TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

For the convenience of readers and for information purpose only, 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Report of Independent Accountants

PWCR10000437

To the Board of Directors and Stockholders of Transcend Information, Inc.

We have audited the accompanying consolidated balance sheets of Transcend Information, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, of changes in stockholders' equity and of 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 financial statements based on our audits. We did not audit the financial statements of Transcend Information Inc. (USA) and Transcend Information Trading GmbH, Hamburg, wholly-owned subsidiaries, which statements reflect total assets of NT$695,971 thousand and NT$723,638 thousand, constituting 4 percent and 3 percent of the related consolidated totals, as of December 31, 2010 and 2009, respectively, and total revenues of NT$4,036,449 thousand and NT$4,362,464 thousand, both constituting 13 percent of the related consolidated totals, for the years then ended, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Transcend Information Inc. (USA) and Transcend Information Trading GmbH, Hamburg, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards 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 the 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 above present fairly, in all material respects, the financial position of Transcend Information, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, effective January 1, 2009, the Company and its subsidiaries adopted the amendments to R.O.C. SFAS No. 10, “Accounting for Inventories”.

March 15, 2011
Taipei, Taiwan
Republic of China

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4(1))	$ 5,838,294	$ 7,335,309
Financial assets at fair value through profit or loss-current (Note 4(2))	500,517	681,232
Notes receivable, net	1,994	8,150
Accounts receivable – third parties, net (Note 4(3))	2,737,463	3,541,608
Accounts receivable – related parties, net (Note 5)	173,589	215,866
Other receivables (Note 4(4))	1,799,892	260,826
Inventories, net (Note 4(5))	3,263,036	4,312,281
Other current assets (Note 4(10))	120,450	143,312
	14,435,235	16,498,584
Funds and Investments (Notes 4(6), 4(7) and 6)		
Available-for-sale financial assets-noncurrent	177,940	212,690
Financial assets carried at cost-noncurrent	875,055	800,475
Other fnancial assets – non-current	2,913	3,199
	1,055,908	1,016,364
Property, Plant and Equipment, net (Notes 4(8) and 6)		
Cost		
Land	893,754	891,726
Buildings	2,014,291	2,086,069
Machinery	719,239	699,512
Transportation equipment	22,596	25,211
Furniture and fixtures	47,420	75,252
Miscellaneous equipment	245,283	77,174
Cost and revaluation increments	3,942,583	3,854,944
Less: Accumulated depreciation	(715,684)	(633,736)
Construction in progress and prepayments for equipment	617,978	298,733
	3,844,877	3,519,941
Intangible Assets		
Deferred pension costs (Note 4(12))	15	17
Other intangible assets (Note 4(9))	112,948	120,410
	112,963	120,427
Other Assets		
Refundable deposits	21,597	19,777
Other assets - other	12,839	2,373
Total other assets	34,436	22,150
	$ 19,483,419	$ 21,177,466

	2010	2009
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable	$ 47,969	$ 49,789
Accounts payable	1,304,974	918,606
Income tax payable (Note 4(10))	51,857	766,707
Accrued expenses (Note 5)	401,023	599,033
Long-term liabilities – current portion (Note 4(11))	356,588	-
Other current liabilities	57,675	57,009
	2,220,086	2,391,144
Long-term Liabilities		
Bonds payable (Note 4(11))	-	455,464
Other Liabilities		
Accrued pension liabilities (Note 4(12))	18,146	20,462
Deferred income tax liabilities – non - current (Note 4(10))	215,115	166,681
Other liabilities - other	28,755	17,325
	262,016	204,468
Total Liabilities	2,482,102	3,051,076
Stockholders' Equity		
Capital (Note 4(13))		
Common stock	4,254,767	4,238,603
Capital reserve (Notes 4(11)(14))		
Paid-in capital in excess of par value of common stock	4,640,971	4,536,079
Capital surplus from donated assets	4,106	4,106
Capital surplus from merger	35,128	35,128
Capital reserve from stock warrants	37,344	48,700
Retained Earnings (Note 4(15))		
Legal reserve	2,014,650	1,579,239
Undistributed earnings	5,927,785	7,432,740
Other Stockholders' Equity Adjustments		
Unrealized gain or loss on financial instruments (Note 4(6))	99,940	134,690
Cumulative translation adjustments	(8,649)	123,271
Unrecognized pension cost (Note 4(12))	(4,725)	(6,166)
Total Stockholders' Equity	17,001,317	18,126,390
Commitments and Contingent Liabilities (Notes 5 and 7)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 19,483,419	$ 21,177,466

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 15, 2011.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS
EXCEPT FOR EARNINGS PER SHARE AMOUNT)

	2010	2009
Operating Revenue		
Sales	$ 32,652,503	$ 35,155,551
Less: Sales returns	(227,363)	(318,003)
Sales discounts	(239,516)	(420,750)
Net sales (Note 5)	32,185,624	34,416,798
Operating Costs		
Cost of goods sold (Notes 4(5)(18) and 5)	(28,371,150)	(27,297,260)
Gross profit	3,814,474	7,119,538
Operating Expenses (Note 4(18))		
Sales and marketing expenses	(1,055,506)	(1,216,094)
General and administrative expenses	(391,532)	(395,483)
Research and development expenses	(134,682)	(151,661)
Total Operating Expenses	(1,581,720)	(1,763,238)
Operating income	2,232,754	5,356,300
Non-operating Income and Gains		
Interest income (Note 4 (4))	44,488	20,339
Gain on valuation of financial assets (Note 4 (2))	3,874	22,488
Gain on valuation of financial liabilities (Note 4(2))	-	157,744
Dividend income	14,867	5,220
Foreign exchange gain, net	-	53,264
Other non-operating income (Note 5)	61,888	51,809
Non-operating Income and Gains	125,117	310,864
Non-operating Expenses and Losses		
Interest expense	(8,733)	(21,138)
Loss on valuation of financial liabilities (Note 4 (2))	(109,053)	-
Foreign exchange loss, net	(285,506)	-
Other non-operating losses	(4,774)	(11,279)
Non-operating Expenses and Losses	(408,066)	(32,417)
Income from continuing operations before income tax	1,949,805	5,634,747
Income tax expense (Note 4(10))	(474,449)	(1,280,639)
Consolidated net income	$ 1,475,356	$ 4,354,108
Attributable to:		
Equity holders of the Company	$ 1,475,356	$ 4,354,108

	2010 Before income tax	2010 After income tax	2009 Before income tax	2009 After income tax
Basic earnings per share (in dollars)				
Consolidated net income (Note 4(17))	$ 4.59	$ 3.48	$ 13.48	$ 10.42
Diluted earnings per share (in dollars)				
Consolidated net income (Note 4(17))	$ 4.59	$ 3.47	$ 12.89	$ 9.88

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

See report of independent accountants dated March 15, 2011.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Common Stock	Capital Reserve	Retained Earnings: Legal Reserve	Retained Earnings: Undistributed Earnings	Unrealized Gain or Loss on Financial Instruments	Cumulative Translation Adjustments	Unrecognized Pension Cost	Total
2009								
Balance at January 1, 2009	$ 3,945,430	$ 4,269,520	$ 1,354,535	$ 4,646,736	$ -	$ 207,927	($ 4,459)	$ 14,419,689
Capitalization of capital reserve	157,820	(157,820)	-	-	-	-	-	-
Appropriations of 2008 earnings: (Note A)								
Legal reserve	-	-	224,704	(224,704)	-	-	-	-
Stock dividends	40,400	-	-	(40,400)	-	-	-	-
Cash dividends	-	-	-	(1,303,000)	-	-	-	(1,303,000)
Conversion of bonds payable to capital stock	81,845	432,163	-	-	-	-	-	514,008
Employees’ stock bonus	12,308	72,325	-	-	-	-	-	84,633
Employees’ stock options exercised	800	7,825	-	-	-	-	-	8,625
Cumulative translation adjustments	-	-	-	-	-	(84,656)	-	(84,656)
Unrealized loss on available-for-sale Financial assets	-	-	-	-	134,690	-	-	134,690
Unrecognized pension cost	-	-	-	-	-	-	(1,707)	(1,707)
Consolidated net income for 2009	-	-	-	4,354,108	-	-	-	4,354,108
Balance at December 31, 2009	$ 4,238,603	$ 4,624,013	$ 1,579,239	$ 7,432,740	$ 134,690	$ 123,271	($ 6,166)	$ 18,126,390
2010								
Balance at January 1, 2010	$ 4,238,603	$ 4,624,013	$ 1,579,239	$ 7,432,740	$ 134,690	$ 123,271	($ 6,166)	$ 18,126,390
Appropriations of 2009 earnings:(Note B)								
Legal reserve	-	-	435,411	(435,411)	-	-	-	-
Cash dividends	-	-	-	(2,544,900)	-	-	-	(2,544,900)
Conversion of bonds payable to capital stock	15,584	87,863	-	-	-	-	-	103,447
Employees’ stock options exercised	580	5,673	-	-	-	-	-	6,253
Unrealized loss on available-for-sale Financial assets	-	-	-	-	(34,750)	-	-	(34,750)
Unrecognized pension cost	-	-	-	-	-	-	1,441	1,441
Cumulative translation adjustments	-	-	-	-	-	(131,920)	-	(131,920)
Consolidated net income for 2010	-	-	-	1,475,356	-	-	-	1,475,356
Balance at December 31, 2010	$ 4,254,767	$ 4,717,549	$ 2,014,650	$ 5,927,785	$ 99,940	($ 8,649)	($ 4,725)	$ 17,001,317

Note A: Directors’ and supervisors’ remuneration of $2,700 and employees’ bonus of $141,055 for 2008 had been deducted from the consolidated statement of income.

Note B : Directors’ and supervisors’ remuneration of $5,100 and employees’ bonus of $130,623 for 2009 had been deducted from the consolidated statement of income.

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

See report of independent accountants dated March 15, 2011.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2010	2009
Cash flows from operating activities		
Consolidated net income	$ 1,475,356	$ 4,354,108
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Gain on valuation of financial assets	(3,874)	(22,488)
Loss (gain) on valuation of financial liabilities	109,053	(157,744)
Bad debts expense	4,577	21,132
Loss (gain) on market price decline (recovery) of inventory	22,423	(649,242)
Depreciation	182,256	186,215
(Gain) loss on disposal of property, plant and equipment	(453)	11,063
Amortization	3,090	3,633
Amortization of discount on bonds payable	8,715	18,340
Changes in assets and liabilities:		
Financial assets at fair value through profit or loss	69,841	(80,865)
Notes and accounts receivable	846,313	(1,321,961)
Other receivables	(39,066)	(84,978)
Inventories	1,026,823	1,711,317
Prepayments	24,862	147,985
Deferred income tax assets and liabilities	31,219	160,526
Other current assets	15,501	(26,600)
Notes and accounts payable	384,548	(343,915)
Income tax payable	(714,850)	300,641
Accrued expenses	(198,010)	(61,786)
Other current liabilities	666	33,800
Accrued pension liabilities	(873)	(1,415)
Net cash provided by operating activities	3,248,117	4,197,766

(Continued)

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2010	2009
Cash flows from investing activities		
Increase in other receivables - loan	($ 1,500,000)	$ -
Proceeds from disposal of available-for-sale financial assets	1,550	-
Increase in financial assets carried at cost	(74,580)	(39,350)
Acquisition of property, plant and equipment	(560,920)	(426,204)
Proceeds from disposal of property, plant and equipment	56,196	53,221
Increase in refundable deposits	(1,820)	(10,000)
Increase in other assets-other	(6,421)	(30)
Net cash used in investing activities	(2,085,995)	(422,363)
Cash flows from financing activities		
Decrease in short-term bank loans	-	(272,700)
Decrease in long-term bank loans	-	(53,198)
Payment of cash dividends	(2,544,900)	(1,303,000)
Employees' stock options exercised	6,253	8,625
Increase in other liabilities - other	11,430	6,417
Net cash used in financing activities	(2,527,217)	(1,613,856)
Effect of foreign exchange rate changes	(131,920)	(84,656)
Net (decrease) increase in cash and cash equivalents	(1,497,015)	2,076,891
Cash and cash equivalents at the beginning of year	7,335,309	5,258,418
Cash and cash equivalents at the end of year	$ 5,838,294	$ 7,335,309
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ -	$ 2,301
Income tax	$ 1,158,080	$ 827,187
Financing activities which have no effect on cash flows:		
Unpaid cash dividends	$ 297	$ 8
Conversion of bonds payable to capital stock (Including conversion premium)	$ 103,447	$ 514,008

The accompanying notes are an integral part of these financial statements.

See report of independent accountants dated March 15, 2011.

TRANSCEND INFORMATION, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS INDICATED)

1. HISTORY AND ORGANIZATION

1) Transcend Information, Inc. (the "Company") was incorporated under the Company Law of the Republic of China (R.O.C.) in August 1989. The main activities of the Company are manufacturing, processing and the sale of computer software and hardware, peripheral equipment and other computer components.

The Securities and Futures Commission of the Republic of China had approved the Company's shares to be listed on the Taiwan Stock Exchange and the shares started trading on May 3, 2001. As of December 31, 2010, the Company and its subsidiaries had approximately 2,000 employees.

2) Consolidated subsidiaries:

			Ownership percentage as of	
Name	Relationship	Main activities	Dec. 31, 2010	Dec. 31, 2009
Saffire Investment Ltd. (Saffire)	Note a	Investment holding company	100%	100%
Transcend Japan Inc. (Transcend Japan)	〃	Wholesaler of computer memory modules and peripheral products	〃	〃
Transcend Information UK Limited (Transcend UK)	〃	〃	〃	〃
Transcend Information Inc. (Transcend USA)	〃	〃	〃	〃
Transcend Korea Inc. (Transcend Korea)	〃	〃	〃	〃
Memhiro Pte. Ltd. (Memhiro)	Note b	Investment holding company	〃	〃
Transcend Information Europe B.V. (Transcend Europe)	Note c	Wholesaler of computer memory modules and peripheral products	〃	〃
Transcend Information Trading GmbH, Hamburg (Transcend Germany)	〃	〃	〃	〃

Name	Relationship	Main activities	Ownership percentage as of Dec. 31, 2010	Dec. 31, 2009
Transcend Information (Shanghai), Ltd. (Transcend Shanghai)	Note c	Manufacturing, processing and sale of computer software and hardware, peripheral equipment and other computer components	100%	100%
Transtech Trading (Shanghai) Co., Ltd. (Transtech Shanghai)	〃	Wholesaler of computer memory modules, peripheral equipment and other computer components	〃	〃
Transcend Information Maryland, Inc. (Transcend MD)	Note d	Wholesaler of computer memory modules and peripheral products	-	〃

Note: a. Subsidiaries of the Company.
b. Subsidiary of Saffire.
c. Subsidiaries of Memhiro.
d. Subsidiary of Transcend Europe was liquidated in 2010.

3) Non-consolidated subsidiaries: None.

4) Adjustment for subsidiaries with difference balance sheet dates: None.

5) Special operating risks in foreign subsidiaries: None.

6) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

7) Contents of subsidiaries’ securities issued by the parent company: None.

8) Information on convertible bonds and common stock issued by subsidiaries: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and accounting principles generally accepted in the Republic of China. The Group's significant accounting policies are summarized below:

1) Basis for preparation of consolidated financial statements

A. All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares consolidated financial statements on a quarterly basis.

B. Significant inter-company transactions and assets and liabilities arising from inter-company transactions are eliminated.

2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollars using the exchange rates at the balance sheet date. Equity accounts are translated at historical exchange rates except for beginning retained earnings, which are carried forward from prior year's balance. Profit and loss accounts are translated at weighted-average rates of the year. The resulting translation differences are included in "cumulative translation adjustments" under stockholders' equity.

3) Cash and cash equivalents

Cash and cash equivalents include:

A. Cash on hand and in banks and other short-term highly liquid investments which are readily convertible to known amount of cash.

B. Short-term highly liquid investments which are subject to insignificant risk of changes in value resulting from fluctuations in interest rates.

The Group's statement of cash flows is established on the basis of cash and cash equivalents.

4) Foreign currency transactions

A. The Company and its subsidiaries maintain their accounts in New Taiwan dollars and their functional currencies, respectively. Transactions denominated in foreign currencies are translated into New Taiwan dollars and their functional currencies at the spot exchange rates prevailing at the transaction dates.

B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss.

C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;

b) Assets held mainly for trading purposes;

c) Assets that are expected to be realized within twelve months from the balance sheet date;

d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

a) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

b) Liabilities arising mainly from trading activities;

c) Liabilities that are to be paid off within twelve months from the balance sheet date;

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

6) Financial assets and financial liabilities at fair value through profit or loss

A. Financial assets and financial liabilities at fair value through profit or loss are recognized and derecognized using trade date accounting and are recognized initially at fair value.

B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of closed-end mutual funds is based on latest quoted fair prices of the accounting period. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date.

C. When a derivative is an ineffective hedging instrument, it is initially recognized at fair value on the date a derivative contract is entered into and is subsequently remeasured at its fair value. If a derivative is a non-option derivative, the fair value initially recognized is zero.

D. For call options, put options, resetting options and conversion options, which are embedded in bonds payable, please refer to Note 2 (14).

7) Allowance for doubtful accounts

Allowance for doubtful accounts is provided according to the evaluation of the collectibility of notes, accounts and other receivables, taking into account the bad debts incurred in prior years and the aging analysis of the receivables.

8) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are measured using the moving average method. Fixed manufacturing overhead must be allocated on the basis of the normal capacity of the production equipment. If production fluctuates over interim periods, the cost variances resulting from such fluctuation should be considered as a deferral in the interim financial statements. At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value should be based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

9) Available-for-sale financial assets

A. Available-for-sale financial assets are recognized and derecognized using trade date accounting and are initially stated at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

B. The financial assets are remeasured and stated at fair value, and the gain or loss is recognized in equity, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. The fair value of listed stocks and OTC stocks are based on latest quoted fair prices of the accounting period.

C. If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be transferred from equity to profit or loss. When the fair value of an equity instrument subsequently increases, impairment losses recognized previously in profit or loss shall not be reversed. When the fair value of a debt instrument subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss recognized in profit or loss.

10) Financial assets carried at cost

A. Investment in unquoted equity instruments is recognized or derecognized using trade date accounting and is stated initially, at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

B. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss shall not be reversed when the fair value of the asset subsequently increases.

11) Property, plant and equipment

A. Property, plant and equipment are stated at cost. Interests incurred on the loans used to bring the assets to the condition and location necessary for their intended uses are capitalized.

B. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Fully depreciated assets still in use are depreciated based on the salvage value over the remaining useful lives of the assets. The estimated useful lives are 2 to 55 years for buildings and 2 to 10 years for the other property, plant and equipment.

C. Transcend USA calculates depreciation using the straight-line method for buildings and the double declining balance method for the other property, plant and equipment. The estimated useful life of property, plant and equipment is 5 to 7 years, except for buildings.

D. Significant renewals or betterments are capitalized and depreciated accordingly. Maintenance and repairs are charged to expense as incurred.

E. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current income.

F. Property, plant and equipment that are idle or have no value in use are reclassified to "other assets" at the lower of the fair value less costs to sell or book value. The resulting difference is included in current operations. Depreciation provided on these assets is charged to non-operating expense.

12) Intangible assets

Intangible assets include royalties paid for land use right of Transcend Shanghai and are amortized over the contract period of 50 years using the straight-line method.

13) Impairment of non-financial assets

The Group recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered.

14) Convertible bonds

A. For the bonds payable issued after January 1, 2006, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. These bonds are accounted for as follows:

a) The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date using the interest method and is recorded as "interest expense".

b) The value of any derivative features (such as a call option, put option and resetting option) embedded in the compound financial instrument is recognized as "financial assets or financial liabilities at fair value through profit or loss". These derivative features are subsequently remeasured and stated at fair value on each balance sheet date, and the gain or loss is recognized in "gain or loss on valuation of financial assets or financial liabilities".

At the maturity of redemption period, if the fair value of common stock exceeds the redemption price, the fair value of the put option is recognized as "paid-in capital"; however, if the fair value of common stock is lower than the redemption price, the fair value of the put option is recognized as "gain or loss". The amount of fair value reduction due to the reset of conversion price is recognized in "stockholders' equity".

c) A conversion option embedded in the bonds issued by the Company, which is convertible to an equity instrument, is recognized in "capital reserve from stock warrants". When a bondholder exercises his/her conversion rights, the liability component of the bonds (including corporate bonds and embedded derivatives) shall be revalued at fair value on the conversion date, and the resulting difference shall be recognized as "gain or loss" in the current period. The book value of the common stock issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of the stock warrants.

d) Costs incurred on issuance of convertible bonds are proportionally charged to the liabilities and equities of the underlying instruments based on initial recognition costs.

B. If the difference between payment amount before the maturity date and the book value at liquidation date is significant, it should be recognized as extraordinary gain or loss in the current period.

C. In the event that the bondholders may exercise put options within the following year, the underlying bonds payable shall be reclassified to current liabilities. The bonds payable whose put options are unexercised during the exercisable period shall be reversed to non-current liabilities.

15) Pension plan

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 20 years. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

16) Income tax

A. Provision for income tax includes deferred income tax resulting from temporary differences, investment tax credits and loss carryforward. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefit will not be realized. Over or under provision of prior years' income tax liabilities is included in current year's income tax.

B. Investment tax credits arising from expenditures incurred on acquisitions of equipment or technology, research and development, are recognized in the year the related expenditures are incurred.

C. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

D. When a change in the tax laws is enacted, the deferred tax liability or asset should be recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, should be recognized as an adjustment to income tax expense (benefit) for income from continuing operations in the current period.

17) Share-based payment — employee compensation plan

A. The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072 “Accounting for Employee Stock Options” as prescribed by the Accounting Research and Development Foundation, R.O.C., dated March 17, 2003. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share are prepared in accordance with the R.O.C. SFAS No. 39, “Accounting for Share-based Payment”.

B. For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

18) Employees’ bonuses and directors’ and supervisors’ remuneration

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration”, the costs of employees’ bonuses and directors’ and supervisors’ remuneration are accounted for as expenses and liabilities, provided that such a recognition is required under legal or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees’ bonuses, and directors’ and supervisors’ remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders’ meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, “Criteria for Listed Companies in Calculating the Number of Shares of Employees’ Stock Bonus”, the Company calculates the number of shares of employees’ stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders’ meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

19) Revenues and expenses

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

20) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates and assumptions.

3. CHANGES IN ACCOUNTING PRINCIPLES

Effective January 1, 2009, the Group adopted the amendments to R.O.C. SFAS No. 10, "Accounting for Inventories". As a result of this change of accounting principle, net income decreased by $18,770 and earnings per share decreased by $0.04 (in dollars) for the year ended December 31, 2009.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31, 2010	December 31, 2009
Petty cash and cash on hand	$ 841	$ 904
Checking and savings deposits	3,822,763	5,208,488
Time deposits	2,014,690	2,124,118
Cash equivalents – bonds purchased with resale agreement	-	1,799
	$ 5,838,294	$ 7,335,309

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

	December 31, 2010	December 31, 2009
Financial assets held for trading		
Beneficiary certificates	$ 500,000	$ 499,048
Bonds	-	62,666
Adjustment of financial assets held for trading	148	5,951
	$ 500,148	$ 567,665
Financial liabilities held for trading		
Derivative financial liabilities	(14,092)	(18,381)
Adjustment of financial liabilities held for trading	14,461	131,948
	369	113,567
	$ 500,517	$ 681,232

The Group recognized net loss of $105,179 and net gain of $180,232 for the years ended December 31, 2010 and 2009, respectively.

3) Accounts receivable

	December 31,	
	2010	2009
Accounts receivable	$ 2,762,331	$ 3,572,971
Less: Allowance for doubtful accounts	(24,868)	(31,363)
	$ 2,737,463	$ 3,541,608

As of December 31, 2010 and 2009, the Group reclassified uncollectible accounts receivable in the amount of $52,151 and $56,444, respectively, to other assets-others and fully provided with allowance for doubtful accounts in the amount of $52,151 and $55,824, respectively.

4) Other receivables

The Board of Directors of the Company adopted a resolution on April 9, 2010 to grant a loan in the amount of $1,500,000 to its major supplier – Powerchip Technology Corp. for a period of one year. The interest rate on the loan is 2.5% per annum. Interest is payable on a quarterly basis. Powerchip Technology Corp. pledged 126,690 thousand shares of Rexchip Electronics Corp.'s common stock it held as collateral to the Company. The value of those shares was equivalent to the amount of the loan.

5) Inventories

	December 31, 2010		
	Cost	Allowance	Book value
Raw materials	$ 1,609,617	($ 32,074)	$ 1,577,543
Work in process	397,037	(4,346)	392,691
Finished goods	1,324,565	(31,763)	1,292,802
	$ 3,331,219	($ 68,183)	$ 3,263,036

	December 31, 2009		
	Cost	Allowance	Book value
Raw materials	$ 2,203,156	($ 27,964)	$ 2,175,192
Work in process	318,014	(2,408)	315,606
Finished goods	1,837,092	(15,609)	1,821,483
	$ 4,358,262	($ 45,981)	$ 4,312,281

Expense and loss incurred on inventories for the years ended December 31, 2010 and 2009 were as follows:

	For the year ended December 31, 2010	For the year ended December 31, 2009
Cost of inventories sold	$ 28,348,727	$ 27,946,502
Loss on market price decline	22,423	-
Gain from price recovery (Note)	-	(649,242)
	$ 28,371,150	$ 27,297,260

Note : The gain from price recovery in 2009 was mainly due to the increase in price of raw materials and the positive actions taken in dealing with inventory obsolescence. The total gain from price recovery was $672,704, while the total loss on market price decline was $23,462 under the individual item approach.

6) Available-for-sale financial assets - noncurrent

	December 31,	
	2010	2009
Listed (OTC) stock - Alcor Micro Corp.	$ 78,000	$ 78,000
Adjustment of available-for-sale financial assets	99,940	134,690
	$ 177,940	$ 212,690

7) Financial assets carried at cost - noncurrent

Investee company	December 31,	
	2010	2009
Listed (OTC) stock - Taiwan IC Packaging Corp.	$ 640,000	$ 640,000
Listed (OTC) stock - Alcor Micro Corp.	159,350	159,350
Listed (OTC) stock – Hitron Tech. Inc.	44,580	-
Unlisted stock– Skyviia Corp.	30,000	-
Unlisted stock - Dramexchange Tech. Inc.	1,125	1,125
	$ 875,055	$ 800,475

Private equity investments in Alcor Micro Corp., Taiwan IC Packaging Corp. and Hitron Tech. Inc. are not allowed to be transferred three years after the trade date. The investment in Dramexchange Tech. Inc. and Skyviia Corp. were measured at cost since its fair value cannot be quoted in an active market and the fair value cannot be measured reliably.

8) Property, plant and equipment

Item	December 31, 2010 Initial cost	Accumulated depreciation	Net book value
Land	$ 893,754	$ -	$ 893,754
Buildings	2,014,291	(396,715)	1,617,576
Machinery	719,239	(238,183)	481,056
Transportation equipment	22,596	(14,566)	8,030
Furniture and fixtures	47,420	(28,597)	18,823
Miscellaneous equipment	245,283	(37,623)	207,660
Construction in progress and prepayments for equipment	617,978	-	617,978
	$ 4,560,561	($ 715,684)	$ 3,844,877

Item	December 31, 2009 Initial cost	Accumulated depreciation	Net book value
Land	$ 891,726	$ -	$ 891,726
Buildings	2,086,069	(307,337)	1,778,732
Machinery	699,512	(233,649)	465,863
Transportation equipment	25,211	(13,143)	12,068
Furniture and fixtures	75,252	(44,316)	30,936
Miscellaneous equipment	77,174	(35,291)	41,883
Construction in progress and prepayments for equipment	298,733	-	298,733
	$ 4,153,677	($ 633,736)	$ 3,519,941

9) Other intangible assets

	December 31, 2010	December 31, 2009
Land use right	$ 127,146	$ 132,561
Less: Accumulated amortization	(14,198)	(12,151)
	$ 112,948	$ 120,410

10) Income tax

	2010	2009
Income tax expense	$ 474,449	$ 1,280,639
Net change of deferred income tax	(31,219)	(160,526)
Over provision of prior year's income tax	7,132	12,201
Prepaid income tax	(404,879)	(371,981)
Unpaid income tax	6,374	6,374
Income tax payable	$ 51,857	$ 766,707

A. As of December 31, 2010 and 2009, the deferred income tax assets and liabilities are as follows:

	December 31,	
	2010	2009
Total deferred income tax assets	$ 80,253	$ 61,841
Total deferred income tax liabilities	$ 219,387	$ 169,756

B. As of December 31, 2010 and 2009, details of deferred income tax assets and liabilities are as follows:

	December 31,			
	2010		2009	
Items	Amount	Tax Effect	Amount	Tax Effect
Current items :				
Allowance for doubtful accounts	$ 56,282	$ 22,789	$ 59,403	$ 24,047
Unrealized loss on decline in market value and inventory obsolescence	68,183	12,196	45,879	9,176
Unrealized profit on intercompany transactions	108,063	18,371	31,737	6,347
Unrealized exchange loss	112,450	19,117	89,524	17,904
Others	6,187	3,508	202	1,292
		75,981		58,766
Non-current items :				
Pension expense	8,743	1,486	7,110	1,422
Investment income on foreign investments accounted for under the equity method	(1,290,511)	(219,387)	(848,782)	(169,756)
Unrealized permanent decline in market value of financial assets carried at cost	1,427	243	1,427	285
Others	5,845	2,543	3,345	1,368
		(215,115)		(166,681)
		($ 139,134)		($ 107,915)

C. The significant differences between accounting income and tax income in 2010 and 2009 are as follows:

a) Permanent differences: For 2010, the income included loss on valuation of financial liabilities of approximately $109,053; for 2009, the income included gain on valuation of financial liabilities of approximately $157,700.

b) Temporary differences: Changes in deferred income tax assets and liabilities are listed above.

D. The Company's data storage memory and computer peripheral equipment production is eligible for a five-year exemption on income tax under the Statute for Upgrading Industry. Details as of December 31, 2010 are as follows:

Approval date and Number	Date of tax-exempt related equipment ready for production	Tax-exempt Periods	Cost of tax-exempt related equipment
Taipei-City-Chien-One No. 09470339400 on 7th November, 2005	1st October, 2005	1st October, 2005 – 30th September, 2010	$ 76,089

E. For the years ended December 31, 2010 and 2009, the income tax expense included the additional 10% corporate income tax related to the 2009 and 2008 undistributed earnings amounting to $137,380 and $67,893, respectively. These amounts were recognized based on the resolution adopted in the Company's stockholders' meeting to retain the 2009 and 2008 earnings.

F. As of December 31, 2010, the Company's income tax returns for the years through 2008 have been assessed and approved by the Tax Authority.

11) Bonds payable

	December 31,	
	2010	2009
First domestic convertible bonds payable	$ 362,700	$ 473,000
Less: Discount of bonds payable	(6,112)	(17,536)
Due within one year	(356,588)	-
	$ -	$ 455,464

A. As approved by the competent authority, the Company issued its first unsecured zero coupon domestic convertible bonds with a principal amount of $1,500,000 and an effective interest rate of 2.15%. The terms on the bonds are summarized below:

a) Period: 5 years (November 24, 2006 to November 24, 2011).

b) Conversion period: the date following one month from the issue date to 10 days before the maturity date.

c) Conversion price:

The initial conversion price at issuance of the bonds was $107 per share. The conversion price is subject to adjustment based on the rules prescribed in the bond agreement when the number of the Company's common stock changes. As of September 14, 2010, the adjusted conversion price was $68.5 per share.

d) Reset of conversion price:

Other than the above-mentioned adjustment, the conversion price shall be reset at the ex-right or ex-dividend date during the period from 2007 to 2011 based on the pricing model prescribed in the conversion rules. In the year when dividends are not distributed, the effective date for resetting the conversion price is June 30. When the reset conversion price is less than the conversion price in effect, the reset price will be adopted as the new conversion price, provided that the reset conversion price is not less than 80% of the initial conversion price at issuance of the bonds. As of September 26, 2008, the adjusted conversion price was $80 per share.

e) Redemption at the bondholders' option:

The bondholders may request the Company to redeem their bonds at face value after three years from the issue date.

f) Redemption at the Companys' option:

The Company may, after giving not less than 40 days notice to the Bondholders, call all, or part only, of the Bonds on or at any time after December 24, 2006 at their principal amount in the event that the closing price of the Shares on the TSE, calculated at the prevailing exchange rate, for each of the 30 consecutive Trading Days, is at least 50% of the Conversion Price in effect on each such Trading Day or at least 90% in principal amount of the Bonds have already been redeemed, converted, or purchased and cancelled.

g) As of December 31, 2010, bonds in the amount of $1,137,300 had been converted into 13,337,935 common shares based on the conversion price per share at date of conversion. The excess of the bond cost over par value of the shares amounting to $871,866 was credited to capital reserve.

B. The fair value of the convertible option was separated from bonds payable, and was recognized in "capital reserve from stock warrants" in the amount of $89,070 in accordance with ROC SFAS No. 36. The fair value of put and call options embedded in bonds payable was separated from bonds payable, and was recognized in "financial assets or liabilities at fair value through profit or loss".

C. As of December 31 2008, due to the bonds conversion to common stock, the "capital reserve from stock warrants" amounted to $48,622.

12) Pension plans

A. The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

B. As of December 31, 2010 and 2009, the balance of the retirement fund with the Bank of Taiwan was $42,799 and $40,062, respectively.

C. The related actuarial assumptions used to calculate the net periodic pension cost based on the measurement dates as of December 31, 2010 and 2009, are as follows:

	2010	2009
Discount rate	2.25%	2.25%
Rate of increase in salary	2.00%	2.00%
Expected return on plan assets	2.00%	2.00%

D. Reconciliation of the plan funded status and the accrued pension liabilities are as follows:

	December 31, 2010	December 31, 2009
Benefit obligation:		
Vested benefit obligation	($ 883)	$ -
Non-vested benefit obligation	(60,062)	(60,524)
Accumulated benefit obligation	(60,945)	(60,524)
Effect of future salary increments	(26,027)	(27,896)
Projected benefit obligation	(86,972)	(88,420)
Fair value of plan assets	42,799	40,062
Funded status	(44,173)	(48,358)
Unrecognized net transition obligation	15	17
Unrecognized pension loss	30,752	34,062
Additional liability	(4,740)	(6,183)
Accrued pension liabilities	($ 18,146)	($ 20,462)
Vested benefit	($ 1,055)	$ -

E. For the years ended December 31, 2010 and 2009, the details of the Company's net periodic pension costs are as follows:

	For the years ended December 31, 2010	For the years ended December 31, 2009
Service cost	$ 1,930	$ 2,264
Interest cost	1,989	1,997
Expected return on plan assets	(844)	(906)
Amortization of unrecognized net transition obligation	1	1
Amortization of unrecognized pension loss	1,009	1,213
Pension reduction or liquidation loss	1,279	-
Net pension cost	$ 5,364	$ 4,569

F. Effective July 1, 2005, the Company has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable when the employment is terminated. The pension costs under the defined contribution pension plan for the years ended December 31, 2010 and 2009 were $27,908 and $27,877, respectively.

G. The Company's mainland subsidiaries have a funded defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on employees' monthly salaries and wages. Monthly contributions to the Plan are based on 12.5%~22%

of the employees' monthly salaries and wages and the Company does not have other responsibilities for the employees' pension.

H. Except for Transcend UK, Transcend Japan, Transcend Korea, Transcend USA, Transcend Europe and Transcend Germany have defined contribution plans covering all regular employees. Monthly contributions to the Plans are based on a fixed percentage of the employees' monthly salaries and wages.

13) Common stock

A. As of December 31, 2010, the Company's authorized capital was $5,000,000, and the paid-in capital was $4,254,767 with a par value of $10 (in dollars) per share.

B. On June 16, 2009, the stockholders at their annual stockholders' meeting adopted a resolution to capitalize retained earnings and employees' bonus of $282,853, (21,053 thousand shares). The amount of capitalization had been approved by the Securities and Futures Bureau on August, 2009 and had been registered.

14) Capital reserve

A. The R.O.C. Securities and Exchange Law requires that capital reserve shall be exclusively used to cover accumulated deficits or to increase capital and shall not be used for any other purpose. However, capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be capitalized once a year, provided that the Company has no accumulated deficits and the amount to be capitalized does not exceed 10% of the paid-in capital.

B. Please see Note 4 (11) for detailed information.

15) Retained earnings

A. In accordance with the Company's Articles of Incorporation, the annual net income should be used initially to cover any accumulated deficit; 10% of the annual net income should be set aside as legal reserve; setting aside an additional special reserve pursuant to regulations; and reserving a certain amount with no effect on the Company's normal operations, no violation of regulation and balance stock dividend policy; thereafter, the Board of Directors shall propose and the stockholders shall approve to appropriate the amount of the residual earnings to be distributed. When distributing the remaining retained earnings, the Company should distribute 0.2% for the directors' and supervisors' remuneration and at least 3% for employees' profit sharing; the cash dividend shall be at least 5% of the dividend to be distributed.

B. Except for covering accumulated deficits or increasing capital, the legal reserve shall not be used for any other purpose. Capitalization of the legal reserve is permitted, provided that the balance of the reserve exceeds 50% of the Company's paid-in capital and the amount capitalized does not exceed 50% of the balance of the reserve.

C. Under Article 41 of ROC Securities Exchange Act, in addition to the amount appropriated for legal reserve, the Company should set aside a special reserve from retained earnings if the total of the cumulative translation adjustment and unrealized loss on long-term investments results in a net reduction of the stockholders' equity as of the end of the current year.

D. The appropriation of 2009 and 2008 earnings had been resolved at the stockholders' meeting on June 17, 2010 and June 16, 2009 respectively. Details are summarized below:

	2009		2008	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 435,411		$ 224,704	
Stock dividends	-	$ -	40,400	$ 0.1
Cash dividends	2,544,900	6.0	1,303,000	3.3
Total	$ 2,980,311		$ 1,568,104	

Note:

	2009	2008
Directors' and supervisors' remuneration	$ 5,100	$ 2,700
Employees' stock bonus	-	84,633
Employees' cash bonus	130,623	56,422
Total	$ 135,723	$ 143,755

a) The stockholders at their annual stockholders' meeting adopted the appropriation of 2009 earnings that had been resolved by the Board of Directors as of April 22, 2010.

b) As of March 15, 2011, the appropriation of 2010 earnings had not been resolved by the Board of Directors. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. The actual creditable tax ratio of distributed earnings in 2009 was 24.10%. As of December 31, 2010, the imputation tax credit account balance was $1,410,420 and the estimated creditable tax ratio was 24.47%. As of December 31, 2010, the Company's undistributed earnings derived before and after the adoption of the imputation tax system were $121,097 and $5,806,688, respectively.

F. The estimated amounts of employees' bonuses of 2010 are $43,875 (excluding employees' award of 46,608), based on a certain percentage prescribed by the Company's Articles of Incorporation (about 3%) of net income in 2010 after taking into account the legal reserve and other factors. Information on the appropriation of the Company's employees' bonuses and directors' and supervisors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. Employees' bonus of 2009 as resolved by the stockholders was in agreement with that amount recognized in the 2009 financial statements, and the difference between directors' and supervisors' remuneration of 2009 as resolved by the stockholders and that amount recognized in the 2009 financial statements, totaling $5,100, had been adjusted in the statement of income of 2010.

16) Share-based payment — employee compensation plan

A. As of December 31, 2010, the Company's share-based payment transactions are set forth below：

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions	Actual resignation rate in the current period	Estimated future resignation rate
Employee stock options	2007.10.15	4,536	6 years	2 years' service	34.01%	2.65%

B. Details of the employee stock options are set forth below：

	December 31, 2010		December 31, 2009	
	No. of shares (in thousands)	Weighted-average exercise price (in dollars)	No. of shares (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of year	$ 3,888	$ 107.8	4,240	$ 113.6
Options granted	-	-	-	
Distribution of stock dividends/ adjustments for number of shares granted for one unit of option	-	-	-	-
Options waived	-	-	(288)	-
Options exercised	(58)	107.8	(80)	107.8
Options revoked	(1,338)	107.8	-	
Options outstanding at end of year	2,492	107.8	3,872	107.8
Options exercisable at end of year	1,862	-	1,896	107.8

C. Details of the employee stock options outstanding are set forth below:

	Options outstanding at end of 2010			Options exercisable at end of 2010	
Range of exercise price (in dollars)	No. of shares (in thousands)	Weighted-average expected remaining vesting period	Weighted-average exercise price (in dollars)	No. of shares (in thousands)	Weighted-average exercise price (in dollars)
$ 107.8	2,492	2.79 years	$ 107.8	1,862	$ 107.8

	Options outstanding at end of 2009			Options exercisable at end of 2009	
Range of exercise price (in dollars)	No. of shares (in thousands)	Weighted-average expected remaining vesting period	Weighted-average exercise price (in dollars)	No. of shares (in thousands)	Weighted-average exercise price (in dollars)
$ 107.8	3,872	3.79 years	$ 107.8	1,896	$ 107.8

D. The following sets forth the pro forma net income and earnings per share based on the assumption that the compensation cost is accounted for using the fair value method for the stock options granted before the effectivity of R.O.C. SFAS No. 39.

	For the year ended December 31, 2010	
	Financial report	Pro forma
Net income	$ 1,475,356	$ 1,476,196
Basic earnings per share (EPS) (in dollars)	3.48	3.48
Diluted EPS (in dollars)	3.47	3.47

	For the year ended December 31, 2009	
	Financial report	Pro forma
Net income	$ 4,354,108	$ 4,316,973
Basic earnings per share (EPS) (in dollars)	10.42	10.33
Diluted EPS (in dollars)	9.88	9.80

E. Estimations of increase in fair value by using the Black-Scholes option-pricing model are shown below:

Type of arrangement	Stock price	Exercise price	Expected price volatility	Expected vesting period	Expected dividend yield rate	Risk-free interest rate	Fair value per unit
Employee stock options	$ 120	$ 120	39.68%	4.375 years	0%	2.61%	43.32

17) Earnings per share

	For the year ended December 31, 2010				
	Amount		Weighted-average outstanding shares (in thousands)	Earnings per share (in dollars)	
	Before tax	After tax		Before tax	After tax
Basic earnings per share:					
Consolidated net income	$1,949,805	$ 1,475,356	424,545	$ 4.59	$ 3.48
Dilutive effect of common stock equivalents:					
Employee bonus	-	-	551		
Diluted earnings per share:					
Consolidated net income attributable to common stockholders plus dilutive effect of common stock equivalents	$1,949,805	$ 1,475,356	425,096	$ 4.59	$ 3.47

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would be increased from employees' stock bonus issuance in the weighted-average number of common shares outstanding during the reporting year, which taking into account the dilutive effects of stock bonus on potential common shares; whereas , basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends (or retained earnings and capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively.

	For the year ended December 31, 2009				
	Amount		Weighted-average outstanding shares	Earnings per share (in dollars)	
	Before tax	After tax	(in thousands)	Before tax	After tax
Basic earnings per share:					
Consolidated net income	$5,634,747	$ 4,354,108	418,010	$ 13.48	$ 10.42
Dilutive effect of common stock equivalents:					
Convertible bonds	(139,404)	(139,404)	6,453		
Employee bonus	-	-	1,959		
Diluted earnings per share:					
Consolidated net income attributable to common stockholders plus dilutive effect of common stock equivalents	$5,495,343	$ 4,214,704	426,422	$ 12.89	$ 9.88

18) Personnel, depreciation, and amortization expenses

Personnel, depreciation and amortization expenses are summarized as follows:

	For the year ended December 31, 2010		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 309,124	$ 777,738	$ 1,086,862
Labor and health insurance	33,019	69,323	102,342
Pension expense	14,844	28,142	42,986
Others	31,434	39,168	70,602
Depreciation	116,883	65,373	182,256
Amortization	363	2,727	3,090

	For the year ended December 31, 2009		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 462,568	$ 882,237	$ 1,344,805
Labor and health insurance	18,965	66,263	85,228
Pension expense	27,465	25,166	52,631
Others	34,939	31,909	66,848
Depreciation	113,086	73,129	186,215
Amortization	1,246	2,387	3,633

5. RELATED PARTY TRANSACTIONS

1) Names of related parties and their relationship with the company

Names of related parties	Relationship with the Company
C-Tech Corporation	The Company's general manager is the chairman of C-Tech Corporation
Transcend (H.K.) Limited (Transcend H.K.)	The Company's general manager is the director of Transcend H.K.
Won Chin Investment Inc. (Won Chin)	Won Chin is the major stockholder of the Company with more than 5% ownership
Cheng Chuan Technology Development Inc. (Cheng Chuan)	〃

2) Significant transactions and balances with related parties

A. Sales

	2010		2009	
	Amount	%	Amount	%
Transcend H.K.	$ 1,209,535	4	$ 1,756,792	5
C-Tech Corporation	341,836	1	319,450	1
	$ 1,551,371	5	$ 2,076,242	6

The sales prices charged to related parties are almost equivalent to those charged to third parties. The credit term to related parties is 120 days after monthly billings, except for C-Tech Corporation, which is 15 days after monthly billings. The credit term to third parties is 15 to 60 days after monthly billings.

B. Accounts receivable

	December 31,			
	2010		2009	
	Amount	%	Amount	%
Transcend H.K.	$ 173,589	6	$ 184,570	4
C-Tech Corporation	-	-	31,296	1
	$ 173,589	6	$ 215,866	5

C. Other revenue

For the years ended December 31, 2010 and 2009, the amount of the sales of supplies to the related parties was $549 and $665, respectively.

D. Lease contracts

a) On April 8, 2009, the Company signed a land lease contract with its major stockholders, Won Chin and Cheng Chuan, to build a new plant on the leased land. The lease has a term of 10 years from April 10, 2009 to April 9, 2019. The annual rental payment is $35,633 (exclusive of tax), which was determined based on the average rent of land near the leased land shown in the appraisal report issued by CCIS Real Estate Joint Appraisers Firm. Rent is payable prior to the following year on the contract date and on the same month, same day as the contract date of each following year until the end of the lease. Future rent payments required under the lease are shown in Note 7(3).

b) On July 1, 2008, the Company signed a plant lease contract with C-Tech Corporation. The monthly rent payment required is $200 (exclusive of tax), which was determined based on the rent C-Tech Corporation offered the former lessee. The rent expense incurred in 2010 and 2009 amounted to $2,400 .

3) Salaries/rewards information of key management

	For the years ended December 31,	
	2010	2009
Salaries and bonuses	$ 67,905	$ 94,583
Service execution fees	2,475	3,107
Directors' and supervisors'remuneration and employees' bonuses	39,813	47,841
	$ 110,193	$ 145,531

a) Salaries and bonuses include regular wages, special responsibility allowances, pensions, severance pay, various bonuses, rewards, etc.
b) Service execution fees include travel or transportation allowances, special expenditures, various allowances, housing & vehicle benefits, etc.
c) Directors' and supervisors' remuneration and employees' bonuses were those amounts estimated and accrued in the statement of income for the current year.

6. PLEDGED ASSETS

		Book Value	
Nature of assets	Purpose	December 31, 2010	December 31, 2009
Property, plant and equipment	Long-term and short-term loans	$ 1,434,060	$ 1,455,729
Other financial assets-noncurrent-time deposit	Patent deposit	2,913	3,199
		$ 1,436,973	$ 1,458,928

7. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2010, in addition to the endorsements and guarantees shown in Note 5, the Company's significant commitments and contingent liabilities are summarized below:

A. As of December 31, 2010, the Company had unused letters of credit for purchase of merchandise amounting to $12,303.

B. As of December 31, 2010, the Company had outstanding commitments on new plant building contracts totaling $106,542.

C. The Company signed a land lease contract with Won Chin and Cheng Chuan, with a lease term of 10 years from April 10, 2009 to April 9, 2019. The following sets out the annual lease payment required under the lease agreement for the next five years and present value of the lease payments from the sixth year to the end of the lease.

Period of the lease	Amount
2011 ~ 2015	$ 187,074
2016 ~ 2019 (Present value: $104,589)	112,244
	$ 299,318

8. SIGNIFICANT CATASTROPHE

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

None.

10. OTHERS

1) Financial statement presentation

Certain accounts in the 2009 financial statements have been reclassified to conform to the 2010 financial statement presentation.

2) The fair values of the financial instruments

	December 31, 2010		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with fair values equal to book values	$ 10,551,232	$ -	$ 10,551,232
Financial assets at fair value through profit or loss-current	500,148	500,148	-
Available-for-sale financial instruments	177,940	177,940	-
Financial assets carried at cost-noncurrent	875,055	-	-
Refundable deposits	21,597	-	21,597
Liabilities			
Financial liabilities with fair values equal to book values	1,805,823	-	1,805,823
Bonds payable	356,588	-	360,377
Derivative financial instruments			
Assets			
Financial assets at fair value through profit or loss-current	369	-	369

	December 31, 2009		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with fair values equal to book values	$11,364,958	$ -	$ 11,364,758
Financial assets at fair value through profit or loss-current	567,665	567,665	-
Available-for-sale financial instruments	212,690	212,690	-
Financial assets carried at cost-noncurrent	800,475	-	-
Refundable deposits	19,777	-	19,777
Liabilities			
Financial liabilities with fair values equal to book values			
Bonds payable	2,334,135	-	2,334,135
Long-term loans	455,464	-	470,571
Derivative financial instruments			
Assets			
Financial assets at fair value through profit or loss-current	113,567	-	113,567

A. Fair values of financial instruments

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

(A) For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to cash and cash equivalents, notes receivable, accounts receivable, short–term loans, notes payable, and accounts payable.

(B) Financial instruments at fair value through profit or loss are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, the price is used as fair value. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

(C) Available-for-sale financial instruments are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(D) The fair value of the refundable deposits was based on the present value of expected cash flow amount. The discount rate was the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank.

(E) The fair value of the convertible bonds issued before December 31, 2005 is based on their market value. The discount rate is the effective interest rate of convertible bonds in the current market, whose contractual terms are similar to those of convertible bonds issued by the Group.

(F) The fair values of derivative financial instruments which include unrealized gains or losses on unsettled contracts were determined based upon the amounts to be received or paid assuming that the contracts were settled as of the reporting date.

B. As of December 31, 2010 and 2009, the financial assets with fair value and cash flow risk due to the change of interest amounted to $5,835,572 and $7,334,184, respectively.

C. For the years ended December 31, 2010 and 2009, total interest income for financial assets that are not at fair value through profit or loss amounted to $44,488 and $16,692 respectively.

D. <u>Strategies for controlling financial risk</u>

(A) The Group's risk management objective is to identify and analyze all the possible risks (including market risk, credit risk, liquidity risk and cash flow interest rate risk) by examining the impact of the macroeconomic conditions, industrial developments, market competition and the Group's business development plans so as to maintain the best risk position and adequate liquidity position and centralize the management of all market risks.

(B) In order to effectively manage the Group's assets, liabilities, revenues and expenses and to reduce foreign exchange risk, the risk hedging strategy adopted by the Group is to undertake forward exchange contracts or currency options based on the position of the Group's net assets and liabilities and the estimated future cash flows so that the market risk arising from the fluctuations in exchange rates can be effectively mitigated.

E. Information on material financial risk

(A) Investments in equity financial instruments

a) Market risk

The Group is exposed to the market risk arising from the equity financial instruments undertaken. However, no material market risk is expected to arise as a stop-loss amount is set on the instruments undertaken.

b) Credit risk

As the credit condition of the counterparties has been assessed before undertaking the transactions, no default by the counterparties is expected to occur. Thus, the possibility that credit risk will arise is remote.

c) Liquidity risk

i) The financial assets held by the Group which is designated at fair value through profit or loss is all traded in active markets. As it is expected that these financial assets can be readily sold at a price approximate to their fair value, the possibility that liquidity risk will arise is remote.

ii) The Group is exposed to significant liquidity risk as certain financial assets held by the Group which are carried at cost are not traded in active markets, and the remaining assets are the investments in the shares issued by the GreTai companies through private placement which, as required by the regulation, are not allowed to be transferred within three years after they are acquired.

d) Cash flow interest rate risk

The equity financial instruments held by the Group are non-interest rate instruments. Thus, it is not exposed to cash flow interest rate risk.

(B) Investments in bills and bonds

a) Market risk

As the debt instruments held by the Group are all floating interest rate bonds, no significant market risk is expected to arise.

b) Credit risk

As the counterparties of the Group are all international financial institutions with excellent credit standing, no default by the counterparties are expected to occur. Thus, the possibility that credit risk will arise is remote.

c) Liquidity risk

The debt financial instruments held by the Group are all traded in active markets. As it is expected that these financial assets can be readily sold at a price approximate to their fair value, the possibility that liquidity risk will arise is remote.

d) Cash flow interest rate risk

The debt financial instruments held by the Group are all floating interest rate instruments.

The future cash flows on these assets will change because of the changes in the effective interest rates on these instruments arising from the fluctuations in the market interest rates.

(C) Liabilities on debt financial instruments

a) Market risk

The debt instruments issued by the Group are zero interest bonds. Thus, no significant market risk is expected to arise.

b) Credit risk

No credit risk is expected to arise from the debt instruments issued by the Group.

c) Liquidity risk

As the Group’s working capital is adequate to support its financing requirements, no significant liquidity risk is expected to arise.

d) Cash flow interest rate risk

The Group is not exposed to cash flow interest rate risk as the debt instruments issued by the Group are zero interest bonds.

(D) Receivables

a) Market risk

As the Group’s receivables are due mainly within one year, it is assessed that no significant market risk will arise.

b) Credit risk

As the counterparties of the Group’s receivables have good credit standing, it is assessed that no significant credit risk will arise.

c) Liquidity risk

No significant liquidity risk is expected to arise as the Group’s receivables are due within one year and the Group’s working capital is adequate to support its financing requirements.

d) Cash flow interest rate risk

It is assessed that the Group is not exposed to significant cash flow interest rate risk as the Group’s receivables are all due within one year.

(E) Letter of credit loans

a) Market risk

The loans borrowed by the Group are floating interest rate loans. Thus, no significant market risk is expected to arise.

b) Credit risk

No credit risk is expected to arise.

c) Liquidity risk

As the Group's working capital is adequate to support its financing requirements, no significant liquidity risk is expected to arise.

d) Cash flow interest rate risk

The loans borrowed by the Group are floating interest rate loans. The future cash flows on these loans will change because of the changes in the effective interest rates on the loans arising from the fluctuations in the market interest rates.

(F) Financial instruments with off-balance sheet credit risk

Item	December 31, 2010	December 31, 2009
Transcend Japan	¥ 500 million	¥ 500 million

As the letters of credit were issued to guarantee the borrowings of the investee companies over which the Company has the ability to exercise significant influence, their credit condition can be well controlled. Therefore, no collateral was requested from these investee companies. In the event of default by the above investee companies, the possible loss to be incurred by the Company is the amount stated above.

(G) Some businesses of the Company and its subsidiaries involve non-functional currency operations (the Company's functional currency: NTD; subsidiaries' functional currencies: JPY, KRW, USD, EUR, GBP, or RMB). The information on monetary assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Amounts in thousands)

	December 31, 2010		December 31, 2009	
(Foreign currency: functional currency)	Foreign Currency	Exchange Rate	Foreign Currency	Exchange Rate
Financial assets				
Monetary item				
EUR:NTD	$ 3,408	38.9200	$ 20,459	46.1100
USD:NTD	59,230	29.1300	138,419	31.9900
JPY:NTD	110,277	0.3582	4,509,969	0.3465
GBP:NTD	98	45.1900	844	51.5900
HKD:NTD	1,600	3.7480	25,775	4.1260
USD:JPY (Note)	1,710	80.9200	539	92.4599
USD:RMB (Note)	210	6.5897	3,020	6.8270
USD:EUR (Note)	1,338	0.7485	568	0.6939
GBP:EUR (Note)	637	1.1611	335	1.1193
Financial liabilities				
Monetary item				
EUR:NTD	$ -	-	$ 3	46.1100
USD:NTD	27,968	29.1300	13,654	31.9900
JPY:NTD	-	-	1	0.3465
USD:RMB (Note)	5,121	6.5897	140,021	6.8270

Note: In cases where the consolidated entities' functional currency is not NTD; this should be disclosed as well. For example, when a subsidiary's functional currency is RMB, its USD position, if any, should also be disclosed.

11. ADDITIONAL DISCLOSURE REQUIRED BY SFC

1) Related information of significant transactions

A. Loans granted during the year ended December 31, 2010

Creditor	Borrower	General ledger account	Maximum outstanding balance during the year ended December 31,2010	Ending Balance	Interest rate	Nature of loan	Amount of sales to (purchases from) the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral and its value	Limit on loans granted to a single party	Ceiling on total loans granted
Transcend Taiwan	Powerchip Tech.Corp.	Other receivables	$ 1,500,000	$ 1,500,000	2.5%	For short-term lending	$ -	To maintain working capital	$ -	$ 1,891,482 (Note a)	$ 1,700,132 (Note b)	$ 1,700,132 (Note b)
Saffire	Memhiro	Due from subsidiary	US$ 1,250 Thousand	$ -	-	〃	-	〃	$ -	$ -	US$ 16,847 Thousand (Note c)	US$ 21,058 Thousand (Note c)

Note a: Which is calculated by multiplying the net asset value per share of $14.93 (in dollars) per the balance sheets of Rexchip Electronics Corp. as of June 30, 2010 and the number of shares as collateral together.

Note b: Ceiling on total loans granted to all parties and limit on loans granted to a single party are both 10% of the net asset value of the lending company.

Note c: Limit on loans granted by Saffire Investment Ltd. to a single party is 10% of its net asset value, while 20% when the single party is a subsidiary which meets certain criteria; ceiling on total loans granted by Saffire Investment Ltd. to all parties is 25% of its net asset value.

B. Endorsements and guarantees provided during the year ended December 31, 2010

Name of the company	Name of parties being guaranteed	Relationship with guaranteed	Ceiling of guarantee for single party	Maximum outstanding guarantee amount during the year ended December31, 2010	Outstanding guarantee amount at December 31, 20010	Amount of guarantee secured with collateral placed	Ratio of accumulated guarantee amount to net worth value of the Company (%)	Ceiling on total amount of guarantee for provided
Transcend Taiwan	Transcend Japan	Note a	Not exceeding 20% of the Company's net asset value. ($17,001,317 × 20% ＝ $3,400,263)	$ 179,100 (￥ 500,000,000)	$ 179,100 (￥ 500,000,000)	-	1%	Not exceeding 40% of the Company's net asset value. ($17,001,317× 40% ＝ $6,800,527)

Note a.： The Company owns more than 50% voting rights of the investee company.

C. Marketable securities held as at December 31, 2010:

				As of December 31, 2010			
Securities held by	Marketable securities	Relationship with the Company	General ledger accounts	Number of shares or units	Book value	Percentage of company's ownership	Market value or net worth per share
Transcend Taiwan	Beneficiary certificates						
	Fu-Hwa Bond Fund	-	Financial assets at fair value through profit or loss-current	36,073,214	$ 500,148	-	$ 500,148
	Stocks						
	Alcor Micro Corp.	-	Available-for-sale financial assets-noncurrent	3,021,169	$ 177,940	4	$ 177,940
	Taiwan IC Packaging Corp.	-	Financial assets carried at cost-noncurrent	41,000,000	$ 640,000	14	$ -
	Alcor Micro Corp.	-	〃	3,199,764	159,350	4	-
	Hitron Tech. Inc.	-	〃	3,060,017	44,580	2	-
	Skyviia Corp.	-	〃	2,500,000	30,000	5	-
	Dramexchange Tech Inc.	-	〃	60,816	1,125	1	-
					$ 875,055		
	Saffire	The Company's subsidiary	Long-term equity investments accounted for under the equity method	36,600,000	$ 2,436,988	100	$ 2,453,725
	Transcend Japan	〃	〃	6,400	118,864	100	118,864
	Transcend USA	〃	〃	625,000	71,912	100	71,912
	Transcend UK	〃	〃	50,000	10,483	100	10,483
	Shares						
	Transcend Korea	The Company's subsidiary	Long-term equity investments accounted for under the equity method	-	10,177	100	10,177
					$ 2,648,424		

Securities held by	Type and name of marketable securities	Relationship with the Company	General ledger accounts	December 31, 2010 Number of shares or units	Book value (in thousand)	Percentage of Company's ownership	Market value or net worth per share (in thousand)
Saffire	Stocks						
	Memhiro	The Company's subsidiary	Long-term equity investments accounted for under the equity method	55,132,000	$ 2,416,148	100	$ 2,416,148
Memhiro	Shareholding						
	Transcend Shanghai	The Company's subsidiary	Long-term equity investments accounted for under the equity method	-	$ 2,247,490	100	$ 2,247,602
	Transcend Germany	〃	〃	-	27,032	100	27,034
	Transtech Shanghai	〃	〃	-	(5,997)	100	(5,997)
	Stocks						
	Transcend Europe	〃	〃	100	117,758	100	118,116
					$ 2,386,283		$ 2,386,755

D. Acquisition or sale of the same security with the accumulated cost exceeding $100 million or 20% of the Company's paid-in capital during the year ended December 31, 2010

					Balance as at January 1, 2010		Addition		Disposal				Balance as at December 31, 2010	
Investor	Marketable securities	General ledger accounts	Counterparty	Relationship with the Company	Number of shares (in thousand)	Amount (Note A)	Number of shares (in thousand)	Amount	Number of shares (in thousand)	Selling price	Book value	Gain (loss) from disposal	Number of shares (in thousand)	Amount (Note A)
Transcend Taiwan	Fu-Hwa Bond Fund	Financial assets at fair value through profit or loss	-	-	2,248	$ 31,046	36,073	$ 500,000	2,248	$ 31,069	$ 31,046	$ 24	36,073	$ 500,000
〃	Jih Sun Bond Fund	〃	-	-	9,000	127,012	3,896	55,000	12,896	182,143	182,012	132	-	-
〃	Shin Ji-Xing Bond Fund	〃	-	-	7,435	110,108	17,884	265,000	25,319	375,229	375,108	121	-	-
〃	FSITC Taiwan Bond Fund	〃	-	-	407	69,411	381	65,000	788	134,495	134,411	84	-	-
〃	Capital Safe Income	〃	-	-	-	-	18,549	286,000	18,549	286,382	286,000	382	-	-
〃	JF(Taiwan) First Bond Fund	〃	-	-	8,268	120,195	41,611	605,000	49,879	725,986	725,195	791	-	-

Note A: Not including adjustments of fair value changes, investment income recognized under equity method and cumulative translation adjustments.

E. Acquisition of real estate properties exceeding $100 million or 20% of the Company's paid-in capital during the year ended December 31, 2010: None.

F. Disposal of real estate properties exceeding $100 million or 20% of the Company's paid-in capital during the year ended December 31, 2010: None.

G. Purchases from or sales to related parties exceeding $100 million or 20% of the Company's paid-in capital during the year ended December 31, 2010

			Transactions				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)	
Purchaser	Counterparty	Relationship with the Company	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit terms	Unit price	Credit terms	Balance	Percentage of total notes / accounts receivable (payable)
Transcend Taiwan	Transcend Europe	Subsidiary of Memhiro	Sales	$3,355,331	11	120 days after monthly billings	No significant difference from those to third parties	To third parties is 30 to 60 days after monthly billings	$ 531,213	14
〃	Transcend Japan	The Company's subsidiary	〃	2,675,528	9	〃	〃	〃	1,027,525	28
〃	Transcend USA	〃	〃	2,039,981	6	〃	〃	〃	373,358	10
〃	Transcend H.K.	Transcend H.K.'s chairman is the Company's general manager	〃	1,209,535	4	〃	〃	〃	173,589	4
〃	Transcend Germany	Subsidiary of Memhiro	〃	707,605	2	〃	〃	〃	69,267	2
〃	Transcend Korea	The Company's subsidiary	〃	435,316	1	60 days after monthly billings	〃	〃	20,174	1
〃	Transcend Shanghai	Subsidiary of Memhiro	〃	354,346	1	〃	〃	〃	-	-
〃	C-Tech Corporation	C-Tech Corporation's chairman is the Company's general manager	〃	341,836	1	15 days after monthly billings	〃	〃	-	1
〃	Transtech Shanghai	Subsidiary of Memhiro	〃	103,450	-	120 days after monthly billings	〃	〃	63,417	2
Transcend Shanghai	Transtech Shanghai	Together with Transcend Shanghai are controlled by parent company.	〃	354,346	1	60 days after monthly billings	〃	〃	60,230	2
Transcend Taiwan	Transcend Shanghai	〃	Purchases	(1,629,546)	(6)	60 days after receipt of goods	Note A	To third parties is 7 to 30 days after receipt of goods	(426,213)	(27)

Note A：The purchase transactions between Transcend Taiwan and Transcend Shanghai were attributed to processing of supplied materials. No other similar transactions can be used for comparison.

Note B：The Company's sales to subsidiaries were equivalent to subsidiaries' purchases from the Company; accordingly, the Company did not disclose the information on subsidiaries' purchases from the Company.

H. Receivables from related parties exceeding $100 million or 20% of the Company's paid-in capital as at December 31, 2010

Name of the company	Name of the counterparty	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables		Subsequent collections	Bad debts allowance provided
					Amount	Action adopted for overdue accounts		
Transcend Taiwan	Transcend Japan	Subsidiary of the Company	$ 1,027,525	2.75	$ -	-	$ 659,212	$ -
〃	Transcend Europe	Subsidiary of Memhiro	531,213	7.37	-	-	507,597	-
〃	Transcend USA	Subsidiary of the Company	373,358	5.37	-	-	375,487	-
〃	Transcend H.K	Transcend H.K.'s chairman is the Company's general manager	173,589	7.30	-	-	129,819	-

I. Derivative financial instruments undertaken during the year ended December 31, 2010: Refer to Note 10.

2) Disclosure information of investee company

Investors	Investees	Location	Main activities	Initial Investment Amount Balance as at 12/31/10	 Balance as at 12/31/09	Shares held as at December 31, 2010 No.of Shares (in thousands)	 Ownership (%)	 Book value	Net income (loss) of investee	Investment income(loss) Recognized by the Company	Relationship with the Company
Transcend Taiwan	Saffire	B.V.I.	Investments holding company	$ 1,202,418	$ 1,202,418	36,600,000	100%	$ 2,436,988	$ 427,095	$ 416,180	Subsidiary of the Company
〃	Transcend Japan	Japan	Wholesaler of computer memory modules and peripheral products	89,103	89,103	6,400	100%	118,864	17,657	17,657	〃
〃	Transcend USA	United States of America	〃	38,592	-	625,000	100%	71,912	8,490	(2,575)	〃 (Note B)
〃	Transcend Korea	Korea	〃	6,132	6,132	-	100%	10,177	2,805	2,805	〃
〃	Transcend UK	United Kingdom	〃	2,883	2,883	50,000	100%	10,483	7,662	7,662	〃
Saffire	Memhiro	Singapore	Investments holding company	1,156,920	1,156,920	55,132,000	100%	2,416,148	427,095	Note A	Subsidiary of Saffire Investment Ltd.
Memhiro	Transcend Shanghai	Mainland China	Manufacturer and seller of computer memory modules, storage products and disks	1,134,178	1,134,178	-	100%	2,247,490	356,019	〃	Subsidiary of Memhiro Pte Ltd.
〃	Transcend Europe	Netherlands	Wholesaler of computer memory modules and peripheral products	1,693	1,693	100	100%	117,758	29,586	〃	〃
〃	Transcend Germany	Germany	〃	2,288	2,288	-	100%	27,032	10,282	〃	〃
	Transcend USA	United States of America	〃	-	38,592	-	-	-	8,490	〃	〃 (Note B)
〃	Transtech Shanghai	Mainland China	Manufacturer and seller of computer memory modules, Storage products and disks. Wholesaler and agent of computer memory modules and Peripheral products. Retailer of computer components	16,310	16,310	-	100%	(5,997)	20,098	〃	〃

Note A:The Company did not directly recognize the investment income (loss).
Note B: In line with the Group’s restructuring, the ownership of Transcend Information, Inc. was transferred from Menhiro Pte Ltd. to Transcend Taiwan during 2010.

3) Disclosure of information on indirect investments in Mainland China

1. Information on Mainland China investments

Investee in Mainl and China	Main activities	Paid-in capital	Investment method	Accumulated amount of remittance to Mainland China as of January 1, 2010	Amount remitted to Mainland China during the year	Amount remitted back to Taiwan during the year	Accumulated amount of remittance to Mainland China as of December 31,2010	Ownership held by the Company (direct andindirect)	Investment income(loss) recognized by the Company for the year	Book value of investments in Mainland China as of December 31,2010	Accumulated amount of investment income remitted back to Taiwan as of December 31,2010
Transcend Shanghai	Manufacturer and seller of computer memory modules, storage products and disks	$ 1,134,178 (USD 34,600 Thousand)	Note A	$ 1,134,178 (USD 34,600 Thousand)	$ -	$ -	$ 1,134,178 (USD 34,600 Thousand)	100%	$ 356,073	$ 2,247,490	$ -
Transtech Shanghai	Manufacturer and seller of computer memory modules, Storage products and disks. Wholesaler and agent of computer memory modules and peripheral products.Retailer of computer components	16,310 (USD 500 Thousand)	Note A	16,310 (USD 500 Thousand)	-	-	16,310 (USD 500 Thousand)	100%	20,098	(5,997)	-

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2010	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA(Note B)
$ 1,150,488 (USD 35,100 Thousand)	$ 1,150,488 (USD 35,100 Thousand)	$ 10,200,790

Note A: The Company remits funds from Taiwan to a subsidiary located outside of Taiwan. The funds received by such subsidiary are then invested in the investee company located in Mainland China.

Note B: In accordance with “Regulations Governing Investment and Technology Cooperation in Mainland China”, prescribed by the Investment Commission, MOEA.

2. Significant transactions with investee companies in Mainland China, which were undertaken through third areas: Please refer to Note 11(4).

4) Significant inter-company transactions

For the year ended December 31, 2010:

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Transcend Taiwan	Transcend Europe	A	Sales	$ 3,355,331	There is no significant difference in unit price from those to third parties	10%
〃	〃	Transcend Japan	〃	〃	2,675,528	〃	8%
〃	〃	Transcend USA	〃	〃	2,039,981	〃	6%
〃	〃	Transcend Germany	〃	〃	707,605	〃	2%
〃	〃	Transcend Korea	〃	〃	435,316	〃	1%
〃	〃	Transcend Shanghai	〃	〃	354,346	〃	1%
〃	〃	Transcend Shanghai	〃	Purchase	1,629,546	Processing with supplied materials. No other similar transactions can be used for comparison.	5%
〃	〃	Transcend Japan	〃	Accounts Receivable	1,027,525	120 days after monthly billings	5%
〃	〃	Transcend Europe	〃	〃	531,213	〃	3%
〃	〃	Transcend USA	〃	〃	373,358	〃	2%
〃	〃	Transcend Shanghai	〃	Accounts Payable	426,213	60 days after receipt of goods	2%
1	Transcend Shanghai	Transtech Shanghai	C	Sales	354,346	There is no significant difference in unit price from those to third parties	1%

Note 1: Transaction information between parent company and subsidiaries should be noted in the first column, the number is written as below:

(a) Parent company: 0

(b) Subsidiaries were numbered from 1.

Note 2: Relationships between the counterparties:

(a) Parent company to subsidiary.

(b) Subsidiary to parent company.

(c) Subsidiary to subsidiaries.

Note 3: For balance sheet accounts, the percentage is calculated using consolidated assets, for income statement accounts, the percentage is calculated using consolidated revenue.

For the year ended December 31, 2009:

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Transcend Taiwan	Transcend Japan	A	Sales	$ 3,000,182	There is no significant difference in unit price from those to third parties	9%
〃	〃	Transcend Europe	〃	〃	2,736,680	〃	8%
〃	〃	Transcend USA	〃	〃	2,324,802	〃	7%
〃	〃	Transcend Germany	〃	〃	1,463,361	〃	4%
〃	〃	Transcend Shanghai	〃	Purchase	2,451,479	Processing with supplied materials. No other similar transactions can be used for comparison.	7%
〃	〃	Transcend Japan	〃	Accounts Receivable	910,403	120 days after monthly billings	4%
〃	〃	Transcend USA	〃	〃	386,547	〃	2%
〃	〃	Transcend Europe	〃	〃	379,224	〃	2%
〃	〃	Transcend Shanghai	〃	Accounts Payable	291,943	60 days after receipt of goods	1%

Note 1: Transaction information between parent company and subsidiaries should be noted in the first column, the number is written as below:
(a) Parent company: 0
(b) Subsidiaries were numbered from 1.

Note 2: Relationships between the counterparties:
(a) Parent company to subsidiary.
(b) Subsidiary to parent company.
(c) Subsidiary to subsidiaries.

Note 3: For balance sheet accounts, the percentage is calculated using consolidated assets, for income statement accounts, the percentage is calculated using consolidated revenue.

12. SEGMENT INFORMATION

1) Financial information by industry

Not applicable as the Group is engaged in only one industry.

2) Financial information by geographic areas

Not applicable as there are no operations located outside of the R.O.C.

3) Export sales by geographic area

Areas	2010	2009
Asia	$ 12,804,486	$ 15,300,002
Europe	11,250,118	9,953,435
America	3,211,917	2,934,746
Others	896,121	881,125
Total	$ 28,162,642	$ 29,069,308

4) Information on major customers

There is no sale to a single customer constituting more than 10% of the Group's consolidated net sales in 2010 and 2009.