19)	2,965	-	2,965	-
Total other assets	24,591	1	18,658	1
TOTAL ASSETS	$ 3,182,243	100	$ 3,142,086	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2012)

(Continued)

DFI Inc.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Par Value)

	2011		2010	
Liabilities& Shareholders' Equity	Amount	%	Amount	%
CURRENT LIABILITIES				
Notes Payable	$ 51,910	2	$ 41,322	1
Accounts Payable	141,015	4	88,896	3
Payable to Affiliates (Note 18)	-	-	19	-
Income Tax Payable (Notes 2 & 14)	15,225	-	8,768	-
Accrued Expenses	113,518	4	110,549	4
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	111	-	-	-
Other Current Liabilities	7,339	-	15,504	-
Total current liabilities	329,118	10	265,058	8
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 11)	56,137	2	55,610	2
Noncurrent deferred income tax liabilities (Notes 2 and 14)	2,879	-	824	-
Others	2,449	-	1,721	-
Total other liabilities	61,465	2	58,155	2
Total liabilities	390,583	12	323,213	10
SHAREHOLDERS' EQUITY				
CAPITAL STOCK	1,148,399	36	1,202,759	38
CAPITAL SURPLUS				
Additional paid-in capital	764,907	24	801,114	26
Gain on asset disposition	808	-	808	-
From long-term equity investments	653	-	653	-
Other	23,603	1	23,603	1
Total capital surplus	789,971	25	826,178	27
RETAINED EARNINGS				
Legal Reserve	432,885	14	417,921	13
Special Reserve	4,818	-	-	-
Unappropriated earnings	389,496	12	376,831	12
Total retained earnings	827,199	26	794,752	25
OTHER EQUITY ADJUSTMENTS				
Cumulative translation adjustments	24,649	1	821	-
Unrealized gain or loss on financial instruments	1,440	-	(5,639)	-
Total other equity adjustments	26,089	1	(4,818)	-
MINORITY INTEREST	2	-	2	-
Total shareholders' equity	2,791,660	88	2,818,873	90
TOTAL LIABILITIES & EQUITY	$ 3,182,243	100	$ 3,142,086	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2012)

DFI Inc.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Consolidated Earnings per Share)

	2011		2010	
	Amount	**%**	**Amount**	**%**
Gross Sales	$ 1,781,770	100	$ 1,768,716	102
Sales Return & Allowance	8,842	-	33,064	2
Net Sales (Notes 2 and 18)	1,772,928	100	1,735,652	100
Cost of Goods Sold (Notes 7, 15 and 18)	1,174,853	66	1,109,649	64
Gross Profit	598,075	34	626,003	36
Operation Expenses (Notes 15 and 18)				
Sales & Marketing	105,785	6	105,258	6
General & Administrative	176,586	10	182,951	11
Research & Development	109,193	6	120,872	7
Total Operating Expenses	391,564	22	409,081	24
Income from Operations	206,511	12	216,922	12
Non-operating Income				
Exchange gain (Note 2)	25,674	2	-	-
Gain on valuation of financial assets (Notes 2 and 5)	6,944	1	5,608	-
Interest income	6,753	-	7,320	1
Reversal of impairment loss on financial assets (Notes 2 and 6)	5,333	-	-	-
Gain on disposal of fixed assets	1,767	-	133	-
Gain on disposal of investments	491	-	-	-
Gain on reversal of bad debts (Note 2)	-	-	1,885	-
Other Income (Note 18)	16,361	1	28,535	2
Total Non-operating Income	63,323	4	42,614	3
Non-operating Expenses				
Impairment loss on financial assets (Notes 2 and 6)	7,800	1	-	-
Loss on valuation of financial liabilities (Notes 2 and 5)	951	-	-	-
Interest expenses (Note 17)	292	-	289	-
Exchange losses (Note 2)	-	-	41,876	2
Loss on disposal of investments(Notes 2,5 and 6)	-	-	9,102	1
Other Losses	21	-	278	-
Total Non-operating Expenses	9,064	1	50,678	3
INCOME BEFORE INCOME TAX	260,770	15	208,858	12
INCOME TAX (Notes 2 and 14)	50,715	3	59,218	3
NET CONSOLIDATED INCOME	210,055	12	$ 149,640	9
Income attributed to:				
Stockholders of parent company	$ 210,055	12	$ 149,640	9
Minority interest	-	-	-	-

EARNINGS PER SHARE (Note 15)	Before tax	After tax	Before tax	After tax
Basic	$2.14	$1.79	$1.64	$1.24
Diluted	$2.11	$1.77	$1.63	$1.24

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2012)

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

	Capital Stock (Note 13)		Capital Surplus (Notes 2 and 11)				
	Thousand Shares	Amount	Issue of Stock in Excess of Par Value	Treasury Stock	Gain on Disposal of Properties	From Long-term Stock Investments	Other
BALANCE, JANUARY 1, 2010	121,095	$1,210,949	$806,569	$25,950	$808	$653	$23,603
Appropriation of prior year's earnings							
Legal reserve							
Cash Dividend - $2.58 per share	-	-					
Net income, 2010							
Reversal of special reserve							
Cumulative translation adjustments							
Unrealized gain or loss on financial instruments							
Write-off of treasury stock	(819)	(8,190)	(5,455)	(25,950)	-	-	-
BALANCE, DECEMBER 31, 2010	120,276	1,202,759	801,114	-	808	653	23,603
Appropriation of prior year's earnings							
Legal reserve							
Special reserve							
Cash Dividend - $1.027 per share							
Net Income, 2011							
Cumulative Translation Adjustments							
Purchase of treasury stock							
Write-off of treasury stock	(5,436)	(54,360)	(36,207)				
BALANCE, DECEMBER 31, 2011	120,276	1,202,759	801,114	-	808	653	23,603

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2012)

(Continued)

DFI

DFI, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2011 AND 2010

(In Thousands of New Taiwan Dollars, Except Dividends per Share)

	Retained Earnings		
	Legal Reserve	**Special Reserve**	**Unappropriated Earnings**
BALANCE, JANUARY 1, 2010	$386,026	$10,181	$581,693
Appropriation of prior year's earnings			
Legal reserve	31,895		(31,895)
Cash Dividend - $2.58 per share			(310,312)
Net income, 2010			149,640
			-
Reversal of special reserve		(10,181)	10,181
Cumulative translation adjustments			
Unrealized gain or loss on financial instruments			
Write-off of treasury stock			(22,476)
BALANCE, DECEMBER 31, 2010	417,921	-	376,831
Appropriation of prior year's earnings			
Legal reserve	14,964	-	(14,964)
Special reserve		4,818	(4,818)
Cash Dividend - $1.027 per share	-	-	(120,276)
Net Income, 2011			210,055
Cumulative Translation Adjustments			
Purchase of treasury stock			
Write-off of treasury stock			(57,332)
BALANCE, DECEMBER 31, 2011	$ 432,885	$ 4,818	$ 389,496

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2012)

(Continued)

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

	Adjustments				
	Cumulative Translation Adjustment	Unrealized Gain or Loss on Financial Instruments	Treasury Stock	Minority Interest	Total Shareholders' Equity
BALANCE, JANUARY 1, 2010	$24,652	($15,477)	($62,071)	$2	$2,993,538
Appropriation of prior year's earnings					
Legal reserve					-
Cash Dividend - $2.58 per share					(310,312)
Net income, 2010					149,640
Reversal of special reserve					-
Cumulative translation adjustments	(23,831)	-	-	-	(23,831)
Unrealized gain or loss on financial instruments		9,838	-	-	9,838
Write-off of treasury stock	-	-	62,071	-	-
BALANCE, DECEMBER 31, 2010	821	(5,639)	-	2	2,818,873
Appropriation of prior year's earnings					
Legal reserve					
Special reserve					
Cash Dividend - $1.027 per share	-	-	-	-	(120,276)
Net Income, 2011	-	-	-	-	210,055
Cumulative Translation Adjustments	23,828	-	-	-	23,828
Unrealized gain or loss on financial instruments	-	7,079	-	-	7,079
Purchase of treasury stock	-	-	(147,899)	-	(147,899)
Write-off of treasury stock	-	-	147,899	-	-
BALANCE, DECEMBER 31, 2011	$ 24,649	$ 1,440	$ -	$ 2	$ 2,791,660

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2012)

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

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 210,055	$ 149,640
Depreciation	19,461	18,297
Amortization	11,317	11,376
Gain on reversal of bad debts	-	(1,885)
Gain on disposal of investments	(491)	9,102
Gain on disposal of property, plant and equipment	(1,767)	(133)
Gain on reversal of financial asset impairment losses	(5,333)	-
Impairment loss of financial assets	7,800	-
Translation loss on financial assets	798	6,508
Loss on inventory devaluation	(13,481)	(5,178)
Loss on inventory write off	10,035	7,258
Deferred income taxes	3,022	4,526
Accrued pension liability	527	631
Net changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(5,840)	120,156
Notes and Accounts receivable	(47,280)	142,112
Receivable from affiliates	(23,632)	2,187
Inventory	65,233	(27,879)
Other Receivables	5,390	(6,653)
Other Current Assets	4,548	(1,206)
Notes Payable	10,588	(11,851)
Accounts Payable	52,119	(31,142)
Payable to Affiliates	(19)	(155)
Income Tax Payable	6,457	8,768
Accrued Expenses	2,696	(3,330)
Other Current Liabilities	(8,165)	(1,202)
Other Liabilities	728	(498)
Net cash provided by operating activities	299,046	383,841
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of ready-for-sale financial assets	$ 24,554	$ 33,133
Refund from financial assets carried at cost	-	7,190
Purchase of property, plant and equipment	(11,105)	(58,953)
Proceeds from disposal of property, plant and equipment	2,353	133
Increase of time deposits pledged	9,400	(4,900)
Increase of confined assets	-	(2,965)
Increase of deferred charges	(16,404)	(18,222)
Increase of other assets	(1,539)	1,548
Net cash provided by (used in) investing activities	7,259	(43,036)

(Continued)

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

	2011	**2010**
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury stock	(147,899)	-
Payment of cash dividends	(120,276)	(310,312)
Net cash used in financing activities	(268,175)	(310,312)
EFFECT OF EXCHANGE RATE CHANGES	24,255	(24,594)
Increase (Decrease) of Cash and Cash Equivalents	62,385	5,899
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	903,260	897,361
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 965,645	$ 903,260
SUPPLEMENTAL INFORMATION		
Payment of Interest	$ 292	$ 289
Payment of Income Taxes	$ 35,421	$43,060
Purchase of fixed assets in cash		
Purchase of fixed assets	$ 11,105	$ 58,142
Net changes in payable for purchase of equipment	-	811
Payment in cash	$ 11,105	$ 58,953
Financing activities not affecting cash flow		
Financial assets held to maturity matured within one year	$ 200,000	$ -

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated March 22, 2012) (Concluded)

NOTE 1: COMPANY PROFILE

DFI, Inc. (Parent company), a Republic of China (R.O.C.) corporation, was incorporated in July 1981. On January 15, 2000, its shares were listed on the Taiwan Stock Exchange. DFI engaged mainly in the design, manufacturing, and sale of computer motherboards, add-on cards and other PC components. Since 2002, the company transformed as an embedded PC maker.

DFI, Inc. owns 100% interest in Diamond Flower Service (NL) B.V. (DFS). DFS does business of computer repair and maintenance. DFS in turn owns 100% interest in Diamond Flower Information (NL) B.V. (DFI-BV). DFI-BV does business in computer sales. The two companies merged at December 28, 2011 with DFS as the surviving company, and then changed the name to DFI-BV.

DFI, Inc. owns 99.99% interest in Dual-Tech International Co. Ltd. This company subcontracts PC motherboards and industry PC motherboards.

DFI, Inc. owns 100% interest in DFI Co., Ltd. This company runs business in embedded motherboard and computer sales.

DFI, Inc. owns 100% interest in ITOX, LLC. This company runs business in embedded motherboard and computer sales.

DFI, Inc. owns 100% interest in Yan Tong Technology Ltd.(Yan Tong), which is a holding company.

Yan Tong established a 100% owned China subsidiary, Yan Tong Infotech (Dongguan) Co., Ltd. (YTDG), in August, 2011. YTDG conducts business in manufacture and sale of embedded motherboards and computers. During August and December, 2011, YTDG was still in start-up period.

The staffs employed by DFI and its subsidiaries numbering 419 and 464, respectively, as of December 31, 2011 and 2010.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the R.O.C.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. 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 consolidated financial statements shall prevail.

Significant accounting policies are summarized as follows:

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of all subsidiaries that DFI has controlling interest.

All significant inter-company balances and transactions are eliminated upon consolidation.

The consolidated entities in 2011 and 2010 include DFI, Inc., Diamond Flower Service (NL) B.V., Dual-Tech International Co., Ltd., ITOX, LLC., DFI, Co., Ltd. and Yan Tong Technology Ltd; except only 2011 for Yan Tong Infotech (Dongguan) Co., Ltd. as it set up in 2011.

If the functional currencies of the consolidated entities are not NT dollar, the translation of the currencies into NT dollar is based on year-end exchange rates for assets and liabilities, historical rates for capital stocks, and yearly average rates for income statement accounts.

Foreign-currency Transactions and Translation of Foreign-currency Financial Statements

Foreign-currency transactions other than derivative contracts are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings.

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - spot rates at year-end; shareholders' equity - historical rates; income and expenses - average rates during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

Use of Estimates

The preparation of consolidated financial statements in conformity with the aforementioned guidelines and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management's estimates.

Classification of Current and Non-current Assets and Liabilities

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

Financial Assets/Liabilities at Fair Value through Profit or Loss

Derivatives that do not meet the criteria for hedge accounting and financial assets acquired principally for the purpose of selling them in the near term are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives and financial assets are re-measured at fair value subsequently with changes in fair value recognized in earnings. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

Fair value is determined as follows: publicly traded stocks - closing price at the end of the year; open-end beneficiary certificates and credit-linked derivatives – net assets value at end of year; future foreign exchange – fair value evaluated by valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions; close-end beneficiary certificates – closing prices as of balance sheet dates. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

Available-for-Sale Financial Assets

Investments designated as available-for-sale financial assets include debt securities and equity securities. Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value from subsequent re-measurement are reported as a separate component of shareholders' equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

Fair value is determined as follows: Structured time deposits - using valuation techniques; open-end mutual funds and money market funds - net asset value at the end of the year; publicly-traded stocks - closing prices at the end of the year; and other debt securities - average of bid and asked prices at the end of the year.

Cash dividends are recognized as investment income upon resolution of shareholders of an investee but are accounted for as reductions to the original cost of investments if such dividends are declared on the earnings of the investees attributable to periods prior to the purchase of the investments. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares. Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity for equity securities. For debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided based on a review of the collectability of receivables. The Company assesses the collectability of receivables by performing the account aging analysis and examining current trends in the credit quality of its customers.

As footnote 3 states, the Company adopted the third revision of Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement (SFAS No. 34)." One of the main revisions is that the impairment of receivables originated by the Company is subject to the provisions of SFAS No. 34. Accordingly, the Company evaluates for indication of impairment of accounts receivable based on an individual and collective basis at the end of each reporting period. When objective evidence indicates that the estimated future cash flow of accounts receivable decreases as a result of one or more events that occurred after the initial recognition of the accounts receivable, such accounts receivable are deemed to be impaired.

The amount of the impairment loss recognized is the difference between the carrying amount of accounts receivable and estimated future cash flows considering the effective discounting effect. Changes in the carrying amount of the allowance account are recognized as bad debt expense which is recorded in the operating expenses - general and administrative. When accounts receivable are considered uncollectable, the amount is written off against the allowance account.

Inventories

Inventories including material, finished goods, work in progress and subcontracted goods. Implementation of LCM includes comparison of individual costs and individual net realizable values. Net realizable values mean estimated selling prices minus further input costs till completion and selling expenses. The consolidated entities' inventory is carried over weighted-averaged method.

The inventories are stated at standard costs and adjusted to costs close to weighted-average costs at closing dates.

Held-to-Maturity Financial Assets

Debt securities for which the Company has a positive intention and ability to hold to maturity are categorized as held-to-maturity financial assets and are carried at amortized cost under the effective interest method. Those financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Gains or losses are recognized at the time of derecognition, impairment or amortization. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

If there is objective evidence which indicates that a financial asset is impaired, the loss is recognized then. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

Financial Assets Carried at Cost
Mutual fund investments whose fair value cannot be reliably measured are carried at their original cost. If there is objective evidence which indicates that the value of a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Property, Plant and Equipment
Property, Plant and Equipment are stated at cost less accumulated depreciation. Major renovation or improvements are capitalized; maintenance is booked as expenses.

When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized.

The depreciation is calculated at straight-line method over following years:
Buildings- 3 to 60 years;
Machinery- 2 to 15 years;
Office Equipment- 2 to 8 years;
Other Equipment- 2 to 8 years.

For assets have expired but are still under use, original depreciation method applied and a new useful life is estimated.

When Property, Plant and Equipment are obsolete or sold, costs and related accumulated depreciation are removed, gain or loss for the disposal are treated as current period non-operating income or loss or extra-ordinary items. Disposal gain, net of income tax, is transferred to capital reserve at end of year.

Intangible Assets
Intangible assets are recorded at acquiring costs, amortized at straight-line method over the estimated life. Computer software is amortized at straight-line method over 3 to 5 years.

Goodwill
Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Goodwill is no longer amortized and instead is tested for impairment annually or more frequently if events or changes in circumstances suggest that the carrying amount may not be recoverable. If an event occurs or circumstances change which indicates that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed

Deferred Charges
Deferred charges mainly are engineering and tooling costs, amortized over 3 to 5 years evenly.

Pension
Pension costs are accrued in parent company based on actuarial results for defined contribution pension plan. Pension costs are booked at accrued pension contribution for defined contribution pension plan

over periods the employees concerned providing services. All subsidiaries do not establish pension plans.

Treasury Stock

The purchase costs of treasury stock are booked as deduction of shareholders' equity.
When treasury stocks are written off, the purchase costs of treasury stocks are offset against "additional paid-in capital" and "capital stocks" according to the share number percentage that are written-off.
If book value of treasury stocks is lower than the sum of face value of capital stock and additional paid-in capital, the difference is credited against "capital surplus" arose from similar treasury stock transactions.
If book value of treasury stocks is higher than the sum of face value of capital stock and additional paid-in capital, the difference is offset against "capital surplus" arose from similar treasury stock transactions. If there is deficit after the offset, the remaining is debited to retained earnings.

Income Taxes

Income taxes shall be allocated crossing periods. All tax effects on deductible temporary differences, unused prior-period losses carry-forward and unused investment tax credits are deferred as income tax assets, possibility to realization is assessed and allowance for depreciation accrued. Tax effects on taxable timing differences are accrued as deferred income tax liabilities. Deferred income tax assets and liabilities are classified as current or non-current items according to their related assets or liabilities derived from.

The tax credits arising from purchase of equipment, research and development expenditure, training expenditure and stock investment are recognized in current period.

Prior period adjustments on income taxes are included in current period income tax expenses.

Unappropriated retained earnings shall be levied at 10%, income tax expenses accordingly are recorded after decision of annual shareholders' meeting.

Foreign Currency Transactions

Non-derivative financial commodity is recorded at the spot rates of transaction dates. Gain or loss from foreign currency assets and liabilities paid or received in NT dollars is recorded as exchange gain or loss in the paid or received periods. Year-end balances of foreign currency assets or liabilities are re-valuated at year-end spot rates. Gains or losses are treated as follow:
If foreign currency long-term equity investments are valuated at equity method, the exchange differences are recorded as "cumulative exchange adjustments" as one item of shareholders' equity. Other exchange differences are recorded as current year gains or losses.

On the balance sheet dates, exchange forward contracts to hedge exchange risks are evaluated at spot rates of that dates. Exchange differences accordingly are recorded as current period gains or losses. Discount or premium of the forward contracts is amortized over the duration of those contracts.

Treasury Stock

Treasury stock represents the outstanding shares that the Company buys back from market, which is stated at cost and shown as a deduction in shareholders' equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus - additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus - treasury stock transactions and to retained earnings for any remaining amount. When the Company resells the treasury stock, the treasury stock shall be reversed, and if the selling price is greater than the book value, the amount in excess of the book value shall be credited to additional paid-in capital - treasury stock.

Revenue Recognition

The Company recognizes revenue when evidence of an arrangement exists, the rewards of ownership and significant risk of the goods has been transferred to the buyer, price is fixed or determinable, and collectability is reasonably assured. Provisions for estimated sales returns and other allowances are recorded in the year the related revenue is recognized, based on historical experience, management's judgment, and any known factors that would significantly affect the allowance.

Sales prices are determined using fair value taking into account related sales discounts agreed to by the Company and its customers. Sales agreements typically provide that payment is due 30 days from invoice date for a majority of the customers and 30 to 45 days after the end of the month in which sales occur for some customers. Since the receivables from sales are collectible within one year and such transactions are frequent, fair value of the receivables is equivalent to the nominal amount of the cash to be received.

NOTE 3: ACCOUNTING CHANGES

On January 1, 2011, the Company prospectively adopted the newly revised SFAS No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Company are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when the debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change did not have a significant effect on the Company's consolidated financial statements as of and for the year ended December 31, 2011.

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires identification and disclosure of operating segments on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. This statement supersedes SFAS No. 20, "Segment Reporting." The Company conformed to the disclosure requirements as of and for the year ended December 31, 2011. The information for the year ended December 31, 2010 has been recast to reflect the new segment reporting requirement.

NOTE 4: CASH AND CASH EQUIVALENTS

		NT$000
	2011	2010
Petty Cash and Cash on Hand	$ 546	$ 427
Checking and Demand Deposit Accounts	421,663	500,596
Time Deposits, interest rates 0.40~1.36% in 2011, and 0.20~1.15% in 2010.	543,436	402,237
	$ 965,645	$ 903,260

As of December 31, 2011 and 2010, the time deposits with maturity longer than one year amount to NT$701 thousand and $0, respectively.

NOTE 5: FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		NT$000
	2011	2010
Trading financial assets		
Money market & open-end mutual funds	$ 979,952	$ 971,801
Forward exchange contracts	-	99
	979,952	971,900
Add: Valuation adjustments	14,506	7,463

	2011	2010
Total	$ 994,458	$ 979,363

Trading financial liabilities

Forward contract	$ 111	$ -

The Company entered into forward contracts during the years ended December 31, 2011 and 2010 to manage exposures to the fluctuations of foreign exchange rates. The Company's strategy for financial hedging is to avoid risks of market price or cash flow.

Outstanding forward contracts as of December 31, 2011 and 2010 consist of the following:

	Currency	**Maturity Date**	**Contract Amount (in Thousands)**
December 31, 2011			
Sell	US$/NT$	2012.01.17~2012.02.22	USD2,000/NTD60,439
December 31, 2010			
Sell	US$/NT$	2011.01.18~2011.01.27	USD1,000/NTD30,456

Net gains or losses arising from derivative financial instrument assets for the years ended December 31, 2011 and 2010 were NT$10,095 thousands and NT$5,604 thousands, respectively. Net gains or losses arising from derivative financial instrument liabilities for the years ended December 31, 2011 and 2010 were NT$951 thousands and NT$0 thousands, respectively.

NOTE 6: AVAILABLE-FOR-SALE FINANCIAL ASSETS

NT$000

	2011		2010	
	Current	Non-current	Current	Non-current
Preferred stocks	$ 60,000	$ -	$ 60,000	$ -
Corporate Bonds	34,579	-	50,822	13,801
	94,579	-	110,822	13,801
Add: unrealized gain (loss)	1,440	-	(5,882)	243
Less: accumulated impairment loss	(34,579)	-	(34,144)	-
	$ 61,440	$ -	$ 70,796	$ 14,044

1. The parent company purchased preferred stocks 2 million shares issued by TaiSin financial holding company with par $10 at $30 per share, totaling NT$60 millions. The terms of the issue: interest rate 3.5% p.a., paid once per year, accumulating but not participating. The stocks were listed for public trading on October 13, 2005. TaiSin financial holding Company reduced their capital in January 2010 and our share holding reduced by 135,000 shares accordingly.
2. The parent company acquired overseas corporate bonds with coupon rates 5.75%~7.25% for 2011 and 0.5043~7.625% for 2010. Impairment losses of NT$7,800 thousands and NT$34,144 thousands were recognized for some perpetual bonds in 2011 and 2008, respectively. The parent company reversed such impairment loss by NT$5,333 thousands in 2011.

NOTE 7: INVENTORIES

NT$000

	2011	2010
Materials	$ 95,619	$ 125,055
Finished Goods	110,198	133,511
Subcontracted goods	42,284	58,616
Work in Progress	21,117	-
Inventory in transit	19,200	33,043

	$ 288,418	$ 350,225

The allowance for devaluation of inventories amounts to NT$ thousands $35,624 and NT$49,085 thousands, respectively, as of December 31, 2011 and 2010.

Cost of goods sold related to inventories amount to NT$ 1,174,853 thousands and NT$1,109,649 thousands for 2011 and 2010. Cost of goods sold of 2011 includes inventory obsolesce loss of NT$10,035 thousands, Reversal of inventory devaluation loss of NT$13,481 thousands and physical count loss of NT$62 thousands. Cost of goods sold of 2010 includes inventory obsolesce loss of NT$7,258 thousands, Reversal of inventory devaluation loss of NT$5,178 thousands and inventory count gain of NT$540 thousands.

NOTE 8: HELD-TO-MATURITY FINANCIAL ASSETS

NT$000

	2011 (Current)	2010 (Non-current)
Preferred stocks	$ 200,000	$ 200,000

The parent company purchased preferred stock of China trust financial holding company on December 28, 2005 by 5 million shares at $40 per share with par $10, totaling NT$200 millions. The terms of issue: interest rate 3.5% p.a. calculated over issuance price; paid once a year; accumulating but not participating. The preferred stocks are not allowed to resell in 3 years, and will be compulsory recalled after 7 years since issuance. The preferred stocks are reclassified as current assets in 2011 since its maturity is shorter than one year.

NOTE 9: FINANCIAL ASSETS CARRIED AT COST- Non-current

NT$000

	2011	2010
Asia Tech Taiwan Venture Fund	$ 13,454	$ 13,454

The fund held by parent company is carried at cost due to no quoted prices at active market and hence the fair value cannot be measured reliably. Partial investment of NT$ 3,670 thousands and NT$3,520 thousands were refunded in February and November 2010, respectively.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT- Accumulated Depreciation

Accumulated depreciation consisted of the following:

NT$000

	2011	2010
Building	$ 67,266	$ 65,153
Machinery	339,140	375,346
Office Equipment	16,761	15,969
Other Equipment	30,102	30,771
	$ 453,269	$ 487,239

The depreciation expenses amount to NT$19,461 thousands and NT$18,297 thousands, respectively, in 2011 and 2010.

NOTE 11: PENSION PLAN

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, the parent company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts since April 1, 2005. Pursuant to the aforementioned Act and local regulations, the parent company recognized pension costs of NT$8,725 thousands and NT$7,817 thousands for the years ended December 31, 2011 and 2010, respectively.

The pension mechanism under the Labor Standards Law is deemed as a defined benefit plan. The pension payment is calculated over service years and average monthly salary six months before employee's retirement. The parent company contributes 5% of employee salaries to their respective pension funds, which are administered by the Labor Pension Fund Supervisory Committee and deposited in the Bank of Taiwan.

Certain information concerning pension plan under Labor Pension Act is disclosed as follows:

1) Pension costs consist of:

		NT$ 000
	2011	2010
Service cost	$ 2,155	$ 2,306
Interest cost	1,886	1,842
Expected return on pension assets	(784)	(808)
Amortization	46	39
Net pension cost	$ 3,303	$ 3,379

2) Funded pension and pension payable:

	2011	2010
Benefit obligation:		
Vested benefit obligation	$ 29,834	$ 19,733
Non-vested benefit obligation	48,726	56,513
Accumulated benefit obligation	78,560	76,246
Additional benefits based on future salaries discrepancy	16,519	18,033
Projected benefit obligation	95,079	94,279
Fair value of plan assets	(30,202)	(37,818)
Funded status	64,877	56,461
Unrecognized net Obligation at transition	-	(46)
Un-amortized balance	(8,740)	(805)
Accrued pension liability	$56,137	$ 55,610

3) Vested benefits

	2011	2010
Vested benefits	$ 34,211	$ 25,455

4) Actuarial assumptions

	2011	2010
Discount rate used to calculate present value	1.50%	2.00%
Future salary increase rate	2.00%	2.00%
Expected rate of return on fund assets	2.25%	2.00%

5) Changes in pension funds

	2011	2010
Contributions	$ 2,776	$ 2,748
Payments	$ 10,833	$ 7,373

NOTE 12: SHAREHOLDERS' EQUITY

According to ROC laws, capital surplus cannot be used except to offset accumulated losses. But additional paid-in capital arising from excess injection over par or from treasury stock transactions are allowed to transfer to capital stocks, limited to certain percentage of capital stock each year. However, according to the revised Company Law, effective January 4, 2012, the aforementioned capital surplus generated from donations and the excess of the issuance price over the par value of capital stock can also be used to distribute cash in proportion to original shareholders' holding. Capital surplus arising from equity-method valuation of long-term equity investments is not allowed for any use.

The Article of Incorporation of parent company states the rules of earnings appropriation as follows:
If accounts closed to be profitable, first, 10% of net income is set aside for legal reserve. And a special reserve in accordance with Clause 41-1 of Security Exchange Law may be set aside or added back if

reversed from net income;

The remaining earnings, together with unappropriated earnings accumulated from last period, are to be distributed in all or part, following Board of Directors' resolution, in order as below-

(1) Directors' remuneration: no more than 3%
(2) Employee bonus: 5% to 15%
(3) Dividend to shareholders for the remaining.

The employee bonus accrued in 2011 and 2010 amount to NT$20,989 thousands and NT$14,963 thousands, respectively. The directors' remuneration accrued in 2011 and 2010 amount to NT$1,900 thousands and NT$1,077 thousands, respectively. Accrual of employee bonus and directors' remuneration is based on actual distribution from past experiences.

If later BOD proposes majorly different amounts from that accrued, the differences will be booked as current expenses. If the actual amounts subsequently resolved by the shareholders differ from the proposed by BOD, the differences are booked as change of accounting estimate. If stock bonuses are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of the shares one day before the shareholders' meeting.

According to the revised Company Law, effective January 2012, the appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

A special reserve equivalent to the net debit balance of the other components of shareholders' equity (for example, cumulative translation adjustments and unrealized loss on financial instruments, but excluding treasury stock) shall be made from unappropriated earnings pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent of net debit balance.

If the earnings appropriated come from years 1997 and before, shareholders are not entitled to imputation credit. If appropriated earnings belong to years after 1997, except non-residents, other shareholders are entitled to imputation credit at the rate calculated on dividend distribution date.

The appropriations of earnings for 2011 and 2010 had been approved in the shareholders' meetings held on June 9, 2011 and June 18, 2010, respectively, as follows:

Proposal	**Amount**		**Dividend per share**	
	2010	**2009**	**2010**	**2009**
Legal reserve	$ 14,964	$ 31,895		
Special reserve	4,818			
Cash dividend	120,276	310,312	$1.027	$2.58

Employee bonus and directors' remuneration approved by the aforementioned shareholders' meetings are:

Proposal	**2010**		**2009**	
	Employee Bonus	**Directors' Remuneration**	**Employee Bonus**	**Directors' Remuneration**
Shareholders' meeting	$ 14,963	$ 1,880	$ 31,892	$ 2,296
Financial Statement	14,963	1,077	31,892	2,296
Difference	$ -	$ 803	$ -	$ -

The difference of directors' remuneration between accrued in financial statement and approved by shareholders' meeting is due to change of estimate. The difference is booked as current expense in

2010.

The above information about the appropriations of bonus to employees, directors and supervisors is available at the Market Observation Post System website.

NOTE 13: TREASURY STOCK

Thousand shares

Purpose to buy back	Shares, beginning of the year	Increase	Decrease	Shares, End of the year
2011- Maintain credit and shareholders' interest	-	5,436	5,436	-
2010- Transfer to employees	819	-	819	-

Pursuant to Security Exchange law, the company may purchase treasury stock up to 10% of outstanding shares. Total purchase cost of treasury stock shall not exceed the sum of retained earnings, additional paid-in capital and realized capital surplus. The treasury stocks cannot be pledged, and are not entitled to shareholders' rights before re-issued.

The parent company purchased back 5,436,000 shares from the market at cost of NT$147,899 thousands pursuant to the resolutions of BOD held on March 21 and August 29, 2011. BOD of parent company later on July 28 and November 17, 2011 resolved to write off treasury stock of 5,436,000 shares in total.

The highest treasury shares held by Parent company are 3,182,000 shares and 819,000 shares; the highest costs of treasury stock held are NT$92,661 thousands and NT$62,071 thousands both in 2011 and 2010, which conform to the regulations.

NOTE 14: INCOME TAXES

1) Income tax expense consisted of:

NT$ 000

	2011	2010
Income tax payable	$ 28,332	$ 29,663
Deferred income tax	3,022	485
Overseas income tax	13,921	18,617
Prior period adjustments	5,440	6,412
The impact due to tax law changes	-	4,041
Income tax expenses	$ 50,715	$ 59,218

The corporate income tax rate has been further reduced to 17% from 20% starting 2010 pursuant to amendment of clause no. 5 of income tax law in May 2010.
The deferred income taxes have been re-calculated and the differences were booked as current income tax expenses.

2) Deferred income taxes consisted of the following:

	2011	2010
Deferred tax assets - current		
Allowance for losses on inventories	$ 5,011	$ 7,623
Impairment loss on financial assets	5,879	5,805
Unrealized gross profit	4,412	4,120
Bad debt reserve over limit	2,054	1,711
Unrealized exchange loss	145	2,520
Others	5,035	1,737
	22,536	23,516

Deferred liabilities		
Others	(243)	(256)
Net deferred income tax assets	$ 22,293	$ 23,260
Deferred tax assets-Non-current:		
Pension differences between financial accounting and tax accounting	$ 8,804	$ 8,715
Investment loss under equity method	908	1,000
Others	559	-
	10,271	9,715
Deferred tax liabilities-Non-current:		
Investment income under equity method	(12,082)	(9,717)
Depreciation differences between financial and tax accounting	(1,068)	(822)
	(13,150)	(10,539)
Net deferred income tax assets	($ 2,879)	($ 824)

3) The profits generated from new investments through July 1, 2008 to December 31, 2009 are exempt from income tax for years 2011 to 2015.

4) The related information under the Integrated Income Tax System is as follows:

	2011	2010
Year-end balances of imputation credit account (ICA)	$ 16,034	$ 35,853

The imputation creditable ratios of earning distribution for 2011 and 2010 are 11.49% (estimated) and 22.99% (actual), respectively.

The imputation credit allocated to shareholders is based on its balance as of the date of dividend distribution. The estimated creditable ratio may differ from actual when the distribution of imputation credit is made.

As of December 31, 2011 and 2010, the unappropriated earnings generated from years 1997 and before amount to NT$136,673 thousands and NT$216,481 thousands, respectively.

The ROC tax authorities have examined income tax returns of the parent company through 2009.

NOTE 15: PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

NT$ 000

	2011		
	Costs of Sales	Operating Expenses	Total
Personnel-			
Payroll	$ 97,868	$ 210,455	$ 308,323
Insurance	7,616	19,507	27,123
Pension	4,955	7,073	12,028
Others	4,162	5,298	9,460
Subtotal	$ 114,601	$ 242,333	$ 356,934
Depreciation	$ 14,813	$ 4,648	$ 19,461
Amortization	$ 1,809	$ 9,508	$ 11,317

	2010		
	Costs of Sales	Operating Expenses	Total
Personnel-			
Payroll	$ 85,781	$ 215,831	$ 301,612
Insurance	7,081	20,224	27,305
Pension	4,344	6,852	11,196
Others	3,315	4,716	8,031
Subtotal	$ 100,521	$ 247,623	$ 348,144
Depreciation	$ 12,266	$ 6,031	$ 18,297
Amortization	$ 1,006	$ 10,370	$ 11,376

NOTE 16: EARNINGS PER SHARE

The numerator and denominator to calculate EPS are summarized as below:

	Numerator		Denominator	EPS (NT$)	
	Earnings Before Tax	Earnings After Tax	Thousand shares	Before Tax	After Tax
2011 Basic EPS					
Net Income belong to Parent company shareholders	$251,009	$210,055	117,240	$2.14	$1.79
Effect of dilutive potential common shares- Employee Bonus	-	-	1,499		
Diluted EPS					
Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares)	$251,009	$210,055	118,739	$2.11	$1.77
2010 Basic EPS					
Net Income belong to Parent company shareholders	$196,880	$149,640	120,276	$1.64	$1.24
Effect of dilutive potential common shares- Employee Bonus	-	-	532		
Diluted EPS					
Earnings attributable to shareholders of the parent (including effect of dilutive potential common shares)	$196,880	$149,640	120,276	$1.63	$1.24

Effective January 1, 2008, the Company adopted Interpretation 2007-052 that requires companies to record bonuses paid to employees as an expense rather than an appropriation of earnings. If the Company has the right to choose to settle the obligation either by cash or by issuing shares, potential shares from bonus to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employees by the closing price (after consideration of the dilutive effect of dividends) of the common shares on the balance sheet date. Such potential shares have to be included in the calculation of diluted EPS until the shares of employee bonus are resolved by the shareholders' meeting in the following year.

NOTE 17: DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss	994,458	994,458	979,264	979,264
Available-for-sale financial assets(current)	61,440	61,440	70,796	70,796
Available-for-sale financial assets(non-current)	-	-	14,044	14,044
Held-to-maturity (current)	200,000	200,000	-	-
Held-to-maturity (non-current)	-	-	200,000	200,000
Financial assets carried at cost	13,454	-	13,454	-

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

1. Short-term financial assets are valuated at their book values since their maturities are very close to balance sheet dates. This applied to cash and cash equivalents, notes and accounts receivable, receivables from affiliates, notes and accounts payables, payables to affiliates and accrued expenses. The carrying amounts of these financial instruments approximate their fair values.

2. Fair values of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity financial assets other than derivatives and structured time deposits were based on their quoted market prices. If no referable market prices, a valuation method is applied.

   Fair values of derivatives were based on their quoted market prices. If no referable market prices, a valuation method is applied. The valuation techniques incorporate estimates and assumptions that were consistent with prevailing market conditions.

   Fair values of forward contracts were valued at the swap exchange rates, calculated at the forward rates as of the expiry dates provided by banks for each single contract.

3. Financial asset carried at cost is a private venture fund with no active market price. The fair value may need cost exceed reasonable expectation, so the fair value was not acquired.

4. Future collectible value of pledged time deposits is close to book value, we used carrying amount as the fair value then.

5. Warranty deposits were estimated to have future cash flows close to carrying amounts, so the book values are determined to be fair values.

c. Gains or losses recognized due to the changes in fair value of derivatives estimated using valuation techniques were NT$210 thousands and NT$140 thousands for the years 2011 and 2010, respectively.

d. As of December 31, 2011 and 2010, the parent company's financial assets exposed to fair value risk arising from interest rate changes were NT$0 and NT$ 24,612 thousands, respectively.

e. In 2011 and 2010, the parent company and its subsidiaries' financial instruments not valuated by fair market values and gains/losses not recognized through market value changes generate interest incomes amounting to NT$6,753 thousand and NT$7,320 thousands, and bear interest expenses of NT$292 thousands and NT$289 thousands, respectively. The parent company and its subsidiaries recognized unrealized losses for available-for-sale financial assets amounting to NT$7,079 thousands and NT$9,838 thousands, respectively, for 2011 and 2010, under shareholder's equity. The amounts removed from shareholders' equity to loss accounts are NT$10,460 thousands and NT$9,965 thousands, respectively, for 2011 and 2010.

f. Information about financial risk

1. Market risk. The public-traded stocks categorized as "financial assets at fair value through profit or loss" are exposed to market risk. The derivative financial instruments categorized as "financial assets/liabilities at fair value through profit or loss" are mainly used to hedge the exchange rate fluctuations of foreign-currency-denominated assets and liabilities. Therefore, the market risk of derivatives will be offset by the foreign exchange risk of these assets and liabilities.

   Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities. Therefore, the fluctuations in market interest rates would result in changes in fair values of these debt securities.

2. Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter parties or third parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter parties or third parties to the foregoing financial instruments are reputable financial institutions, business organizations, and government agencies. Management believes that the Company's exposure to default by those parties is low.

3. Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments. The financial assets held by the parent company and its subsidiaries, except for those whose impairment losses being accrued, have slim risks not able to sell in the markets, therefore the liquidity risk is low.

   The forward contracts engaged by the parent company and its subsidiaries are expected to incur cash outflow of USD2 million and cash inflow of NT$60,439 thousands during January 17 to February 20, 2012. Since the contract strike rates were fixed, there expected to be no major cash flow risks.

NOTE 18: RELATED PARTY TRANSACTIONS

1. Names and Relationship between Related Parties

Related Parties	Relationship with DFI
DFI Technologies, LLC. (DFI-TECH)	The general manager is brother of DFI's chairman.

2. Major Transactions with DFI-TECH:

NT$000

	2011		2010	
	Amount	%	Amount	%
Sales	$ 158,429	9	$ 66,973	4
Purchases	3,220	-	1,051	-
Operating Expenses	325	-	72	-
Non-operating Income	509	3	339	1
Receivable from affiliate-				
Trade Debtor	$31,834	98	$ 8,733	100
Other Receivable	531	2	-	-
	$ 32,365	100	$ 8,733	100
Payable to affiliate-				
Accrued expenses	-	-	19	100

DFI

The prices of related party sales are not significantly different from sales to third parties except custom-design motherboards, which need to conform to customers' specifications. Parent company's terms of sales to affiliates are open account 60-90 days, compared to that of non-affiliates which are 30-60 days. Subsidiaries' terms of sales to affiliates are 30 days after receipt of goods, compared to that of third parties, which are 45 days after invoice dates. Purchase payment terms from affiliates are 60 days after receipt of goods while 45 days after invoice dates for third parties.

3. Remuneration of Directors, Supervisors and Executives

	2011	2010
Salary	$ 10,357	$ 10,401
Year-end bonus	3,255	2,018
Employee bonus	2,099	901
	$ 15,711	$ 13,320

The employee bonus is accrued pursuant to Article of Incorporation and the percentage therein. The actual distribution may be different from the accrual.

NOTE 19: MORTGAGED or PLEDGED ASSETS

The following assets have been mortgaged or pledged to banks as guarantee deposits for employment of foreign labors, lawsuit and financing facilities:

	2011	2010
Pledged time deposits	$ 5,500	$ 14,900
Confined assets	2,965	2,965
	$ 8,465	$ 17,865

NOTE 20: EXCHANGE RATES FOR FOREIGN CURRENCY FINANCIAL ASSETS AND LIABILITIES

Major financial assets or liabilities in foreign currencies:

Foreign currency/NT dollar: Thousand

	December 31, 2011			December 31, 2010		
	Foreign Currency	Exchange Rate	NT$	Foreign Currency	Exchange Rate	NT$
Financial Assets						
Monetary items						
USD	$ 23,862	30.21	$ 720,882	$ 24,153	29.13	$ 703,589
EURO	1,297	39	50,595	610	38.603	23,567
JP Yen	485,016	0.3875	187,943	276,042	0.3559	98,243
HK$	5,868	3.865	22,679	355	3.718	1,318
RMB	289	4.69	1,354	4	4.349	19
Non-Monetary Item						
USD	$ 389	34.6	$ 13,454	$ 389	29.13	$ 11,327
Financial Liabilities						
Monetary items						
USD	$ 3,415	30.21	$ 103,166	$ 2,335	29.13	$ 68,014
EURO	99	39	3,864	102	38.603	3,955
JP Yen	38,161	0.3875	14,787	42,534	0.3559	15,138
HK$	2,651	3.865	10,245	6,491	3.718	24,134

NOTE 21: ADDITIONAL DISCLOSURES

1. Major transactions and investments:

a. Loan to others: none
b. Guarantee for others: none
c. Negotiable securities at end of year: see appendix 1
d. Buying or selling same negotiable security accumulated to NT$100m or 20% of capital: see appendix 2
e. Acquiring fixed assets amounted to NT$100m or 20% of capital: none
f. Disposing fixed assets amounted to NT$100m or 20% of capital: none
g. Purchases from or sales to related-parties amounted to NT$100m or 20% of capital: see appendix 3
h. Receivables from related-parties amounted to NT$100m or 20% of capital: none
i. Information of investment: Name of companies, location…etc.: see appendix 4
j. Derivatives transaction: see footnotes 5 and 17.

2. Information concerning investment in China:
   1) The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see appendix 5.

   2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see appendix 6-1.

3. Parent-subsidiaries business relationship and major transactions: see appendix 6

NOTE 22: DEPARTMENTAL INFORMATION

a. The Company's only reportable segment is the industry PC segment. The industry PC segment engages mainly in the design, development, manufacturing and selling of industry PC.

   The Company uses the operating profit as the measurement for segment profit and the basis of performance assessment. There was no inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 2

b. Industry financial information

	Department Revenue		Department Profit/Loss	
	2011	2010	2011	2010
Major Department	$1,772,928	$1,735,652	$206,511	$216,922
Other Department	11,149	17,540	13,068	9,650
Department total	$1,784,077	$1,753,192	$219,579	$226,572
Interest Income			4,705	3,924
Gain from reversal of bad debt			-	1,885
Other Income			7,261	14,391
Gain on disposal of fixed assets			1,767	133
Exchange gain(loss)			27,771	(37,480)
Interest expenses			(292)	(289)
Other losses			(21)	(278)
Net income before tax			$260,770	$208,858

Reported revenue and income above include only transactions to external customers. There is no inter-department transaction.

Department profit (loss) subtotal excludes investment income recognized through equity method, interest income, other income, gain on disposal of fixed assets, exchange gain (loss) and income taxes.

These measurements will be used by decision maker to allocate resources and performance evaluation.

c. Department Assets:

	2011	2010
Major Department	$1,912,891	$1,864,429
Other Department	1,269,352	1,277,657
Total Assets	$3,182,243	$3,142,086

d. Net Sales from Major Products:

	2011	2010
Industrial Motherboard and System	$1,658,591	$1,663,309
Others	125,486	89,883
	$1,784,077	$1,753,192

e. Geographic Information:
The major regions the Company engage in their business are America, Europe and Asia.

The revenue and non-current assets employed in each region are:

	Revenue from external customer		Non-current Assets	
	2011	2010	2011	2010
America	$467,906	$380,750	$178,252	$178,188
Europe	385,498	317,547	199	385
Asia	930,673	1,054,895	179,365	183,505
	$1,784,077	$1,753,192	$357,816	$362,078

Non-current assets exclude held for sale assets, financial instruments, deferred income tax assets, pension assets and assets arising from insurance contracts.

f. Major Customers:
The largest customer of the consolidated entity contributes revenue of NT$158,429 thousands and NT$157,458 thousands out of the total direct sales revenue of NT$1,658,591 thousands and NT$1,663,309 thousands, respectively, for 2011 and 2010. There is no single customer represents over 10% of total revenue.

NOTE 23: PRE-DISCLOSURE OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

According to the Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company is required to provide pre-disclosure regarding the adoption of the International Financial Reporting Standards (IFRSs) in the consolidated financial statements as follows.

a. On May 14, 2009, the FSC announced the roadmap of IFRSs adoption for R.O.C. companies. Starting from 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare for the consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, International Accounting Standards (IASs), interpretations and related guidance translated by Accounting Research and Development Foundation (ARDF) and issued by the FSC. Due to aforementioned amendments, the Company established a taskforce to monitor and execute the IFRSs adoption plan. The important plan items, responsible divisions and plan progress are listed as follows.

Plan Item	**Responsible Division**	**Progress**
1. Establish the IFRSs taskforce	Accounting Division	Completed

2. Establish IFRSs adoption plan	Accounting Division	Completed
3. Complete the identification of differences between current GAAP and IFRSs	Accounting Division	Completed
4. Complete the identification of consolidated entities under IFRSs	Accounting Division	Completed
5. Evaluate potential impact from adoption of IFRSs no.1 with the exemption for first adoption.	Accounting Division	Completed
6. Complete evaluation, configuration and testing of the IT systems	Accounting division and IT Division	Completed
7. Complete modification to the relevant internal controls	Accounting Division, IT and Internal Audit Division	Completed
8. Choose IFRSs accounting policy	Accounting Division, IT and related divisions.	Completed
9. Decide the exemptions allowed in IFRSs no.1	Accounting Division	Completed
10. Prepare Statement of Financial Position as of opening date under IFRSs.	Accounting Division	In Progress
11. Prepare comparative financial information under IFRSs for 2012	Accounting Division	In progress
12. Complete the adjustments to internal control	IT, Accounting and Internal Audit Divisions.	In Progress

b. As of December 31, 2011, from the Company's assessment, the significant differences between the Company's current accounting policies under R.O.C. GAAP and the ones under IFRSs are stated as follows:

Classifications of deferred income tax asset/liability and valuation allowance

Under R.O.C. GAAP, a deferred tax asset or liability is classified as current or non-current 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, it is classified as either current or non-current based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as non-current asset or liability.

In addition, under R.O.C. GAAP, valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

Employee benefits

The Company had previously applied an actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation in conformity with R.O.C. GAAP. Under IFRSs, the Company should carry out actuarial valuation on defined benefit obligation in accordance with IAS No. 19, "Employee Benefits."

Under R.O.C. GAAP, it is not allowed to recognize actuarial gains and losses from defined benefit plans directly to equity; instead, actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees.

Under IAS No. 19, "Employee Benefits," the Company will recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

Cumulative Translation Adjustments

The first adopter may choose to set all translation adjustments of foreign operating entities to zero at the adoption date. The gain or loss on subsequent disposition of the foreign operating entities should include translation adjustments after the IFRSs adoption. Those translation adjustments exist before adoption date should be excluded.

Functional Currency of Foreign Operating Entity

Under current GAAP, the judgment of functional currency of foreign operating entity mainly relies on that if the currency is main currency used to make business decisions and payment/receipt.

Under IFRSs, more consideration taken including that if the foreign operating entity is the extension of reporting entity.

Goodwill

Under ROC GAAP, goodwill and adjustments of assets/liabilities arising from merger and acquisition are deemed as assets/liabilities of consolidated entity. While under IFRSs, they should be treated as assets/liabilities of the foreign operating entity. And those assets/liabilities shall be presented with functional currencies of foreign operating entities and translated with the period-end exchange rates.

Income Tax Accounting on Asset transfer between Group Companies

Under IFRSs, income tax arising from asset transfer between group companies shall be recognized and the deferred income taxes will be accrued based on the buyers' income tax rates.

Time Deposits with Maturity Over Three Months

Under IFRSs, the time deposits with maturity over three months will be reclassified from Cash and Cash Equivalents to Other Financial Assets.

c. The Company's aforementioned assessment is based on the 2010 version of IFRSs translated by ARDF and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by FSC on December 22, 2011. However, the assessment result may be impacted by the addition or the amendment of IFRSs issued or proposed by International Accounting Standards Board and the possible future rules issued by R.O.C. authorities governing the adoption of IFRSs by companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market.