Array Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2010 and 2009 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Array Inc.

We have audited the accompanying consolidated balance sheets of Array Inc. (the "Corporation") and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Array Inc. and subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 2 to the consolidated financial statements, the consolidated financial statements referred to above have been prepared in accordance with Accounting Interpretation No. 2007-344 issued by the Accounting Research and Development Foundation of the Republic of China. The Corporation consolidated the related revenues and expenses of Array Networks, Inc. and its subsidiaries from the date（the reorganization date on May 1, 2009）of obtaining the controlling interest over Array Networks, Inc.

As disclosed in Note 3 to the consolidated financial statements, the intrinsic value of the stock options granted between January 1, 2008 and December 31, 2009 was retroactively re-measured by the Corporation's stock fair value, and the adjustment is charged against the beginning balance of the retained earnings in 2010 in accordance with Rule No. 0990006151 issued by the GreTai Securities Market on March 26, 2010. The change in accounting principle resulted in a decrease of $822 thousand in the retained earnings as of December 31, 2010.

As disclosed in Note 3 to the consolidated financial statements, effective January 1, 2009, the Corporation and its subsidiaries adopted the newly revised Statement of Financial Accounting Standards No. 10 - "Accounting for Inventories."

February 28, 2011

<u>Notice to Readers</u>

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

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

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In Thousands of United States Dollars, Except Par Value)

	2010		2009	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 26,504	52	$ 7,929	25
Notes receivable (Note 5)	261	-	3,995	13
Accounts receivable, net (Notes 2 and 6)	12,815	25	8,962	28
Inventories (Notes 2, 3 and 7)	2,523	5	2,020	6
Prepayment and other current assets	848	2	539	2
Total current assets	42,951	84	23,445	74
PROPERTY AND EQUIPMENT (Notes 2 and 8)				
Cost				
Machinery and equipment	1,493	3	1,271	4
Office equipment	2,076	4	1,896	6
Leasehold improvements	396	1	416	1
Other equipment	916	2	389	1
Total cost	4,881	10	3,972	12
Less: Accumulated depreciation	3,479	7	2,939	9
Net property and equipment	1,402	3	1,033	3
INTANGIBLE ASSETS (Notes 2 and 9)				
Computer software	51	-	55	-
Goodwill	5,594	11	5,594	18
Brand	952	2	952	3
Core technology	148	-	296	1
Customer relationship	-	-	163	1
Total intangible assets	6,745	13	7,060	23
OTHER ASSETS				
Refundable deposits	122	-	59	-
Restricted assets (Note 18)	32	-	22	-
Total other assets	154	-	81	-
TOTAL	$ 51,252	100	$ 31,619	100

	2010		2009	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Notes 10 and 18)	$ -	-	$ 2,115	7
Accounts payable (Note 17)	2,173	4	1,252	4
Income taxes payable (Note 13)	51	-	114	-
Accrued expenses (Note 11)	1,644	3	2,077	7
Other payables	868	2	339	1
Deferred revenues (Note 2)	4,215	8	3,039	10
Others	187	1	406	1
Total current liabilities	9,138	18	9,342	30
OTHER LIABILITIES	35	-	10	-
Total liabilities	9,173	18	9,352	30
SHAREHOLDERS' EQUITY (Notes 2, 3 and 12)				
Common share, at NT$10 par value; authorized - 105,000 thousand shares; issued and outstanding - 2010: 67,745 thousand shares; 2009: 54,093 thousand shares	20,596	40	16,332	51
Advance receipts for common shares	-	-	8	-
Capital surplus				
Additional paid-in capital - common share	12,653	25	888	3
Stock options	1,170	2	246	1
Warrants	-	-	21	-
Expired warrants	11	-	-	-
Retained earnings	6,383	12	3,863	12
Cumulative translation adjustments	1,266	3	909	3
Total shareholders' equity	42,079	82	22,267	70
TOTAL	$ 51,252	100	$ 31,619	100

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

(With Deloitte & Touche audit report dated February 28, 2011)

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of United States Dollars, Except Earnings Per Share)

	2010		2009 (Note 2 b.)	
	Amount	%	Amount	%
OPERATING REVENUES	$ 30,757	100	$ 19,937	100
SALES RETURNS AND ALLOWANCES	306	1	81	-
OPERATING REVENUES, NET (Note 2)	30,451	99	19,856	100
OPERATING COSTS (Notes 2, 3, 7 and 14)	5,522	18	3,114	16
GROSS PROFIT	24,929	81	16,742	84
OPERATING EXPENSES (Note 14)				
Marketing expenses	12,834	42	7,356	37
General and administrative expenses	3,947	13	2,127	10
Research and development expenses	5,705	18	3,754	19
Total operating expenses	22,486	73	13,237	66
OPERATING INCOME	2,443	8	3,505	18
NON-OPERATING INCOME AND GAINS				
Interest income	177	1	40	-
Others	1,075	3	547	3
Total non-operating income and gains	1,252	4	587	3
NON-OPERATING EXPENSES AND LOSSES				
Exchange loss, net (Note 2)	87	1	-	-
Interest expense	62	-	79	1
Others	53	-	78	-
Total non-operating expenses and losses	202	1	157	1
INCOME BEFORE INCOME TAX	3,493	11	3,935	20
INCOME TAX EXPENSE (Notes 2 and 13)	91	-	72	1
CONSOLIDATED NET INCOME	$ 3,402	11	$ 3,863	19

(Continued)

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of United States Dollars, Except Earnings Per Share)

	2010		2009 (Note 2 b.)	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 15)				
Basic	$ 0.06	$ 0.06	$ 0.07	$ 0.07
Diluted	$ 0.05	$ 0.05	$ 0.06	$ 0.06

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

(With Deloitte & Touche audit report dated February 28, 2011) (Concluded)

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of United States Dollars Except Issue Price)

			Additional Paid-in Capital						
	Common Share	Advanced Receipt for Common Shares	Common Share	Stock Options	Warrants	Expired Warrants	Retained Earnings	Cumulative Translation Adjustments	Total Shareholders' Equity
BALANCE, JANUARY 1, 2009	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reorganization adjustments - May 1, 2009	15,879	-	723	242	21	-	-	912	17,777
Issuance of common shares for cash - issued at NT$13.75 per share on May 1, 2009	453	-	166	-	-	-	-	-	619
Exercise of stock options	-	8	(1)	(2)	-	-	-	-	5
Stock-based compensation	-	-	-	6	-	-	-	-	6
Consolidated net income in 2009	-	-	-	-	-	-	3,863	-	3,863
Changes in translation adjustments	-	-	-	-	-	-	-	(3)	(3)
BALANCE, DECEMBER 31, 2009	16,332	8	888	246	21	-	3,863	909	22,267
Retroactive adjustment of stock-based compensation measured by the Corporation's fair value for the stock options granted in 2008 and 2009 (Note 3)	-	-	-	882	-	-	(882)	-	-
Exercise of warrants	1,100	-	899	-	(21)	11	-	-	1,989
Issuance of common shares for cash - issued at NT$48 per share on June 23, 2010	2,971	-	10,880	-	-	-	-	-	13,851
Transfer of advance receipts to common share	8	(8)	-	-	-	-	-	-	-
Exercise of stock options	185	-	(14)	(68)	-	-	-	-	103
Stock-based compensation	-	-	-	110	-	-	-	-	110
Consolidated net income in 2010	-	-	-	-	-	-	3,402	-	3,402
Changes in translation adjustments	-	-	-	-	-	-	-	357	357
BALANCE, DECEMBER 31, 2010	$ 20,596	$ -	$ 12,653	$ 1,170	$ -	$ 11	$ 6,383	$ 1,266	$ 42,079

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

(With Deloitte & Touche audit report dated February 28, 2011)

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of United States Dollars)

	2010	2009 (Note 2 b.)
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 3,402	$ 3,863
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	916	579
Provision for bad debts	621	173
Provision for loss on inventories	239	287
Stock-based compensation	110	6
Loss on disposal of property and equipment	-	36
Net changes in operating assets and liabilities:		
Notes and accounts receivable	(758)	(4,135)
Inventories	(759)	(238)
Other current assets	(310)	417
Accounts payable	921	(330)
Accrued expenses	(433)	379
Income taxes payable	(63)	(91)
Other current liabilities	310	540
Deferred revenues	1,176	499
Other liabilities	25	(32)
Net cash provided by operating activities	5,397	1,953
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(898)	(404)
Increase in other assets	(73)	(21)
Acquisition of intangible assets	(54)	(65)
Proceeds from disposal of property and equipment	-	4
Net cash used in investing activities	(1,025)	(486)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares for cash	13,851	619
(Decrease) increase in short-term loans	(2,115)	229
Exercise of warrants	1,989	-
Exercise of stock options	103	5
Net cash provided by financing activities	13,828	853
EFFECT OF EXCHANGE RATE CHANGES	375	-

(Continued)

ARRAY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of United States Dollars)

	2010	2009 (Note 2 b.)
NET INCREASE IN CASH	$ 18,575	$ 2,320
CASH, BEGINNING OF YEAR (CASH OF SUBSIDIARIES ON REORGANIZATION DAY)	7,929	5,609
CASH, END OF YEAR	$ 26,504	$ 7,929
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 62	$ 79
Income taxes paid	$ 139	$ 10
NON-CASH FINANCING ACTIVITIES		
Retroactive adjustment of stock-based compensation and retained earnings	$ 882	$ -

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

(With Deloitte & Touche audit report dated February 28, 2011) (Concluded)

1. ORGANIZATION AND OPERATIONS

Array Inc. (the "Corporation") was incorporated in December 2008 in the Cayman Islands for the purpose of reorganizing Array Networks, Inc. ("Array Cayman") and its subsidiaries. The reorganization was completed on May 1, 2009 pursuant to a share swap agreement, under which the Corporation issued one common share in exchange for one common share, and one common share for one Series A, Series B or Series C preferred share of Array Cayman, respectively (also referred to herein as the "share swap"). Following the reorganization, Array Cayman became a wholly-owned subsidiary of the Corporation.

The Corporation and subsidiaries mainly research, manufacture and sell Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions, Application Acceleration and Public Key Infrastructure (PKI) solutions.

As of December 31, 2010 and 2009, the Corporation and subsidiaries had 274 and 263 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the "Regulation") and accounting principles generally accepted in the Republic of China (ROC). In conformity with these guidelines and principles, the Corporation and subsidiaries (hereinafter referred to as the "Group") are required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, provision for losses on inventories, allowance for product warranties, depreciation, income tax, impairment loss on assets, amortization, etc. Actual results may differ from these estimates.

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail.

Consolidation

a. Basis of consolidation

The consolidated financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 7 - "Consolidated Financial Statements," and include the financial statements of the Corporation and its direct and indirect subsidiaries with at least 50% shareholding and other investees controlled by the Corporation. In addition, even though the Corporation is a holding company that was established solely for the reorganization of Array Cayman, the consolidated financial statements for the period from May 1, 2009 to December 31, 2009 have been prepared in accordance with Financial Interpretation No. 2007-344 issued by the Accounting Research and Development Foundation of the Republic of China, and reflected the Corporation's outstanding common shares and carried over the equity balances of Array Cayman that were associated with the existing assets and liabilities on the reorganization date (May 1, 2009). The other equity balances of Array Cayman were recorded as additional paid-in capital. The Corporation consolidated the related revenues and expenses of Array Cayman and its subsidiaries from the date (the reorganization date on May 1, 2009) of obtaining the controlling interest.

The Corporation's financial statements are prepared using its functional currency of U.S. dollars, and the financial statements of the rest consolidated entities are prepared using their respective functional currencies. Foreign currencies are translated into U.S. dollars at the following exchange rates:

1) Assets and liabilities - at exchange rates prevailing on the balance sheet date;
2) Shareholders' equity - at historical exchange rates;
3) Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign subsidiaries are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year of disposal.

The Corporation is a holding company that was established for the reorganization of Array Cayman. In light of the economic substance, had the consolidated financial statements of the Corporation been prepared based on the concept of reverse acquisition, the consolidated financial statements of the Corporation would be deemed as a continuation of those of Array Cayman and its subsidiaries. The pro forma information of such consolidated income and cash flows is summarized as below:

	Consolidated Income for the Period from May 1, 2009 (Date of Incorporation) to December 31, 2009	**Consolidated Income for the Year Ended December 31, 2009 (Pro Forma)**
Net sales	$ 19,856	$ 25,198
Cost of sales	(3,114)	(4,558)
Operating expenses	(13,237)	(18,912)
Non-operating income and gains	587	908
Non-operating expenses and losses	(157)	(222)
Income tax expense	(72)	(124)
Consolidated net income	$ 3,863	$ 2,290
Basic EPS after income tax	$0.07	$0.04
Diluted EPS after income tax	$0.06	$0.04

	Consolidated Cash Flows for the Period from May 1, 2009 (Date of Incorporation) to December 31, 2009	**Consolidated Cash Flows for the Year Ended December 31, 2009 (Pro Forma)**
Net cash provided by operating activities	$ 1,953	$ 1,658
Net cash used in investing activities	$ (486)	$ (638)
Net cash provided by (used in) financing activities	$ 853	$ (268)

All significant intercompany balances and transactions have been eliminated upon consolidation.

b. Under the above basis of consolidation, the consolidated entities were as follows:

			Percentage of Ownership as of December 31		
Investor	**Subsidiary**	**Natures of Business**	**2010**	**2009**	**Explanation**
Corporation	Array Networks, Inc. (Array Cayman)	Investment	100%	100%	Acquired all shares by share swap on May 1, 2009
Array Cayman	Array Networks, Inc. (Array US)	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100%	100%	-
	Array Networks (China), Co., Ltd. (Array Beijing)	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100%	100%	-
	InfoSec Technologies Holdings, Inc. (InfoSec Cayman)	Investment	100%	100%	-
Array US	Array Networks Japan Kabishiki Kaisha	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100%	100%	-
	Array Networks, LLC	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100%	100%	-
	Array Networks, SARL	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	100%	100%	-
InfoSec Cayman	Beijing InfoSec Information Security WOFE (InfoSec WOFE)	Research and sale of full life cycle management of Public Key Infrastructure (PKI)	100%	100%	-
InfoSec WOFE	Beijing InfoSec Technologies Co., Ltd. (InfoSec Technologies)	Research and sale of full life cycle management of Public Key Infrastructure (PKI)	-	-	Controlled by InfoSec WOFE under structure contracts

InfoSec WOFE is a wholly-owned foreign enterprise (WOFE) in the People's Republic of China (PRC), which has made numerous achievements in the research on the management of digital Public Key Infrastructure (PKI). However, current PRC laws and regulations limit foreign investment in businesses relating to PKI business development. Therefore, InfoSec WOFE arranged structure contracts with InfoSec Technologies to have the power to govern its financial and operating policies. The structure contracts were designed to provide InfoSec WOFE with effective control over and the right to acquire the equity interests in the assets of InfoSec Technologies.

Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts

Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Group and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

Service revenue from sales of software upgrade contracts and customer support is recorded as deferred revenue and recognized as service revenue by the straight-line method over the service contract term.

An allowance for doubtful accounts is provided on the basis of a review of the collectability of accounts receivable. The Group assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables.

Inventories

Inventories consist of raw materials and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Major additions and improvements to property and equipment are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on a straight-line basis over estimated useful lives as follows: machinery and equipment - 3 years; office equipment - 5 years; and leasehold improvements - shorter of the estimated useful lives of the assets or over the term of the related lease.

The related cost and accumulated depreciation are derecognized from the balance sheet upon asset disposal. Any gain or loss on disposal of asset is included in nonoperating gains or losses in the year of disposal.

Intangible Assets

a. Computer software

   Computer software is stated at cost. Amortization is provided on a straight-line basis over 3 - 10 years.

b. Goodwill

Goodwill is the unidentifiable difference between the cost of acquisition and the equity in the investee's net asset value. Goodwill arising on acquisition of Array US in 2003 was previously amortized over the estimated life of 5 years. Effective January 1, 2006, based on a newly released SFAS No. 37, goodwill is no longer amortized and instead is tested for impairment annually.

c. Core technology, customer relationship and brand

Core technology, customer relationship and brand were identified based on the analysis of the excess of acquisition cost over the ownership in net asset value of InfoSec Cayman and its subsidiaries, and are stated at fair value according to the purchase price allocation report. Amortization is provided on the basis of the future economic value and useful life.

Core technology and customer relationship are amortized by the straight-line method over 5 and 4 years, respectively. Due to its expected continuing use, brand was determined to have an indefinite useful life and is not amortized; instead, it is tested for impairment annually. An impairment test is also required if there is evidence of impairment due to certain circumstances.

d. Others

Other intangible assets are amortized on a straight-line basis over 5 years.

Impairment of Assets

If the recoverable amount of an asset (mainly property and equipment and intangible assets) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings. If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units ("CGU(s)") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

Stock-based Compensation

Employee stock options granted between January 1, 2008 and December 31, 2009 were accounted for in accordance with Rule No. 0960065898 issued by the Financial Supervisory Commission (FSC) under the Executive Yuan on December 12, 2007. Thus, the stock options granted were initially measured at their intrinsic value and then adjusted at each reporting date for any change in intrinsic value until the date of final settlement.

Stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation. The Group adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period. Fair values of the stock at the grant date are determined at the net asset value of the latest balance sheet date before the grant date.

Income Tax

The Group applies intra-year and inter-year allocations for its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

Foreign Currencies

Non-derivative foreign-currency transactions are recorded in U.S. dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

3. EFFECTS OF CHANGE IN ACCOUNTING PRINCIPLES

Stock-based Compensation

The intrinsic value of the stock options granted between January 1, 2008 and December 31, 2009 was retroactively re-measured by the Corporation's stock fair value, and the adjustment is charged against the beginning balance of the retained earnings in 2010 in accordance with Rule No. 0990006151 issued by the GreTai Securities Market on March 26, 2010. (The intrinsic value was initially measured by the Corporation's net assets in accordance with Rule No. 0960065898 issued by the Financial Supervisory Commission on December 12, 2007.) The stock fair value was appraised at US$1.49 per share as of January 1, 2010. The change resulted in a decrease of $882 thousand in the beginning balance of the retained earnings in 2010.

Accounting for Inventories

On January 1, 2009, the Group adopted the newly revised SFAS No. 10 - "Accounting for Inventories." The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. Such changes in accounting had no significant effect on the consolidated financial statements for the year ended December 31, 2009.

4. CASH

	December 31	
	2010	2009
Checking accounts and demand deposits	$ 24,298	$ 7,017
Time deposits	2,204	908
Cash on hand	2	4
	$ 26,504	$ 7,929

5. NOTES RECEIVABLE

	December 31	
	2010	2009
Notes receivable	$ 261	$ 4,737
Less: Notes receivable discounted	-	(742)
	$ 261	$ 3,995

6. ACCOUNTS RECEIVABLE, NET

	December 31	
	2010	2009
Accounts receivable	$ 13,647	$ 9,156
Less: Allowance for doubtful accounts	(832)	(194)
	$ 12,815	$ 8,962

7. INVENTORIES

	December 31	
	2010	2009
Raw materials	$ 1,767	$ 889
Finished goods	756	1,131
	$ 2,523	$ 2,020

As of December 31, 2010 and 2009, the allowance for loss on inventories included in the cost of sales was $1,209 thousand and $955 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2010 and 2009 included $239 thousand and $287 thousand, respectively, write-downs of inventories.

8. PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION

	December 31	
	2010	2009
Machinery and equipment	$ 910	$ 671
Office equipment	1,853	1,758
Leasehold improvements	269	196
Other equipment	447	314
	$ 3,479	$ 2,939

9. INTANGIBLE ASSETS

	Year Ended December 31, 2010			
	Goodwill	Brand	Core Technology	Customer Relationship
Balance, beginning of year	$ 5,594	$ 952	$ 296	$ 163
Amortization	-	-	(148)	(163)
Balance, end of year	$ 5,594	$ 952	$ 148	$ -

	Year Ended December 31, 2009			
	Goodwill	Brand	Core Technology	Customer Relationship
Balance, beginning of year	$ -	$ -	$ -	$ -
Reorganization adjustments	5,594	952	395	272
Amortization	-	-	(99)	(109)
Balance, end of year	$ 5,594	$ 952	$ 296	$ 163

a. Brand, core technology and customer relationship

On January 7, 2007, the Group acquired 100% of outstanding shares of InfoSec Cayman by issuing Array Cayman Series C preferred shares and common shares. Under SFAS No. 25 - "Business Combinations" and No. 37 - "Accounting for Intangible Assets," the Group should measure the fair value of the acquired assets and thus identified brand, core technology and customer relationship based on the analysis of the purchase price allocation report.

b. Goodwill

The goodwill as of December 31, 2010 and 2009 comprised of goodwill of $3,521 thousand acquired from Array US and goodwill of $2,073 thousand acquired from InfoSec Cayman, respectively.

In conformity with SFAS No. 35, "Accounting for Asset Impairment," the Group identified the smallest identifiable group of cash-generating units (CGU): The Corporation, Array US and Array BJ (Array Group) were identified and viewed as one CGU, InfoSec Cayman, InfoSec WOFE, InfoSec Technologies and Dingan (InfoSec Group) were identified and viewed as another CGU.

On the evaluation of the impairment test on goodwill, the recoverable amounts of the CGUs were based on value in use, which was estimated using budgeted cash flows of respective CGU. The critical assumptions to estimate the recoverable amounts were as follows:

1) Operating revenues were estimated on the basis of changes in industry and competitive landscape.

2) The estimates of costs and expenses were based on the proportion of the actual costs and expenses to operating revenues in the 2010 and 2009 financial statements.

3) Assumptions on discount rate:

   The discount rates used to calculate the recoverable amounts for Array Group were 21.0% and 23.1% in 2010 and 2009, respectively; the discount rates used for InfoSec Group were 24.7% and 23.1% in 2010 and 2009, respectively.

Based on the above key assumptions, the Group's management believes that the carrying amounts of these assets for operating and goodwill will not exceed their recoverable amounts even if there are changes in the critical assumptions used to estimate recoverable amounts as long as these changes are reasonable for the years ended December 31, 2010 and 2009.

10. SHORT-TERM DEBT

	December 31, 2009
Bank loan	$2,115
Interest rate	5.5%
Maturity	September 20, 2010

The interest rate of short-term loan was floating rate, and the loan agreement required the Group to maintain certain financial ratios.

11. ACCRUED EXPENSES

	December 31	
	2010	2009
Salary and bonus	$ 514	$ 790
Accrued vacation	450	401
Commission	160	154
Others	520	732
	$ 1,644	$ 2,077

12. SHAREHOLDERS' EQUITY

a. Warrants

Array Cayman issued 7,136 thousand units of warrants to purchase to their major shareholder in 2003. Due to the reorganization on May 1, 2009, pursuant to the merger agreement, the Corporation modified each outstanding warrant to be exercisable for the purchase of the Corporation's common shares equal to the number of exercisable warrant of Array Cayman. Each unit entitles the holder to subscribe for one common share of the Corporation. The warrants which have an exercise price of US$0.56 per unit are exercisable upon grant and would expire in 2010. As of December 31, 2010, 3,550 thousand units of warrants were exercised and the remaining 3,586 thousand units of warrants had expired.

b. Stock option plan

In December 2003, Array Cayman adopted the stock option plan resolved by the Board of Directors in December 2003. Due to the reorganization on May, 1, 2009, pursuant to the merger agreement, the Corporation modified each outstanding stock option to be exercisable to subscribe for one common share of the Corporation. The options were granted to qualified employees, directors and consultants of the Group. The options granted are valid for 10 years and vest 25% one year after the date of grant and the remaining balance vests 1/48 in equal monthly installments over the following 36 months. The options were granted at an exercise price equal to the fair value of the Corporation's common shares on the grant date. For any subsequent changes in the Corporation's common shares, the exercise price and the number of options will be adjusted accordingly.

Information about stock options was as follows:

	Year Ended December 31			
	2010		**2009**	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (US$)**	**Number of Options (In Thousands)**	**Weighted-average Exercise Price (US$)**
Balance, beginning of year	12,850	$ 0.18	-	$ -
Reorganization adjustment	-	-	13,047	0.14
Options exercised	(577)	0.18	(26)	0.19
Options expired	(664)	0.27	(171)	0.32
Balance, end of year	11,609	0.14	12,850	0.18
Options exercisable, end of year	11,540	0.12	11,095	0.11

The weighted-average stock price at the date of exercise for stock options exercised during the years ended December 31, 2010 was US$0.69.

Information about outstanding options as of December 31, 2010 and 2009 was as follows:

December 31			
2010		2009	
Range of Exercise Price (US$)	**Weighted-average Remaining Contractual Life (Years)**	**Range of Exercise Price (US$)**	**Weighted-average Remaining Contractual Life (Years)**
$0.05	2.99	$0.05	3.99
0.10	4.96	0.10	5.96
0.34-0.36	6.61	0.34-0.36	7.61

Stock-based compensation cost recognized was $110 thousand and $6 thousand for the years ended December 31, 2010 and 2009, respectively.

As of December 31, 2010 and 2009, the estimated percentage of forfeiture due to termination of employment over the remaining vesting period was 25% and 19%, respectively.

c. Capital surplus

Except as may otherwise be provided by law, under the Corporation's Articles of Association, the capital surplus from share issued in excess of par, capital redemption reserve and earning reserves may be capitalized.

d. Appropriation of earnings and dividend policy

Under the Corporation's Articles of Association, by the resolution of shareholders' meeting, the Corporation may declare dividends and other appropriation of earnings, out of the funds of the Corporation lawfully available. The Corporation shall not pay any dividends or bonuses if (a) it does not have earnings, or (b) it has not yet covered its losses.

When making appropriation of the earnings for each fiscal year, after offsetting losses from previous years and after paying taxes, the Corporation may set aside any statutory or special reserve by the resolution of shareholders' meeting. The appropriation of the remaining balance as bonuses, dividends, or other distributions, should be proposed by the Board and resolved by the shareholders' meeting.

For the years ended December 31, 2010 and 2009, the bonus to employees and the remuneration to directors were both $0. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain shareholders' equity accounts (including unrealized revaluation increment, unrealized gain or loss on financial instruments, net loss not recognized as pension cost, cumulative translation adjustments) shall be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

As of December 31, 2010, the Corporation had not declared dividends.

Information on the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

13. INCOME TAX

A reconciliation of income tax expense based on income before income tax and income tax expense was as follows:

	Year Ended December 31	
	2010	2009
Income tax expense at the statutory rate	$ 962	$ 1,031
Tax effect on adjusting items:		
Permanent differences	(797)	10
Temporary differences	911	44
Loss carryforwards used	(1,149)	(1,021)
Federal minimum tax	95	-
Others	-	56
Current income tax expense	22	120
Adjustments for prior years' tax	(21)	4
Deferred tax		
Temporary differences	(10)	-
Investment tax credits	100	-
Others	-	(52)
	$ 91	$ 72

Deferred income tax assets were as follows:

	December 31	
	2010	2009
Current		
Deferred income tax assets		
Deferred revenue	$ 1,008	$ -
Bad debt	232	14
Accrued vacation	145	229
Unrealized loss on inventories	290	31
Others	539	39
	2,214	313
Less: Valuation allowance	(2,214)	(313)
	$ -	$ -
Non-current		
Deferred income tax assets		
Loss carryforwards	$ 21,394	$ 22,710
Investment tax credits	1,578	525
Others	90	156
	23,062	23,391
Less: Valuation allowance	(23,062)	(23,391)
	$ -	$ -

As of December 31, 2010, investment tax credits comprised of:

Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Federal tax			
2000	$ 144	$ 144	2020
2001	342	342	2021
2006	213	213	2026
2007	188	188	2027
2008	92	92	2028
2009	54	54	2029
2010	46	46	2030
	$ 1,079	$ 1,079	
State tax			
2000	$ 153	$ 28	None
2001	359	359	None
2006	160	160	None
2007	141	141	None
2008	68	68	None
	$ 881	$ 756	

As of December 31, 2010, investment tax credits and loss carryforwards comprised of:

Unused Amount	Expiry Year
$ 69	2012
1,684	2013
550	2014
147	2015
2,055	2020
14,292	2021
20,395	2022
5,803	2023
5,499	2024
1,002	2025
4,439	2026
322	2027
123	2028
$ 56,380	

Array BJ is entitled to a tax-free period for the first and second years and a 50% reduction on income tax rate for the third to fifth years for PRC enterprise income tax. Based on the preferential policy, Array BJ enjoys a 50% reduction of income tax rate from 2008 to 2010.

InfoSec Technologies was recognized as a High-Tech Industry company entitled to tax exemption from the first to the third years, and a 50% reduction in income tax rate from the fourth to the sixth years. Based on the preferential policy, InfoSec Technologies is entitled to the preferential income tax rate of 15% from 2009 to 2011.

14. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31					
	2010			2009		
	Classified as Operating Cost	Classified as Operating Expense	Total	Classified as Operating Cost	Classified as Operating Expense	Total
Labor cost						
Salary	$ 561	$ 9,139	$ 9,700	$ 364	$ 5,462	$ 5,826
Insurance	78	1,325	1,403	46	1,095	1,141
Others	-	165	165	-	203	203
	$ 639	$ 10,629	$ 11,268	$ 410	$ 6,760	$ 7,170
Depreciation	$ 23	$ 524	$ 547	$ 13	$ 306	$ 319
Amortization	$ -	$ 369	$ 369	$ -	$ 260	$ 260

15. CONSOLIDATED EARNINGS PER SHARE ("EPS")

	Amounts (Numerator)		Shares	EPS (US$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Year ended December 31, 2010					
Basic EPS					
Income for the year attributable to common shareholders	$ 3,493	$ 3,402	61,258	$ 0.06	$ 0.06
Effect of dilutive potential common shares					
Stock options	-	-	10,018		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common shares	$ 3,493	$ 3,402	71,276	$ 0.05	$ 0.05
Year ended December 31, 2009					
Basic EPS					
Income for the year attributable to common shareholders	$ 3,995	$ 3,863	54,118	$ 0.07	$ 0.07
Effect of dilutive potential common shares					
Stock options	-	-	8,307		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common shares	$ 3,995	$ 3,863	62,425	$ 0.06	$ 0.06

16. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

   Please refer to audited consolidated balance sheets.

b. The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash, notes and accounts receivable, short-term loans, accounts payable and accrued expense.

c. The fair values of financial assets and liabilities were not simultaneously determined by quoted prices in active markets and by estimations using valuation technique.

d. The financial assets exposed to fair value interest rate risk amounted to $2,545 thousand and $1,185 thousand as of December 31, 2010 and 2009, respectively. The financial assets exposed to cash flow interest rate risk amounted to $24,330 thousand and $6,013 thousand as of December 31, 2010 and 2009, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to $0 thousand and $2,115 thousand as of December 31, 2010 and 2009, respectively.

e. As of December 31, 2010 and 2009, the interest income associated with financial assets (liabilities) other than those at FVTPL amounted to $177 thousand and $40 thousand, respectively, and the interest expense amounted to $62 thousand and $79 thousand.

f. Financial risks

   1) Market risk

      The Group is neither exposed to material interest rate risk nor fair value interest rate risk. Therefore, market risk is not material.

   2) Credit risk

      Credit risk represents the potential loss that would be incurred by the Group if the counter-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Group's exposure to default by those parties to be material.

   3) Liquidity risk

      The Group's operating funds are deemed sufficient to meet the cash flow demand; therefore, liquidity risk is not considered to be significant.

   4) Cash flow interest rate risk

      The Group is not exposed to material floating-rate risk; therefore, cash flow interest rate risk is not considered to be significant.

17. RELATED PARTY TRANSACTIONS

a. Related parties and their relationships with the Group

Related Party	Relationship with the Group
H&Q Asia Pacific, Ltd.	Major shareholder of the Corporation

b. Significant transactions with related parties:

	December 31			
	2010		2009	
	Amount	% to Total	Amount	% to Total
Accounts payable				
H&Q Asia Pacific, Ltd.	$ 9	-	$ 9	1

c. Compensation of directors and management personnel:

	Year Ended December 31	
	2010	2009
Salaries	$ 1,155	$ 747
Incentives	191	33
Bonus	136	48
	$ 1,482	$ 828

18. MORTGAGED OR PLEDGED ASSETS

As of December 31, 2010 and 2009, the tangible assets of Array US were mortgaged as collateral for bank loans, amounted to $14,992 thousand and $13,188 thousand, respectively. Besides, the Group's assets mortgaged or pledged as collateral for transaction deposits with banks were as follows:

	December 31	
	2010	2009
Pledged time deposits	$ 32	$ 22

19. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Corporation entered into operating lease agreements for its office premises. These operating leases will expire in August 2015. Rent is paid monthly.

As of December 31, 2010, future lease payments were as follows:

Year	Amount
2011	$ 1,081
2012	702
2013	428
2014	335
2015	58
	$ 2,604

20. FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

As of December 31, 2010 and 2009, the non-U.S. dollars financial assets and liabilities which have significant effect on the Group were as follows:

(In Thousands of U.S. Dollars or Foreign Currencies)

	December 31					
	2010			2009		
	Foreign Currencies	Exchange Rate	In U. S. Dollars	Foreign Currencies	Exchange Rate	In U. S. Dollars
Monetary financial assets						
RMB	$ 87,115	0.150996	$ 13,154	$ 77,640	0.146477	$ 11,372
Monetary financial liabilities						
RMB	10,963	0.150996	1,655	9,165	0.146477	1,342

21. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Corporation and its investees:

a. Financings provided: Table 1 (attached)

b. Endorsements/guarantees provided: Table 2 (attached)

c. Marketable securities held: Table 3 (attached)

d. Marketable securities acquired or disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: None

e. Acquisition of individual real estate at costs of at least NT$100 million or 20% of the paid-in capital: None

f. Disposal of individual real estate at prices of at least NT$100 million or 20% of the paid-in capital: None

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: None

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

i. Names, locations, and related information of investees over which the Company exercises significant influence: Table 4 (attached)

j. Derivative transactions of investees over which the Company has a controlling interest: None

k. Investments in Mainland China

1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 5 (attached)

2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: Table 6-1 and 6-2 (attached)

3) Endorsements, guarantees or collateral directly or indirectly provided to the investees: None

4) Financings directly or indirectly provided to the investees: None

5) Other transactions that significantly impacted current year's profit or loss or financial position: None

l. Business relationships and significant details between parent company and subsidiaries: Tables 6-1 and 6-2 (attached).

22. SEGMENT INFORMATION

a. Industry financial information

The Group is engaged mainly in the manufacturing and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions, Application Acceleration and Public Key Infrastructure (PKI) solutions. Such segment revenue, income and identifiable assets occupied more than 90% of all business segments, and therefore, the disclosure of the industry financial information is not applicable to the Group.

b. Geographic information

	2010				
	North America	**Asia**	**Others**	**Adjustment and Elimination**	**Consolidated**
Net sales to third-party customers	$ 14,372	$ 16,079	$ -	$ -	$ 30,451
Net sales to consolidated entities	1,144	-	-	(1,144)	-
Total operating revenues	$ 15,516	$ 16,079	$ -	$ (1,144)	$ 30,451
Segment income (loss)	$ 1,672	$ 1,705	$ (646)	$ (288)	$ 2,443
Interest income					177
General gains and income					1,075
Interest expense					(62)
General losses and expenses					(140)
Income before income tax					$ 3,493
Identifiable assets	$ 17,428	$ 17,634	$ 31,079	$ (14,889)	$ 51,252

	2009				
	North America	Asia	Others	Adjustment and Elimination	Consolidated
Net sales to third-party customers	$ 9,763	$ 10,093	$ -	$ -	$ 19,856
Net sales to consolidated entities	1,136	-	-	(1,136)	-
Total operating revenues	$ 10,899	$ 10,093	$ -	$ (1,136)	$ 19,856
Segment income (loss)	$ 2,801	$ 1,710	$ (772)	$ (234)	$ 3,505
Interest income					40
General gains and income					547
Interest expense					(79)
General losses and expenses					(78)
Income before income tax					$ 3,935
Identifiable assets	$ 16,752	$ 16,971	$ 15,671	$ (17,775)	$ 31,619

c. Export sales information

Geography	2010	2009
Asia	$ 24,782	$ 15,848
North America	5,114	3,462
Europe	555	547
	$ 30,451	$ 19,857

d. Customers accounting for at least 10% of the total revenues were as follows:

	2010		2009	
Customer	Amount	% of Net Operating Revenue	Amount	% of Net Operating Revenue
A	$ 3,140	10	$ 1,501	8
B	3,074	10	2,828	14

ARRAY INC. AND SUBSIDIARIES

FINANCINGS PROVIDED
YEAR ENDED DECEMBER 31, 2010
(In Thousands of United States Dollars, Unless Specified Otherwise)

Financing Company	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Type of Financing	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
										Item	Value		
Array Inc.	Array Cayman	Other receivables	US$ 618	US$ 618	-	Short-term financing	US$ -	Operational revolving fund	US$ -	-	-	Net worth of the Corporation US$42,079	Net worth of the Corporation US$42,079
Array Cayman	Array Networks, Inc.	Accounts receivable	US$ 15,407	US$ 14,627	-	Short-term financing	-	Operational revolving fund	-	-	-	Net worth of the Corporation US$42,079	Net worth of the Corporation US$42,079
	Array Networks (China), Co., Ltd.	Accounts receivable	US$ 263	US$ 263	-	Short-term financing	-	Operational revolving fund	-	-	-	Net worth of the Corporation US$42,079	Net worth of the Corporation US$42,079
Array Networks (China), Co., Ltd.	Beijing InfoSec Technologies Co., Ltd. (InfoSec Technologies)	Other receivables	RMB 764	RMB 764	-	Short-term financing	-	Operational revolving fund	-	-	-	Net worth of the Corporation US$42,079	Net worth of the Corporation US$42,079

ARRAY INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
YEAR ENDED DECEMBER 31, 2010
(In Thousands of United States Dollars)

Endorsement/Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Year	Ending Balance	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable
	Name	Nature of Relationship						
Array Inc.	Array Networks, Inc.	Indirect subsidiary	Note	$ 5,000	$ 5,000	$ -	11.88%	Note

Note: The limitation of endorsement and/or guarantee between the Corporation and its subsidiaries in which the Corporation directly or indirectly holds 90 percent or more of the investees' voting shares is 10 percent of the Corporation's net worth. However, there is no limitation of endorsement and/or guarantee between the Corporation and its subsidiaries which the voting shares are directly or indirectly 100 percent holds by the Corporation.

TABLE 3

ARRAY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2010
(In Thousands of United States Dollars)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares/Units (In Thousands)	Carrying Value (US$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Array Inc.	Stock							
	Array Networks, Inc. (Cayman)	Subsidiary	Investment accounted for using equity method	52,592	$ 42,079	100	$ 42,079	(Note)
Array Networks, Inc. (Cayman)	Stock							
	Array Networks, Inc.	Indirect subsidiary	Investment accounted for using equity method	100	1,963	100	1,963	(Note)
	Array Networks (China), Co., Ltd.	Indirect subsidiary	Investment accounted for using equity method	-	4,301	100	4,301	(Note)
	InfoSec Technologies Holdings, Inc.	Indirect subsidiary	Investment accounted for using equity method	6,000	13,721	100	7,994	(Note)
Array Networks, Inc.	Stock							
	Array Networks Japan Kabishiki Kaisha	Indirect subsidiary	Investment accounted for using equity method	200	288	100	288	(Note)
	Array Networks, LLC	Indirect subsidiary	Investment accounted for using equity method	-	12	100	12	(Note)
	Array Networks, SARL	Indirect subsidiary	Investment accounted for using equity method	-	-	100	-	(Note)
InfoSec Technologies Holdings Inc.	Stock							
	Beijing InfoSec Information Security WOFE	Indirect subsidiary	Investment accounted for using equity method	-	938	100	938	(Note)

Note 1: The equities in net assets of unlisted stocks are based on audited financial statements as of December 31, 2010.

ARRAY INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2010
(In Thousands of United States Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2010			Net Income (Losses) of the Investee	Equity in Earnings (Losses)	Note
				Ending Balance	Beginning Balance	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Array Inc.	Array Networks, Inc. (Cayman)	British Cayman Islands	Investment	NT$ 525,925	NT$ 525,925	52,592	100	US$ 42,079	US$ 3,402	US$ 3,402	
Array Networks, Inc. (Cayman)	Array Networks, Inc.	U.S.A.	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	US$ 6,019	US$ 6,019	-	100	US$ 1,963	US$ 1,421	US$ 1,421	
	Array Networks (China), Co., Ltd.	China, Beijing	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	US$ 3,000	US$ 3,000	-	100	US$ 4,301	US$ (1,038)	US$ (1,038)	
	InfoSec Technologies Holdings, Inc.	British Cayman Islands	Investment	US$ 5,115	US$ 5,115	6,000	100	US$ 13,721	US$ 3,808	US$ 3,808	
Array Networks, Inc.	Array Networks Japan Kabishiki Kaisha		Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	JPY 10,000	JPY 10,000	200	100	US$ 288	US$ 23	US$ 23	
	Array Networks, LLC		Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	-	-	-	100	US$ 12	US$ (13)	US$ (13)	
	Array Networks, SARL		Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	EUR 1	EUR 1	-	100	-	US$ (19)	US$ (19)	
InfoSec Technologies Holdings, Inc.	Beijing InfoSec Information Security WOFE	China, Beijing	Research and sale of full life cycle management of Public Key Infrastructure (PKI)	US$ 2,000	US$ 2,000	-	100	US$ 938	US$ (20)	US$ (20)	
	Beijing InfoSec Technologies Co., Ltd.	China, Beijing	Research and sale of full life cycle management of Public Key Infrastructure (PKI)	RMB 10,000	RMB 10,000	-	100	US$ 7,056	US$ 3,828	US$ 3,828	

ARRAY INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2010
(In Thousands of United States Dollars or Foreign Currencies)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Thousands)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
Array Networks (China), Co., Ltd.	Research manufacture and sale of Application Delivery Controllers, high-end SSL VPN systems, Remote Desktop Access Solutions and Application Acceleration	US$ 3,000	Through a third-region company invested by the Corporation.	US$ -	US$ -	US$ -	US$ -	100%	US$ (1,038) (Note 1)	US$ 4,301 (Note 1)	$ -
Beijing InfoSec Information Security WOFE	Research and sale of full life cycle management of Public Key Infrastructure (PKI)	US$ 2,000	Through a third-region company invested by the Corporation.	-	-	-	-	100%	US$ (20) (Note 1)	US$ 938 (Note 1)	-
Beijing InfoSec Technologies Co., Ltd.	Research and sale of full life cycle management of Public Key Infrastructure (PKI)	RMB 10,000	(Note2)	-	-	-	-	100%	US$ 3,828 (Note 1)	US$ 7,056 (Note 1)	-

Accumulated Investment in Mainland China as of December 31, 2010	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
US$ -	NA	NA

Note 1: Amount is based on the financial statements audited by independent auditors of the parent company in Taiwan.

Note 2: InfoSec WOFE arranged structure contracts with InfoSec Technologies to have the power to govern its financial and operating policies. The structure contracts were designed to provide InfoSec WOFE with effective control over and the right to acquire the equity interests in the assets of InfoSec Technologies

ARRAY INC. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION
YEAR ENDED DECEMBER 31, 2010
(In Thousands of United States Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note 1)	Transaction Details			
				Account	Amount	Transaction Item	Percentage of Consolidated Total Operating Revenues or Total Assets
0	Array Inc.	Array Cayman	1	Other receivables	$ 618	Based on regular terms	1%
1	Array Cayman	Array Inc.	2	Other payables	618	Based on regular terms	1%
		Array US	1	Accounts receivable	14,627	Based on regular terms	29%
		Array BJ	1	Accounts receivable	263	Based on regular terms	-
2	Array US	Array Cayman	2	Long-term debt	14,627	Based on regular terms	29%
		Array BJ	3	Accounts receivable	55	Note 3	-
			3	Accounts payable	2,256	Note 3	4%
			3	Operating revenues	665	Note 2	2%
		InfoSec	3	Accounts receivable	1,043	Note 3	2%
			3	Operating revenues	745	Note 2	2%
3	Array BJ	Array Cayman	2	Other payables	263	Based on regular terms	-
		Array US	3	Accounts receivable	2,201	Note 3	4%
			3	Purchase	665	Note 2	2%
		InfoSec	3	Other receivables	115	Based on regular terms	-
			3	Purchase	17	Based on regular terms	-
			3	Accounts payable	4	Based on regular terms	-
4	InfoSec	Array US	3	Accounts payable	1,043	Note 3	2%
			3	Purchase	745	Note 2	2%
		Array BJ	3	Other payables	115	Based on regular terms	-
			3	Accounts receivable	4	Based on regular terms	-
			3	Operating revenues	17	Based on regular terms	-

Note 1: 1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

Note 2: The prices were determined after taking the selling and warranty expenses into consideration.

Note 3: The period of receipt and payment was longer than those for third parties in accordance with the financial position of the Group.

TABLE 6-2

ARRAY INC. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTION
YEAR ENDED DECEMBER 31, 2009
(In Thousands of United States Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note 1)	Transaction Details			
				Account	Amount	Transaction Item	Percentage of Consolidated Total Operating Revenues or Total Assets
0	Array Inc.	Array Cayman	1	Other receivables	$ 618	Based on regular terms	2%
1	Array Cayman	Array Inc.	2	Other payables	618	Based on regular terms	2%
		Array US	1	Accounts receivable	15,407	Based on regular terms	49%
		Array BJ	1	Accounts receivable	263	Based on regular terms	-
2	Array US	Array Cayman	2	Long-term debt	15,407	Based on regular terms	49%
		Array BJ	3	Accounts receivable	1,808	Note 3	6%
			3	Accounts payable	957	Note 3	3%
			3	Operating revenues	847	Note 2	4%
		InfoSec	3	Accounts receivable	298	Note 3	-
			3	Operating revenues	530	Note 2	3%
3	Array BJ	Array Cayman	2	Other payables	263	Based on regular terms	-
		Array US	3	Accounts payable	850	Note 3	3%
			3	Purchase	847	Note 2	4%
		InfoSec	3	Other receivables	112	Based on regular terms	-
4	InfoSec	Array US	3	Accounts payable	298	Note 3	-
			3	Purchase	530	Note 2	3%
		Array BJ	3	Other payables	112	Based on regular terms	-

Note 1: 1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

Note 2: The prices were determined after taking the selling and warranty expenses into consideration.

Note 3: The period of receipt and payment was longer than those for third parties in accordance with the financial position of the Group.