Systex Corporation (Formerly Sysware Corporation) and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2007 and 2006 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Systex Corporation
(Formerly Sysware Corporation)

We have audited the accompanying consolidated balance sheets of Systex Corporation (the "Corporation", formerly Sysware Corporation) and its subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation and subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements as of and for the year ended December 31, 2007 of Global FortuneNet Technology Corporation, Sysplus Corporation, SysView Corporation, Syscape Technology Corporation, Mondex Taiwan Inc., Systex Information (H.K.) Limited, AP Networks Ltd., and Systex South Asia Pte. Ltd., which are all consolidated subsidiaries. The aggregate assets of these subsidiaries as of December 31, 2007 amounted to NT$508,145 thousand or about 2.65% of the consolidated assets. The aggregate net operating revenues of these subsidiaries in 2007 were about NT$882,496 thousand or about 7.19% of the consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2007 of Systex Infopro Co., Ltd., AFE Solutions Limited, Enrichment I Venture Capital Corporation, Taifon Computer Co., Ltd., Changzhou Xin Code Master Equipment Co., Ltd., and Silicon Valley Equity Fund-II, L.P., the investments in which were accounted for by the equity method, as shown in the accompanying consolidated financial statements. The aggregate carrying values of these equity-method investments as of December 31, 2007 were NT$524,575 thousand or about 2.73% of the consolidated total assets. The related investment income amounted to NT$58,095 thousand or about 5.61% of the consolidated pretax income of 2007. The investees' financial statements were audited by other auditors whose reports have been furnished to us and, our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Systex Corporation (formerly Sysware Corporation) and its subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Notes 1 and 2 to the consolidated financial statements, Sysware Corporation merged with Systex Corporation on January 1, 2007. Systex Corporation is dissolved after the completion of the merger, Sysware Corporation is the surviving company and is renamed as Systex Corporation. The merger is completed under reverse merger accounting. As a result, the consolidated financial statements for the year ended December 31, 2007, referred to in the first paragraph are prepared by treating Systex Corporation as the acquirer entity and Sysware Corporation as the acquired entity.

As stated in Note 1 to the consolidated financial statements, the attached pro forma consolidated balance sheet of the Corporation and its subsidiaries as of December 31, 2006, and the pro forma consolidated income statement for the year then ended were not audited according to the rules and standards stated in the second paragraph. The sole purpose of the attachments is to provide means of comparison.

As stated in Note 3 to the consolidated financial statements, effective January 1, 2006, the Corporation and its subsidiaries adopted the newly issued Statement of Financial Accounting Standards (SFAS) No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and other related revisions of previously issued SFASs. The results in 2006 of these accounting changes were a decrease of NT$40 thousand in the financial liabilities at fair value through profit or loss - current, an increase of NT$578,611 thousand in the available-for-sale financial assets - current and unrealized gain on financial instruments in stockholders' equity; and an increase of NT$40 thousand in consolidated net income.

March 7, 2008

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

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

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 2,689,380	14	$ 1,238,489	29
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	4,287,459	22	177,833	4
Available-for-sale financial assets - current (Notes 2, 3 and 6)	1,951,807	10	961,514	22
Notes receivable, net (Notes 2 and 7)	224,073	1	93,805	2
Accounts receivable, net (Notes 2 and 7)	2,395,955	13	790,576	18
Lease receivables, net (Notes 2 and 8)	15,645	-	1,367	-
Receivables from related parties (Note 27)	9,717	-	16,543	-
Other receivables	295,534	2	87,547	2
Inventories, net (Notes 2 and 9)	1,182,235	6	253,391	6
Prepayments	265,705	1	26,058	1
Deferred income tax assets - current (Notes 2 and 22)	113,002	1	22,913	1
Pledged time deposits - current (Note 28)	189,047	1	180,100	4
Refundable deposits - current (Note 29)	201,548	1	22,786	1
Other current assets	19,759	-	32,242	1
Total current assets	13,840,866	72	3,905,164	91
LONG-TERM INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2, 3 and 6)	303,837	2	-	-
Financial assets carried at cost - noncurrent (Notes 2 and 10)	1,291,504	7	35,866	1
Investments accounted for by the equity method (Notes 2, 3 and 11)	625,895	3	10,486	-
Total long-term investments	2,221,236	12	46,352	1
PROPERTY AND EQUIPMENT (Notes 2 and 12)				
Cost				
Land	907,499	5	37,261	1
Buildings	1,415,289	7	34,109	1
Computer equipment	696,570	3	191,810	5
Transportation equipment	24,357	-	5,884	-
Leasehold improvements	141,788	1	104,484	2
Other equipment	150,638	1	36,622	1
Total cost	3,336,141	17	410,170	10
Accumulated depreciation	(955,807)	(5)	(200,698)	(5)
Accumulated impairment loss	(34,344)	-	-	-
Prepayments for equipment	10,930	-	-	-
Net property and equipment	2,356,920	12	209,472	5
INTANGIBLE ASSETS				
Computer software (Note 2)	66,137	-	15,232	-
Goodwill (Notes 2 and 13)	76,028	1	41,257	1
Deferred pension cost (Notes 2 and 19)	9,219	-	357	-
Total intangible assets	151,384	1	56,846	1
OTHER ASSETS				
Rental properties, net (Notes 2 and 14)	159,123	1	6,677	-
Assets for disposal, net (Notes 2 and 15)	38,149	-	-	-
Refundable deposits - noncurrent (Note 29)	107,552	1	55,412	1
Deferred charges, net (Note 2)	26,008	-	12,523	1
Long-term lease receivables, net (Notes 2 and 8)	12,091	-	895	-
Deferred income tax assets - noncurrent (Notes 2 and 22)	179,808	1	4,770	-
Pledged time deposits - noncurrent (Note 28)	96,550	-	-	-
Total other assets	619,281	3	80,277	2
TOTAL	$19,189,687	100	$ 4,298,111	100

	2007		2006	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 16)	$ 56,000	-	$ 165,919	4
Commercial paper issued, net (Note 17)	-	-	59,884	2
Notes payable	42,995	-	117,990	3
Accounts payable	2,095,183	11	391,864	9
Payables to related parties (Note 27)	3,624	-	10,831	-
Income tax payable (Notes 2 and 22)	60,480	-	24,395	1
Accrued expenses	516,001	3	145,327	3
Other payables	180,913	1	3,259	-
Advances from customers	244,010	1	98,618	2
Current portion of long-term liabilities (Note 18)	162	-	-	-
Other current liabilities	92,769	1	34,242	1
Total current liabilities	3,292,137	17	1,052,329	25
LONG-TERM LIABILITIES				
Long-term bank loans (Notes 18 and 28)	2,573	-	-	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 19)	104,623	1	4,833	-
Guarantee deposits received	14,628	-	124	-
Deferred credits (Note 2)	1,469	-	-	-
Unearned gain on sales - leaseback (Note 2)	12,678	-	-	-
Total other liabilities	133,398	1	4,957	-
Total liabilities	3,428,108	18	1,057,286	25
EQUITY ATTRIBUTABLE TO THE PARENT'S STOCKHOLDERS (Notes 2, 3, 20 and 21)				
Capital stock - par value NT$10, authorized - 400,000 thousand shares; issued and outstanding - 320,178 thousand shares in 2007 and 83,231 thousand shares in 2006	3,201,778	16	832,307	19
Advance receipts for common stock - 81 thousand shares in 2007	810	-	-	-
Total capital stock	3,202,588	16	832,307	19
Capital surplus				
Additional paid-in capital	9,317,540	49	875,408	20
Treasury stock transactions	238,134	1	25,702	1
Gain on sale of property and equipment	4,493	-	-	-
Donations	544	-	-	-
Long-term investments	-	-	50,415	1
Total capital surplus	9,560,711	50	951,525	22
Retained earnings				
Legal reserve	193,833	1	163,221	4
Special reserve	-	-	70,929	1
Unappropriated earnings	1,500,116	8	934,949	22
Total retained earnings	1,693,949	9	1,169,099	27
Other equity				
Cumulative translation adjustments	(48,480)	-	(76,558)	(2)
Unrealized gain on financial instruments	1,017,909	5	364,452	9
Unrealized revaluation increment	-	-	-	-
Treasury stock - 24,794 thousand shares in 2007	(834,424)	(4)	-	-
Total other equity	135,005	1	287,894	7
Total equity attributable to the parent's stockholders	14,592,253	76	3,240,825	75
MINORITY INTEREST	1,169,270	6	-	-
Total stockholders' equity	15,761,523	82	3,240,825	75
TOTAL	$19,189,631	100	$ 4,298,111	100

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

(With Deloitte & Touche audit report dated March 7, 2008)

SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2, 11 and 27)				
Sales	$ 7,959,039	65	$ 2,925,320	70
Less: Sales returns and allowances	73,203	1	23,189	1
Net sales	7,885,836	64	2,902,131	69
Service income	3,657,735	30	1,064,297	26
Others	733,122	6	210,844	5
Total operating revenues	12,276,693	100	4,177,272	100
OPERATING COSTS (Notes 2, 5, 10, 11, 23 and 27)				
Cost of goods sold	6,788,055	55	2,342,076	56
Cost of services	1,489,181	12	636,578	15
Others	108,018	1	3,714	-
Total operating costs	8,385,254	68	2,982,368	71
GROSS PROFIT	3,891,439	32	1,194,904	29
OPERATING EXPENSES (Notes 23 and 27)				
Selling expenses	2,188,724	18	696,489	17
General and administrative expenses	554,413	4	146,605	4
Research and development expenses	358,457	3	62,798	1
Total operating expenses	3,101,594	25	905,892	22
OPERATING INCOME	789,845	7	289,012	7
NON-OPERATING INCOME AND GAINS				
Interest income	19,028	-	52,553	2
Investment income recognized under equity method, net (Notes 2 and 11)	3,314	-	-	-
Dividend income	19,713	-	3,747	-
Gain on sale of investments (Note 2)	93,108	1	5,741	-
Foreign exchange gain, net (Note 2)	32,619	-	7,813	-
Reversal of allowance for doubtful accounts (Note 24)	102,422	1	-	-
Others (Note 24)	133,387	1	3,308	-
Total non-operating income and gains	403,591	3	73,162	2

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SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	**%**	**Amount**	**%**
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	$ 5,868	-	$ 3,185	-
Investment loss recognized under equity method, net (Notes 2 and 11)	-	-	1,782	-
Provision for losses on inventories	52,379	1	3,200	-
Impairment loss on financial assets carried at cost (Notes 2 and 10)	27,404	-	544	-
Loss on valuation of financial assets, net (Notes 2 and 5)	35,128	-	2,794	-
Others	37,285	-	7,708	1
Total non-operating expenses and losses	158,064	1	19,213	1
INCOME BEFORE INCOME TAX	1,035,372	9	342,961	8
INCOME TAX (Notes 2 and 22)	(74,997)	(1)	(36,877)	(1)
NET INCOME BEFORE EXTRAORDINARY GAIN AND CUMULATIVE EFFECT OF ACCOUNTING CHANGES	960,375	8	306,084	7
EXTRAORDINARY GAIN, NET OF TAX (Notes 2 and 24)	22,883	-	-	-
CUMULATIVE EFFECT OF ACCOUNTING CHANGES , NET OF TAX (Notes 2 and 3)	-	-	40	-
CONSOLIDATED NET INCOME	$ 983,258	8	$ 306,124	7
ATTRIBUTABLE TO:				
Stockholders' of the parent	$ 892,401	7	$ 306,124	7
Minority interest	90,857	1	-	-
	$ 983,258	8	$ 306,124	7

	2007		2006	
	Pre-tax	**After-tax**	**Pre-tax**	**After-tax**
EARNINGS PER SHARE (Note 25)				
Basic earnings per share				
Net income before extraordinary gain, net of tax	$ 3.09	$ 3.01	$ 4.12	$ 3.68
Extraordinary gain, net of tax	0.01	0.01	-	-
	$ 3.10	$ 3.02	$ 4.12	$ 3.68

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SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

The pro forma net income and earnings per share had the parent company's shares held by subsidiaries been treated as an investment instead of treasury stock are shown as follows (Notes 2, 21 and 25):

	2007	
	Pre-tax	**After-tax**
BASIC EARNINGS PER SHARE		
Net income before extraordinary gain, net of tax	$ 2.93	$ 2.86
Extraordinary gain, net of tax	0.01	0.01
	$ 2.94	$ 2.87

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

(With Deloitte & Touche audit report dated March 7, 2008) (Concluded)

SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Capital Stock Issued and Outstanding		Advance Receipts for Common Stock (Note 20)	Capital Surplus (Notes 2 and 20)	Retained Earnings (Notes 2 and 20)				Other Equity				Minority Interest	Total Stockholders' Equity
	Shares (Thousands)	Amount			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Unrealized Gain (Loss) on Financial Instruments (Notes 2, 3 and 20)	Unrealized Revaluation Increment	Treasury Stock (Notes 2 and 21)		
BALANCE, JANUARY 1, 2006	78,487	$ 784,863	$ -	$ 986,793	$ 131,520	$ 120,480	$ 827,753	$ 1,079,753	$ (70,929)	$ -	$ -	$ -	$ -	$ 2,780,480
Effect of first adoption of SFAS No. 34	-	-	-	-	-	-	-	-	-	578,611	-	-	-	578,611
Reversal of special reserve	-	-	-	-	-	(49,551)	49,551	-	-	-	-	-	-	-
Appropriations of 2005 earnings														
Legal reserve	-	-	-	-	31,701	-	(31,701)	-	-	-	-	-	-	-
Cash dividends - NT$2 per share	-	-	-	-	-	-	(156,974)	(156,974)	-	-	-	-	-	(156,974)
Stock dividends - 2.5%	1,962	19,622	-	-	-	-	(19,622)	(19,622)	-	-	-	-	-	-
Bonus to employees (including NT$8,200 thousand paid in stock)	820	8,200	-	-	-	-	(33,485)	(33,485)	-	-	-	-	-	(25,285)
Bonus to directors and supervisors	-	-	-	-	-	-	(6,697)	(6,697)	-	-	-	-	-	(6,697)
Issuance of common stock from capital surplus - 2.5%	1,962	19,622	-	(19,622)	-	-	-	-	-	-	-	-	-	-
Consolidated net income in 2006	-	-	-	-	-	-	306,124	306,124	-	-	-	-	-	306,124
Adjustments for capital surplus and retained earnings of investees recognized under equity method	-	-	-	(15,646)	-	-	-	-	-	-	-	-	-	(15,646)
Translation adjustments on long-term equity method investments	-	-	-	-	-	-	-	-	(5,629)	-	-	-	-	(5,629)
Equity in changes in investees' unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	(298,876)	-	-	-	(298,876)
Adjustments of unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	84,717	-	-	-	84,717
BALANCE, DECEMBER 31, 2006	83,231	832,307	-	951,525	163,221	70,929	934,949	1,169,099	(76,558)	364,452	-	-	-	3,240,825
Issuance of stock from merger (Notes 1 and 20)	236,680	2,366,801	-	8,578,194	-	-	-	-	37,784	(282,324)	56	(834,424)	-	9,866,087
Reversal of special reserve	-	-	-	-	-	(70,929)	70,929	-	-	-	-	-	-	-
Appropriations of 2006 earnings														
Legal reserve	-	-	-	-	30,612	-	(30,612)	-	-	-	-	-	-	-
Cash dividends - NT$1 per share	-	-	-	-	-	-	(319,911)	(319,911)	-	-	-	-	-	(319,911)
Bonus to employees	-	-	-	-	-	-	(34,644)	(34,644)	-	-	-	-	-	(34,644)
Bonus to directors and supervisors	-	-	-	-	-	-	(6,929)	(6,929)	-	-	-	-	-	(6,929)
Issuance of stock from exercising employee stock options	267	2,670	810	6,194	-	-	-	-	-	-	-	-	-	9,674
Consolidated net income in 2007	-	-	-	-	-	-	892,401	892,401	-	-	-	-	90,857	983,258
Adjustments for capital surplus and retained earnings of investees recognized under equity method	-	-	-	-	-	-	(6,067)	(6,067)	-	-	-	-	-	(6,067)
Translation adjustments on long-term equity method investments	-	-	-	-	-	-	-	-	(9,706)	-	-	-	-	(9,706)
Equity in changes in investees' unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	945,487	-	-	-	945,487
Adjustments of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(9,706)	-	-	-	(9,706)
Cash dividends received by subsidiaries from parent company	-	-	-	24,798	-	-	-	-	-	-	-	-	-	24,798
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	1,078,413	1,078,413
BALANCE, DECEMBER 31, 2007	320,178	$ 3,201,778	$810	$ 9,560,711	$ 193,833	$ -	$ 1,500,116	$ 1,693,949	$ (48,480)	$ 1,017,909	$ 56	$ (834,424)	$ 1,169,270	$ 15,761,579

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

(With Deloitte & Touche audit report dated March 7, 2008)

SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 983,258	$ 306,124
Cumulative effect of accounting changes, net of tax	-	(40)
Net income before cumulative effect of accounting changes	983,258	306,084
Depreciation and amortization	161,847	63,920
Provision (reversal of allowance) for doubtful accounts	(75,829)	16,757
Interest amortization for commercial paper issued	116	-
Provision for losses on inventories	52,379	3,200
Loss on valuation of financial assets, net	13,837	2,794
Impairment loss on property and equipment	1,779	-
Impairment loss on financial assets carried at cost	55,751	544
Investment loss (income) recognized under the equity method, net of cash dividends received	(40,136)	1,782
Gain on sale of available-for-sale financial assets	(219,856)	(5,741)
Gain on sale of financial assets carried at cost	(47,832)	(2,491)
Loss (gain) on disposal of property and equipment, rental properties and deferred charges	(1,362)	3,040
Amortization of goodwill and deferred credits	3,862	-
Deferred income tax	21,246	10,377
Net changes in operating assets and liabilities		
Notes receivable	131,585	(25,602)
Accounts receivable	(91,957)	(21,815)
Lease receivables (current and noncurrent)	(668)	1,755
Receivables from related parties	(4,077)	6,593
Other receivables	(43,475)	(27,069)
Inventories	(296,652)	78,414
Prepayments	74,477	(7,153)
Other current assets	17,768	15,008
Notes payable	(193,634)	112,717
Accounts payable	410,483	(311,479)
Payables to related parties	(71,494)	5,414
Income tax payable	14,006	13,971
Accrued expenses	(28,838)	(39,561)
Other payables	28,563	2,258
Advances from customers	(8,046)	1,775
Other current liabilities	1,291	13,512
Accrued pension cost	(2,921)	(2,489)
Net cash provided by operating activities	845,471	216,515

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SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets at fair value through profit or loss	$ (472,252)	$ (180,626)
Decrease in financial liabilities at fair value through profit or loss	-	(488)
Acquisition of available-for-sale financial assets	(398,653)	(1,932,993)
Proceeds from sale of available-for-sale financial assets	1,000,873	2,518,874
Acquisition of financial assets carried at cost	(194,612)	-
Proceeds from sale of financial assets carried at cost	75,862	2,491
Return of capital through investees' capital reduction	193,078	1,827
Additions to property and equipment and rental properties	(439,981)	(57,882)
Proceeds from disposal of property and equipment and rental properties	122,716	614
Decrease (increase) in refundable deposits	(15,422)	50,694
Decrease (increase) in pledged time deposits	188,249	(153,743)
Increase in deferred charges	(4,835)	(7,752)
Increase in computer software	(50,901)	-
Net cash paid for acquisition of subsidiaries	(146,926)	-
Increase in goodwill	-	(4,081)
Net cash provided by (used in) investing activities	(142,804)	236,935
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(249,945)	137,653
Increase (decrease) in commercial paper issued	(60,000)	59,884
Decrease in long-term loan from bank	(3,558)	-
Cash dividends paid	(319,911)	(156,974)
Bonus paid to employees	(34,644)	(25,285)
Remuneration paid to directors and supervisors	(6,929)	(6,697)
Decrease in guarantee deposits received	(264)	(309)
Cash dividends received by subsidiaries from the Corporation	24,798	-
Proceeds from exercise of employee stock options	9,674	-
Decrease in minority interest	(237,503)	-
Net cash provided by (used in) financing activities	(878,282)	8,272
EFFECT OF EXCHANGE RATE CHANGES	(8,358)	(5,595)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(183,973)	456,127
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,873,353	782,362
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,689,380	$ 1,238,489

(Continued)

SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 7,392	$ 3,430
Income tax paid	$ 59,851	$ 12,809
NONCASH INVESTING AND FINANCING ACTIVITIES		
Receivable from return of capital by investees (included in other receivables)	$ 1,998	$ -

As stated in Note 2 to the consolidated financial statements, the Corporation has merged with Systex Corporation (Systex) under reverse merger accounting. Upon merger, the assets and liabilities acquired from Sysware Corporation (treated as the acquired entity) are listed as follows:

Assets	
Cash	$ 72,612
Financial assets at fair value through profit or loss - current	177,833
Available-for-sale financial assets - current	474,746
Receivables (including receivables from related parties), net	814,810
Inventories, net	227,326
Prepayments and other current assets	107,276
Financial assets carried at cost - noncurrent	28,989
Investments accounted for by the equity method	1,920,196
Property and equipments, net	198,382
Goodwill (including goodwill from the merger)	39,107
Other assets, net	93,051
Liabilities	
Short-term loans and commercial paper issued	(199,884)
Payables (including payables to related parties), net	(433,464)
Accrued expenses and other current liabilities	(275,099)
Accrued pension cost	(3,126)
Net assets	3,242,755
Change in the par value of Systex capital	7,126,763
Write-off of Systex stocks held by the Corporation for merger	(369,330)
Write-off of Corporation's stocks held by Systex for merger	(154,288)
Issuance of stock on merger	(2,366,801)
Capital surplus resulted from merger, net	$ 7,479,099

(Continued)

SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

The Corporation acquired 88.2% equity interest of Megatime Tech Corporation in 2007. The fair value of the acquired assets and liabilities are summarized as follows:

Cash	$ 152,137
Notes and accounts receivable, net	8,590
Inventories, net	331
Other current assets	706
Property and equipment, net	158,277
Other assets	21,866
Notes and accounts payable	(1,283)
Income tax payable	(4,246)
Advance from customers	(22,000)
Accrued expenses and other current liabilities	(9,235)
Other liabilities (including accrued pension cost)	(5,050)
	300,093
Percentage of ownership acquired	88.2%
	264,682
Goodwill	36,921
Cash paid by the Corporation for the acquisition of the equity interest in Megatime Tech Corporation	$ 301,603

SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

The Corporation's subsidiary, Ching Pu Investment Corporation (CPIC) acquired 69.6% equity interest in Taiwan Electronic Data Processing Corporation in 2007. The fair values of the acquired assets and liabilities are summarized as follows:

Cash	$ 182,443
Notes and accounts receivable, net	58,332
Inventories, net	7,424
Other current assets	47,388
Financial assets carried at cost - noncurrent	12,110
Investments accounted for by the equity method	63,167
Property and equipment, net	14,417
Other assets	97,131
Short-term loans	(111,020)
Notes and accounts payable	(82,178)
Accrued expenses and other current liabilities	(20,694)
Advance from customers	(3,443)
Current portion of long-term liabilities	(3,558)
Long-term loans	(2,735)
Other liabilities	(463)
	258,321
Percentage of ownership acquired	69.6%
Cash paid by CPIC for the acquisition of the equity interest in Taiwan Electronic Data Processing Corporation	$ 179,903

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

(With Deloitte & Touche audit report dated March 7, 2008) (Concluded)

1. ORGANIZATION AND OPERATIONS

Systex Corporation (formerly Sysware Corporation, the "Corporation") was incorporated on January 7, 1997. The Corporation provides advanced software and information-based solutions, sells and leases computer hardware and software, and renders related services.

The shares of the Corporation have been traded on the Taiwan over-the-counter Securities Exchange since January 6, 2003.

Systex Corporation (Systex) was incorporated in September 1976. Systex provided sales, leases, and related services for software, computers, mobile phones, and other-related equipments.

To integrate resources, expand business and enhance competitiveness of the Corporation, the stockholders resolved on June 15, 2006 to merge with Systex. The effective date was January 1, 2007 and every 3.0105 shares of Systex (the dissolved corporation) were swapped for one share of the Corporation. After the merger, the Corporation took over all the rights and obligations of Systex. The Corporation issued 236,680 thousand common shares for merger, all the stocks that were mutually owned by the two companies were written off. The merger had been approved by the relevant government agencies, and the Corporation had completed the required registration with the authority-in-charge.

The pro forma operating results assuming that the merger had been completed on January 1, 2006, were presented in the attached Table 2 and Table 3. However, the attachments were not audited, and their sole purpose is to serve as means of comparison.

In order to integrate resources and to increase overall competitiveness, the Board of Directors decided to merge Megatime Tech Corporation, which is 88.2% owned by the Corporation. The effective date is January 1, 2008, and the Corporation offered a price of NT$18 per share (a total of NT$41,715 thousand) to purchase all the stocks (total of 2,317,496 shares) owned by other stockholders of Megatime Tech Corporation. After the merger, the Corporation will take over all the rights and obligations of Megatime Tech Corporation. The merger has been approved by the relevant authority-in-charge on February 27, 2008.

The consolidated financial statements include the accounts of the Corporation and these subsidiaries: (a) Concord System Management Corporation, Taiwan Electronic Data Processing Corporation, Global FortuneNet Technology Corporation, Systex Information (H.K.) Limited, Systek Information (Shanghai) Ltd., Sysplus Corporation, SysView Corporation, TrustView Inc., Syscape Technology Corporation, UCOM Information Ltd., Systex SDC China Ltd., Mondex Taiwan Inc., Beijing Sysware Asia Pacific Ltd., Mindwork Ltd., Earnest Corporation, OpenPower Information Co., Ltd., UCOM Technologies Inc. (USA), UCOM Information Ltd. (Shanghai), Systime Technology Corp., Syshubs Global Service Inc., Beijing Systex Shenglong Information Systems Co., Ltd., Beijing Yisheng Financial and Economic Information Consulting Co., Ltd., Sysware Shenglong Information Systems Co., Ltd., S. H. Technology Ltd., Megatime Technology Corporation, Sysware (Thailand) Co., Ltd., TrustView Co., Ltd., Audacee Digital Inc. (Beijing), Systex South Asia Pte. Ltd. and Sysware Singapore Pte. Ltd., which provide advanced software and information-based solutions, sell and lease computer hardware and software, distribute handsets, provide data-processing services, and render various related services; and (b) Hanmore Investment Corporation, Ching Pu Investment Corporation, eTech Venture Corporation, Systex Capital Group Inc., Systex Investment Holdings Ltd., AP Networks Ltd., Kimo.com (BVI) Corp., Systex Securities Holdings Ltd., Sysware.com (BVI) Corp., Audacee Digital Inc. (BVI), Audacee Digital Inc. (Taiwan), Audacee Digital Inc. (China), eTech Venture Inc. (BVI), TrustView Holding Ltd. and Sysware Asia (BVI) Ltd., which engage in investment activities.

As of December 31, 2007 and 2006, the Corporation and subsidiaries had 2,940 and 831 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the 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 consolidated financial statements shall prevail. However, the accompanying consolidated financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau (SFB) for their oversight purposes.

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China. In preparing financial statements in conformity with these guidelines, law, rules and principles, the Corporation and its subsidiaries are required to make reasonable estimates and assumptions that affect the amounts of allowance for doubtful accounts; provision for loss on inventories; impairment losses on financial assets carried at cost and investments accounted for by the equity method; depreciation and impairment loss on property and equipment; rental properties and assets for disposal; amortization and impairment loss of computer software and deferred charge; impairment loss on goodwill; valuation of accrued pension cost; income tax; loss on breach of contracts; loss on pending or threatened litigations; etc. Actual results could differ from these estimates.

The significant accounting policies of the Corporation and subsidiaries are summarized as follows:

Basis of Consolidation

Effective January 1, 2005, under the revised Statement of Financial Accounting Standards No. 5 - “Long-term Investments in Equity Securities” and No. 7 - “Consolidated Financial Statements,” the consolidated companies are the Corporation’s direct or indirect subsidiaries of which the Corporation holds more than 50% of its common shares and all other direct or indirect investees over which the Corporation has substantive control. All significant intercompany transactions or balances were eliminated during the consolidation.

The consolidated financial statements of 2007 and 2006 include the accounts of the Corporation and of the following subsidiaries and other investees:

Company	Relationship with the Corporation
Concord System Management Corporation (CSMC)	The Corporation’s juristic person was the elected chairman of the board of directors; 15.8% of the shares were owned by the Corporation, 10.1% by Hanmore, and 24.2% by Ching Pu, totaling 50.1%.
Ching Pu Investment Corporation (“Ching Pu”)	Wholly owned subsidiary.

(Continued)

Company	Relationship with the Corporation
SysView Corporation (“SysView”)	Ching Pu’s juristic person was the elected chairman of the board of directors. Ching Pu acquired more than half of the board seats; and 72.9% equity in SysView.
Syshubs Global Service Inc. (SGSI)	SysView Corporation’s juristic person was the elected chairman of the board of directors; SysView also acquired more than half of the board seats; and 35.3% of shares were owned by Ching Pu and 25.5% by SysView, totaling 60.8%. SGSI was dissolved in October 2007.
Sysplus Corporation (“Sysplus”)	Ching Pu Investment Corporation’s juristic person was the elected chairman of the board of directors and Ching Pu also acquired more than half of board seats; 43.7% of the shares were owned by Ching Pu and 23.1% by the Corporation, totaling 66.8%.
eTech Venture Corporation (“eTech”)	49.3% of the shares were owned by Ching Pu and 17.3% by the Corporation, totaling 66.6%. eTech was dissolved in August 2007.
eTech Venture Inc. (BVI) (“eTech BVI”)	Wholly owned by eTech; SCGI acquired 66.7% equity in July 2007.
TrustView Inc. (“TrustView”)	16.9% of the shares were owned by Ching Pu and 4.2% by the Corporation, totaling 21.1%.
Hanmore Investment Corporation (“Hanmore”)	48.9% of the shares were owned by the Corporation; Hanmore and the Corporation were under the same management.
Syscape Technology Corporation (“Syscape”)	Ching Pu acquired more than half of the seats in the board of directors and held 45.7% equity in Syscape. Syscape was dissolved in October 2007.
Global FortuneNet Technology Corporation (GFNT)	Wholly owned by the Corporation, dissolved in December 31, 2007, and the liquidation process has yet to be completed before the date of auditors’ report.
Mondex Taiwan Inc. (“Mondex”)	Ching Pu acquired 58.3% equity in June 2006.
Megatime Technology Corporation (Megatime)	The Corporation acquired 88.2% equity in 2007.
Megatime (Singapore) Tech Corporation (Megatime Singapore)	Wholly owned by Megatime.
Systex Investment Holdings Ltd. (SIHL)	Wholly owned by the Corporation, dissolved in December 2007.
Systex Information (H.K.) Limited (“Systex Info”)	Wholly owned by Kimo BVI.
Systek Information (Shanghai) Ltd. (“Systek”)	Wholly owned by Kimo BVI.
Systex Capital Group Inc. (SCGI)	Wholly owned by the Corporation.
Systex Securities Holdings Ltd. (SSHL)	Wholly owned by Systex Capital Group Inc., dissolved in December 2007.
Beijing Systex Shenglong Information Systems Co., Ltd. (“Shenglong”)	57% of the shares were owned by Kimo BVI.
Beijing Yisheng Financial and Economic Information Consulting Co., Ltd. (“Yisheng”)	65% of the shares were owned by Shenglong, and Shenglong acquired the remaining 35% equity in June 2007.
Systex SDC China Ltd. (SDC)	Wholly owned by Kimo BVI.
AP Networks Ltd. (“AP Networks”)	Wholly owned by SCGI.
Systex South Asia Pte. Ltd. (SSAP)	Wholly owned by AP Networks.

(Continued)

Company	Relationship with the Corporation
Audacee Digital Inc. (BVI) (“ADI BVI”)	7.7% of the shares were owned by SCGI and 51.3% by SysView, totaling 59%.
Audacee Digital Inc. (Taiwan) (“ADI Taiwan”)	Wholly owned by ADI BVI, sold in December 2007.
Audacee Digital Inc. (China) (“ADI China”)	Wholly owned by ADI BVI, sold in December 2007.
Audacee Digital Inc. (Beijing) (“ADI Beijing”)	Wholly owned by ADI China.
UCOM Technologies Inc. (USA) (“UCOM USA”)	Wholly owned by the Corporation, dissolved in December 2007, and the liquidation process has been completed in January 2008.
UCOM Information Ltd. (“UCOM”)	Wholly owned by the Corporation.
Systime Technology Corp. (“Systime”)	Wholly owned by the Corporation.
Kimo.com (BVI) Corp. (“Kimo BVI”)	Wholly owned by the Corporation.
OpenPower Information Co., Ltd. (“OpenPower”)	Wholly owned by the Corporation.
Mindwork Ltd. (“Mindwork”)	Wholly owned by the Corporation, sold in January 2007.
Earnest Corporation (“Earnest”)	Wholly owned by the Corporation, sold in January 2007.
S.H. Technology Ltd. (“S.H.”)	Wholly owned by the Corporation.
Sysware Asia (BVI) Ltd. (“Sysware Asia”)	Incorporated in February 2006, wholly owned by Kimo BVI, dissolved in December 2007.
Sysware Singapore Pte. Ltd. (“Sysware Singapore”)	Wholly owned by Kimo BVI.
Sysware (Thailand) Co., Ltd. (“Sysware Thailand”)	Incorporated in August 2006, wholly owned by Kimo BVI.
Sysware.com (BVI) Corp. (“Sysware BVI”)	Wholly owned by Kimo BVI, dissolved in December 2007.
Beijing Sysware Asia Pacific Ltd. (“Beijing Sysware”)	Wholly owned by Kimo BVI.
UCOM Information Ltd. (Shanghai) (“UCOM Shanghai”)	Wholly owned by Kimo BVI.
TrustView Holding Ltd. (TV-BVI)	Incorporated in January 2007, wholly owned by TrustView.
Trust View Co., Ltd. (TV-Japan)	Incorporated in January 2007, wholly owned by TV-BVI
Taiwan Electronic Data Processing Corporation (TEDP)	Ching Pu acquired 69.6% equity in August 2007.
Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Incorporated in October 2007, wholly owned by Kimo BVI.

(Concluded)

The consolidated financial statements for the year ended December 31, 2006 include the following entities: The Corporation, UCOM USA, UCOM, Systime, Kimo BVI, OpenPower, Mindwork, Earnest, S.H., Sysware Asia, Sysware Singapore, Sysware Thailand, Sysware BVI, Beijing Sysware and UCOM Shanghai. After the merger with Systex Corporation (Systex), the subsidiaries of Systex also merged as the Corporation’s subsidiaries. All of the previously stated entities have been included in the consolidated financial statements for the year ended December 31, 2007 with the exception of Mindwork and Earnest, which have been sold in January 2007, and Megatime Singapore which has ceased operation and has no equity value.

TrustView issued common stock for cash in July 2007. Since eTech and Ching Pu didn't participate in such expansion, the percentage of ownership held after the expansion dropped to 24.4% and 4.8%, respectively. Moreover, since eTech was dissolved in August 2007, the TrustView stocks it held have been distributed among its shareholders. The Corporation and Ching Pu have each received 4.2% and 12.1%, their combined shares were increased to 21.1% of the total shares. Given that the Corporation and Ching Pu weren't able to acquire over half of the seats of the board of directors, they did not have control over TrustView. As a result, TrustView was not included in the consolidated financial statements for the year ended December 31, 2007 since July 2007.

Ching Pu has acquired 69.6% equity of TEDP, thus starting September 2007, TEDP has been included in the consolidated financial statements for the year ended December 31, 2007.

To integrate resources within the group and simplify the organizational structure, the Corporation gradually dissolved its subsidiaries including Systex Investment Holdings Ltd., Systex Securities Holdings Ltd., Sysware.com (BVI) Corp., Sysware Asia (BVI) Ltd., UCOM Technologies Inc., Syshubs Global Service Inc., Syscape Technology Corporation, and eTech Venture Corporation in 2007; Systek Information (Shanghai) Ltd. and Systex Information (H.K.) Ltd. originally held by Systex Investment Holdings Ltd.; Beijing Systex Shenlong Information Systems Co., Ltd. held by Systex Securities Holdings Ltd.; Sysware Singapore Pte. Ltd. and Sysware (Thailand) Co., Ltd. held by Sysware.com (BVI) Corp.; Beijing Sysware Asia Pacific Ltd. and UCOM Information Ltd. (Shanghai) held by Sysware Asia (BVI) Ltd., which were sold at their carrying amounts to Kimo.com (BVI) Corporation. Systex SDC China Ltd. originally held by Systex Capital Group Inc. has also been sold at its carrying amount to Kimo.com (BVI) Corporation.

Among the previously noted entities, the financial statements for the year ended December 31, 2007 of Sysware Singapore Pte. Ltd., Sysware (Thailand) Co., Ltd., Trust View Holdings Ltd., and Trust View Co., Ltd. have not been audited. At the end of 2007, the aggregate assets and liabilities of these entities were $19,910 thousand and $2,726 thousand, which were about 0.10% and 0.08% of the consolidated assets and liabilities. Their operating revenues and net loss for the year then ended totaled $9,885 thousand and $9,302 thousand, which were about 0.08% and (0.95)% of the consolidated operating revenues and consolidated net income. The Corporation believed that had the financial statements of these subsidiaries been audited, there would have been no material adjustments in the consolidated financial statements.

Merger

The Corporation has merged with Systex Corporation (Systex) under reverse merger accounting. Therefore, the financial statements for the year ended December 31, 2007 are prepared by treating Systex Corporation as the acquirer entity and Sysware Corporation as the acquired entity.

Since Systex is the parent company of the Corporation, the merger is considered as restructuring of entities under common control. Thus, the 18.5% and the 17.3% of the Corporation's shares held respectively by Systex and Ching Pu Investment Corporation (100% owned subsidiary of Systex) should be recorded at the Corporation's carrying amount (reduced for asset impairment, if any). The remaining issued shares held by minority interest should be accounted for based on the ROC Statement of Financial Accounting Standards No. 25 "Business Combinations", and the net assets acquired from minority interest should be recorded at fair value of the net assets net of par value of the shares issued for merger and other related cost, and recorded as capital surplus.

Current and Noncurrent Assets and Liabilities

Current assets included cash and cash equivalents, and those held primarily for trading purpose 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.

Cash and Cash Equivalents

Commercial papers purchased under resell agreements with maturities of not more than three months are classified as cash equivalents.

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments classified as financial assets or liabilities at fair value through profit or loss (FVTPL) include financial assets or liabilities held for trading. On initial recognition, the financial instruments are measured at fair value with transaction costs capitalized. Subsequent changes in fair value are recognized as current gain or loss. Cash dividends received are accounted for as investment income. A regular purchase or sale of financial assets is accounted for using settlement date accounting.

Premiums arising from the sale of options are classified as liabilities, and premiums resulting from the purchase of options are classified as assets. Upon the fulfillment of the obligation, premiums are reversed. Gains and losses associated with the performance of obligations are recognized in current earnings. Option contracts outstanding at the balance sheet date are recorded at fair value. Differences arising from fluctuations in fair value are also recognized in current earnings. Payables and receivables of option contracts are offset with each other at the end of the period.

Derivatives that do not meet the criteria for hedge accounting are recognized as financial assets or liabilities held for trading purposes.

Fair values of FVTPL instruments are determined as follows: Publicly traded stocks and convertible bonds - at closing prices as of the balance sheet date; and open-ended mutual funds - at the net asset value as of the balance sheet date. The book value of option contracts is based on the daily price posted by the corresponding banks.

Available-for-sale Financial Assets

On initial recognition, available-for-sale financial assets are measured at fair value, including transaction cost. Subsequent changes in fair value are recorded as a separate component of stockholders' equity. The corresponding accumulated gains and losses are included in earnings in the period when the financial assets are de-recognized from the balance sheet. A regular purchase or sale of financial assets is accounted for using settlement date accounting.

For listed securities, fair value is measured at their closing prices as of the balance sheet date.

Open-end mutual funds are accounted for at their net asset values as of the balance sheet date.

Cash dividends are recognized as investment income on the ex-dividend date. However, if these dividends are declared from the investees' earnings before investment acquisition, these dividends are deducted from the investment acquisition cost. Stock dividends received increase the number of shares invested and do not affect investment income. Cost per share is recalculated using the new total number of shares held.

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

Sales of hardware, software and handsets are recognized upon delivery of the products to the customers. Sales of integrated hardware and software solutions are generally recognized incrementally after delivery, installation and testing or on customers' acceptance, depending on contract terms.

Service income is generally recognized when service is rendered or is recognized over the term of the service contract under the straight-line method or the percentage-of-completion method. Contract profit for the current period is the difference between the cumulative profit at the end of the current period and the cumulative profit recognized in the prior periods. However, if the cumulative profit recognized in prior periods is greater than the cumulative profit calculated using the percentage of completion method at the end of the current period, the excess should be recorded as a loss in the current period.

Other revenue mainly consists of the Corporation's rental revenue on operating leases of computer equipment, and gains on disposal of investments of the Corporation's subsidiaries engaged in investments.

The rental revenue of an operating lease of computer equipment is recognized over the lease term. The gain on disposal of investments is recognized when the ownership of the investments is transferred to the acquirers.

Revenue from sales is measured at the fair value of the consideration received or receivable, taking into account any trade or volume discounts, as agreed upon by the Corporation and its customers. When receivables from sales are collectible within one year and sales are made regularly, the fair values of the receivables need not be discounted using the imputed interest rate.

Allowance for doubtful accounts is provided on the basis of a review of prior years' bad debt amounts, economic factors, and the aging and collectibility of receivables.

Leases

The fair value of computers leased under capital leases and implicit interest thereon are recorded as lease receivables. This interest is deferred and recognized as other operating income over the term of the lease.

Assets leased to others under operating leases (rental properties) are stated at cost less accumulated depreciation and impairment. The depreciation is computed using average years of usage: building over 60 years and computers leased out over 3 years. Rental revenues are recognized currently. Upon sale or disposal of these properties, the related cost, accumulated depreciation and impairment are removed from the accounts, and any gain or loss is credited or charged to income. At year-end, any gain generated before 2000 less applicable income tax is transferred to capital surplus.

Inventories

Inventories are stated at the lower of cost (monthly weighted average) or market value. Market value is the net realizable value of merchandise and the replacement cost of maintenance parts. Slow-moving, obsolete or unusable inventories are provided with allowance for losses at their net realizable values.

Financial Assets Carried at Cost

Investments in financial assets without quoted market prices in an active market, including shares that are not publicly traded, are initially recorded at cost. The accounting treatment for dividends received on these investments is similar to that for available-for-sale securities. An impairment loss should be recognized as a charge to current income if there is objective evidence of financial asset impairment. However, impairment loss reversal is not allowed. At the time of sale, the weighted-average method is used to compute the costs of stocks.

Investments Accounted for by the Equity Method

The equity method is applied to investments in companies in which the Corporation and subsidiaries own at least 20% or more of the investees' common stock or exercise significant influence over their operating and financial policy decisions. These investments are initially stated at cost and subsequently adjusted for the Corporation and subsidiaries' proportionate share in the investees' net income or net loss and cumulative translation adjustments. Cash dividends received are accounted for as a reduction of the carrying value of the investments. When the investee recognizes unrealized valuation gains or losses on financial instruments, the Corporation and subsidiaries also record their equity in the investee's unrealized gains or losses as an adjustment to stockholders' equity.

When the stocks were acquired or when the equity method was first adopted, the differences between the cost of the investment and the Corporation and subsidiaries' proportionate equity in the net assets of the investee were previously capitalized and amortized using the straight-line method over five years. Effective January 1, 2006, the newly revised Statement of Financial Accounting Standards requires that the investment costs in excess of the fair value of net identifiable assets be recognized as goodwill. Goodwill should no longer be amortized and instead should be tested for impairment annually. In addition, if certain events or changes in circumstances indicate goodwill impairment, an impairment test is performed. If the fair value of net identifiable asset (excluding financial assets not accounted for by the equity method, assets set aside for disposal, deferred tax assets, and prepaid pension cost or other pension-related payments) is greater than the Corporation and subsidiaries' cost of investment, the difference reduces the noncurrent asset at a percentage of the fair value of each noncurrent asset. If there is a remainder after this reduction, an extraordinary gain is recognized. For long-term stock investments acquired before January 1, 2006, the unamortized balance of the investment cost in excess of the equity in investee's net assets is no longer amortized and is instead subject to the same accounting treatment as that for goodwill; the negative goodwill previously acquired should be amortized over the remaining estimated economic life of the investment.

The increase in the Corporation and subsidiaries' proportionate share in the net assets of an investee resulting from (a) their subscription to additional shares of stock issued by the investee at a percentage different from their current equity in the investee, (b) the investee's appropriation of stock bonus to employees, or (c) the investee's reacquisition of its shares as treasury stock or sale of its treasury stock is credited to a capital surplus account, and any decrease in the Corporation and subsidiaries' proportionate share in the investee's net assets is debited to the balance of the appropriate capital surplus account. If the capital surplus account is not enough for debiting purposes, the remaining difference is debited to unappropriated earnings. Upon the sale of investments accounted for by the equity method, any capital surplus or other equity adjustment is charged to current income proportionately.

When the Corporation and its investee maintain investment interest in each other, treasury stock method is used to recognize gains and losses.

If a subsidiary owns the stocks of its parent company, these stocks are treated same as the treasury stock. The cash dividend distributed by the Corporation to its subsidiaries is accounted for by writing-off its investment income and adjusting the capital surplus arising from treasury stock transactions.

Stock dividends received are not recorded as investment income. They are recognized only as increases in the number of shares held.

Property and Equipment and Assets for Disposal

Property and equipment are stated at cost less accumulated depreciation and impairment. Major additions, replacements and betterments are capitalized, while maintenance and repairs are expensed currently.

Assets for disposal are stated at the lower of total carrying amount or net realizable value. Moreover, based on the newly issued pronouncement by the Accounting Research and Development Foundation in the ROC, these assets will continue to be depreciated.

The depreciation for property and equipment and assets for disposal are computed using the straight line method over service lives estimated as follows: buildings, 19 to 60 years; and computer equipment and other equipment, 2 to 10 years. Leasehold improvements are amortized over the shorter of two to eight years or the leasehold term. When property and equipment have reached their estimated service life but are still in use, depreciation is provided over their reestimated remaining service lives.

Upon sale or disposal of property and equipment and assets for disposal, the related cost (including re-evaluation gain), accumulated depreciation and impairment, and unrealized re-evaluated gain are removed from the accounts. Disposal gains or losses of property and equipment and assets for disposal are listed as either nonoperating income or loss according to their traits. At year-end, any gain generated before 2000 less applicable income tax is transferred to capital surplus.

Goodwill

Goodwill is the difference between the acquisition cost of the subsidiaries and the Corporation's equity in the fair value of the subsidiaries' net assets. Before January 1, 2006, goodwill was amortized by the straight-line method over five years. Effective January 1, 2006, based on the newly revised Statement of Financial Accounting Standard No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method," goodwill is no longer amortized and instead tested for impairment annually. If an event indicates that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. However, the reversal of impairment loss on goodwill is not allowed.

Computer Software

Computer software was purchased from outside entities, and is amortized on the straight-line method over three to five years.

Deferred Charges

Deferred charges, mainly the costs of telephone wire installation, are amortized on the straight-line method over two to five years.

Impairment of Assets

If the recoverable amount of an asset (mainly property and equipment, intangible assets, assets for disposal, assets leased to others, deferred charges, and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings. For investees over whom the Corporation and subsidiaries exercise significant influence but not control, the recoverable amount is calculated based on investees' individual investment value. For investees over whom the Corporation and subsidiaries have control, the recoverable amount is by taking the consolidated financial statements as a whole.

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.

Pension

The Corporation and subsidiaries have two types of pension plans: Defined benefit and defined contribution.

Under the defined benefit pension plan, pension cost is recognized on the basis of actuarial calculation. Unrecognized net transition obligation and the unrecognized net actuarial gain or losses are amortized using the straight-line method over the average remaining service years of employees. Under the defined contribution plan, the required monthly contributions to employees' individual pension accounts are recognized as pension cost.

Under the defined benefit pension plan, the minimum amount of pension liability should be recognized in the balance sheet. If the accrued pension liability already shown in the book is less than the minimum amount, the difference should be recognized as additional pension liability. If the additional liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation, the deferred pension cost account should be charged. Deferred pension cost is classified as an intangible asset. If the additional liability exceeds this sum, the excess should be charged to the net loss not yet recognized as net pension cost account, which is classified as a reduction of stockholders' equity.

When the Corporation and subsidiaries curtail or settle the defined benefit plan, gains or losses on curtailment or settlement are recognized currently.

Deferred Credits

Deferred credits are the Corporation's equity in the fair value of the subsidiaries' net assets in excess of acquisition costs, which is amortized using straight-line method over five years.

Unearned Gain on Sales - Leaseback

When property and equipment are sold and then leased back immediately, the present value of rent should be compared to the fair value of property and equipment. When the selling price exceeds the fair value, the excess gain should be recognized at the time of sale. The part of the gain that equals to the present value of rent should be deferred and amortized over the renting period as reduction of rental expense.

Employee Stock Options

Employee stock option plans with a grant or amendment date on or after January 1, 2004 are accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). The Corporation adopted the intrinsic value method, under which compensation cost is recognized on a straight-line basis over the vesting period.

When employees exercise the stock options, the part in excess of the par value of the common shares issued is recorded as capital surplus.

Treasury Stock

The Corporation's stock held by its subsidiaries is treated as treasury stock and reclassified from investments accounted for using equity method to treasury stock. The carrying value (available-for-sale financial assets) is treated as the cost net of the decline in market value multiplied by the Corporation's direct and indirect proportionate share as of the date when the Corporation acquired controlling interest in the subsidiary. The remainder should be treated as a recovery of the minority interest's investment in a subsidiary and reclassified as a deduction under minority interest from available-for-sale financial assets.

Income Tax

The tax effects of deductible temporary differences, unused loss carryforwards and unused investment tax credits are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred income tax liabilities. Valuation allowance is provided for deferred income tax assets which are not certain to be realized. A deferred income tax asset or liability is classified as current or noncurrent depending on the classification of the related asset or liability for financial reporting. If a deferred income tax asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent on the length of the expected reversal period of the temporary difference.

Investment tax credits generated from making investments in certain equipment and technology, in research and development expenses and employee training expenses are recognized in the current year.

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

Additional income tax (10%) on undistributed earnings generated annually since 1998 are recorded as expense in the year when the stockholders resolve to retain these earnings.

Foreign-currency Transactions

Non-derivative foreign-currency transactions are recorded in New Taiwan 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.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;

b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Corporation. Such adjustments are accumulated and reported as a separate component of stockholders' equity.

The exchange rates used for currency translation were the average of the buying and selling rates quoted by correspondent bank.

Translation of Subsidiaries' Financial Statements

The subsidiaries' financial statements expressed in foreign currencies have been translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - year-end spot rate; stockholders' equity - historical exchange rate; and income statement accounts - current year's average rate. Differences resulting from the above translation are recorded as "cumulative translation adjustments" under the stockholders' equity.

Reclassifications

Certain accounts for 2006 have been reclassified to conform to 2007 classifications.

3. ACCOUNTING CHANGES

On January 1, 2006, the Corporation and subsidiaries adopted the newly released Statement of Financial Accounting Standards ("SFAS") No. 34 "Accounting for Financial Instruments" and No. 36 "Disclosure and Presentation for Financial Instruments" and related revisions of previously released SFASs.

The Corporation and subsidiaries recategorized their financial assets and liabilities upon making the accounting changes. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or financial liabilities at fair value through profit or loss were included in the cumulative effect of accounting changes, and the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to stockholders' equity.

The adjustments based on the accounting changes were as follows:

	Recognized as Cumulative Effect of Accounting Changes (After Tax)	Recognized as Adjustments of Stockholders' Equity (After Tax)
Available-for-sale financial assets - current	$ -	$ 578,611
Financial liabilities at fair value through profit or loss - current	40	-
	$ 40	$ 578,611

The accounting changes resulted in an increase of $40 thousand in net income in 2006.

On January 1, 2006 the Corporation and subsidiaries adopted the revised SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-term Investments in Equity Securities," and SFAS No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method." These revisions stated that goodwill is the difference between the cost of an investment and the underlying equity in the net assets of an investee and should no longer be amortized and should instead be tested for impairment loss periodically. This accounting change resulted in an increase of net income by $7,614 thousand and an increase of earnings per share - after tax by $0.09 in 2006.

The Corporation and subsidiaries, starting from January 1, 2007, adopted the newly issued SFAS No. 37 - "Accounting for Intangible Assets" and No. 38 - "Accounting for Noncurrent Assets Held for Sale and Discontinued Operations" and related revisions of previously released statements. The adoption had no material impact on the consolidated financial statements for the year ended December 31, 2007.

4. CASH AND CASH EQUIVALENTS

	December 31 2007	December 31 2006
Cash on hand	$ 5,958	$ 850
Checking and savings accounts	889,893	179,164
Time deposits: Interest 1.60%-4.95% in 2007 and 2.27%-5.33% in 2006	1,503,161	601,900
Commercial paper under resell agreements: Interest 4.5%-5.0% in 2007 and 5.40%-5.55% in 2006	290,368	456,575
	$ 2,689,380	$ 1,238,489

Deposits in foreign bank as of December 31, 2007 and 2006 were as follows:

	December 31 2007	December 31 2006
U.S.A. (US$4,504 thousand in 2007 and US$6,941 thousand in 2006)	$ 146,065	$ 226,235
British Virgin Islands (US$65 thousand in 2007)	2,108	-
Singapore (SG$17 thousand and US$8,987 thousand in 2007 and SG$1,147 thousand in 2006)	291,828	24,387
China - Shanghai and Beijing (RMB43,591 thousand and US$4,507 thousand in 2007 and RMB3,530 thousand in 2006)	339,723	14,739
Thailand (THB8,627 thousand in 2007 and THB10,860 thousand in 2006)	9,384	9,823
Hong Kong (HK$19,697 thousand and US$1,465 thousand in 2007)	129,379	-
	$ 918,487	$ 275,184

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2007	December 31 2006
Trading financial assets		
Domestic and overseas listed shares	$ 1,149,091	$ 177,833
Mutual funds	3,053,926	-
Overseas convertible bonds	84,442	-
	$ 4,287,459	$ 177,833

On the valuation of financial assets held for trading, there were losses of $13,837 thousand and $2,794 thousand in 2007 and 2006, respectively, and a gain of $2,252 thousand on the valuation of financial liabilities held for trading in 2006.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2007		2006	
	Current	Non-current	Current	Non-current
Mutual funds	$ 46,635	$ -	$ 243,983	$ -
Domestic and overseas listed shares	1,905,172	303,837	717,531	-
	$ 1,951,807	$ 303,837	$ 961,514	$ -

7. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2007	2006
Notes receivable	$ 228,465	$ 93,805
Less: Allowance for doubtful accounts	4,392	-
	$ 224,073	$ 93,805
Accounts receivable	$ 2,544,637	$ 826,435
Less: Allowance for doubtful accounts	148,682	35,859
	$ 2,395,955	$ 790,576

8. LEASE RECEIVABLES, NET

	Current	Long-term	Total
December 31, 2007			
Lease receivables	$ 16,874	$ 13,106	$ 29,980
Less: Unearned interest income	1,229	1,015	2,244
	$ 15,645	$ 12,091	$ 27,736
December 31, 2006			
Lease receivables	$ 1,486	$ 1,114	$ 2,600
Less: Unearned interest income	119	219	338
	$ 1,367	$ 895	$ 2,262

9. INVENTORIES, NET

	December 31	
	2007	2006
Merchandise	$ 1,337,729	$ 275,560
Maintenance parts	114,470	-
	1,452,199	275,560
Less: Allowance for losses	269,964	22,169
	$ 1,182,235	$ 253,391

10. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2007	2006
Unlisted common stocks	$ 896,670	$ 28,989
Unlisted preferred stocks	324,326	6,877
Others	70,508	-
	$ 1,291,504	$ 35,866

The Corporation and subsidiaries held more than 20% of the stock with voting rights of Enova Technology Corporation and SuperGeo Technologies Inc., but they had no significant influence over these investees. In addition, these stocks had no quoted market prices and their fair values could not be reliably determined. Thus, these equity investments were recorded as financial assets carried at cost.

In 2007, the Corporation and its subsidiary, Ching Pu Investment Corporation (CPIC), had purchased the newly issued common stock of Far Eastern Electronic Toll Collection Co., Ltd. (FETC) of $119,700 thousand and $50,513 thousand, respectively. The related investment cost is being amortized over the contracted operating periods with the government. In 2007, the Corporation and CPIC charged amortization expenses of $2,394 thousand and $1,010 thousand, respectively, which were included in the impairment loss of the financial assets carried at cost and other operating cost, respectively.

In addition to the above losses, other than temporary decline of other financial assets carried at cost was determined by the Corporation and subsidiaries, and impairment losses on these assets were calculated. Thus, the Corporation and subsidiaries recognized additional impairment losses of $52,347 thousand in 2007 and $544 thousand in 2006.

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2007		2006	
	Carrying Value	Ownership %	Carrying Value	Ownership %
Unlisted common stocks				
Enrichment I Venture Capital Corporation (EIVCC)	$ 174,575	43.4	$ -	-
Silicon Valley Equity Fund-II, L.P. (SVEF)	158,493	23.1	-	-
AFE Solutions Limited (AFE)	118,691	49.0	-	-
Taifon Computer Co., Ltd.	67,244	35.2	-	-
E-Customer Capital Limited (ECL)	52,463	23.5	-	-
Bisnews International Limited (BIL)	44,787	49.0	-	-
Systex Infopro Co., Ltd. (SICL)	5,572	20.0	-	-
Wit Investment Partners Ltd. (WIPL)	2,543	20.0	-	-
TrustView Inc. (TrustView)	1,527	21.1	-	-
Elegance Technology Inc.	-	24.6	-	-
Changzhou Xin Code Master Equipment Co., Ltd. (CXME)	-	13.1	-	-
Sysplus Corporation (Sysplus)	-	-	6,489	23.1
eTech Venture Corporation (eTech)	-	-	3,997	17.3
	$ 625,895		$ 10,486	

Although the Corporation and subsidiaries hold less than 20% of the stock with voting rights of eTech and CXME, they still have significant influence over these companies. Thus, the investments are accounted for by the equity method.

EIVCC has reduced its capital in June of 2007 and has returned a total of $39,100 thousand to the Corporation and subsidiaries.

The difference between the cost of investment accounted for by the equity method and the Corporation and subsidiaries' shares in investees' net assets allocated to goodwill amounted to $0 thousand and $531 thousand as of December 31, 2007 and 2006, respectively.

Investment income (loss) recognized under the equity method was as follows:

Investee	2007	2006
AFE Solutions Limited	$ 44,565	$ -
E-Customer Capital Limited	25,533	-
Bisnews International Limited	12,315	-
Silicon Valley Equity Fund - II, L.P.	9,949	-
Taifon Computer Co., Ltd.	4,078	-
Wit Investment Partners Ltd.	410	-
Changzhou Xin Code Master Equipment Co., Ltd.	(45)	-
Enrichment I Venture Capital Corporation	(101)	-
Systex Infopro Co., Ltd.	(351)	-
TrustView Inc.	(2,556)	-
eTech Venture Corporation	-	(1,802)
Sysplus Corporation	-	20
	$ 93,797	$ (1,782)

The financial statements used as basis for calculating the income (loss) on equity-method investments had all been audited, except those for 2007 of BIL, ECL, and WIPL. The Corporation believed that had the financial statements of these investees been audited, there would have been no material adjustments in the consolidated financial statements.

12. PROPERTY AND EQUIPMENT

Accumulated depreciation and impairment loss consisted of:

	December 31	
	2007	2006
Buildings	$ 235,172	$ 3,967
Computer equipment	510,732	112,148
Transportation equipment	13,711	1,760
Leasehold improvements	82,078	58,301
Other equipment	114,114	24,522
	$ 955,807	$ 200,698
Accumulated impairment loss	$ 34,344	$ -

The above accumulated impairment loss includes the impairment of computer equipment of $24,255 thousand and $8,310 thousand, respectively declared by subsidiaries, Mondex Taiwan Inc. and Taiwan Electronic Data Processing Corporation, before they became the entities to be consolidated in the consolidated financial statements. The accumulated impairment loss also includes $1,779 thousand arising because the recoverable amount of computer equipment of Mondex Taiwan Inc. was less than its carrying value in 2007.

13. GOODWILL

Goodwill arose from the merger and was derived as the difference between the book value of long-term investments and the fair value of the subsidiaries' net assets, and the differences amounted to $39,107 thousand as of December 31, 2007 and $37,177 thousand as of December 31, 2006. Goodwill also arose from the acquisition of subsidiaries and was derived as the difference between the cost to acquire the subsidiaries and the Corporation's equity in the subsidiaries' net assets, and amounted to $36,921 thousand as of December 31, 2007 and $4,080 thousand as of December 31, 2006. No impairment loss on goodwill was determined after evaluating its value-in-use and net realizable value.

The cost of the investment in S.H. Technology Ltd. and Sysplus Corporation, the equity-method investees, exceeded the Corporation's proportionate equity in these investees' net assets. An evaluation showed that, neither S.H. Technology Ltd. and Sysplus Corporation's value-in-use nor net realizable value could cover their carrying value. Thus, impairment losses of $4,080 thousand and $531 thousand were recognized in 2007, respectively.

14. RENTAL PROPERTIES, NET

	December 31	
	2007	**2006**
Cost		
Land	$ 90,653	$ -
Buildings	133,111	-
Computer equipment	70,300	18,767
	294,064	18,767
Accumulated depreciation		
Buildings	53,886	-
Computer equipment	52,605	12,090
	106,491	12,090
Accumulated impairment loss (land and buildings)	28,450	-
	$ 159,123	$ 6,677

15. ASSETS FOR DISPOSAL, NET

Assets for disposal are the Corporation's network operation centers currently not in use and buildings of Megatime Tech Corporation requiring re-construction due to earthquake. The cost, accumulated depreciation and accumulated impairment loss are summarized as follows:

	December 31, 2007
Land	$ 28,852
Buildings (including prepaid construction fee)	14,485
	43,337
Accumulated depreciation - building	2,772
Accumulated impairment loss	2,416
	$ 38,149

16. SHORT-TERM LOANS

	December 31 2007	December 31 2006
Secured bank loans: Due in June 2008, 3.645% interest per annum in 2007; due in January 2007, 1.89% interest per annum in 2006	$ 14,000	$ 50,000
Unsecured bank loans: Due in June 2008, 3.695%-5.043% interest per annum in 2007 and 1.89%-8.00% interest per annum in 2006, which was paid from January to March 2007	42,000	115,919
	$ 56,000	$ 165,919

Certificates of deposit were used as collaterals for the above loan.

17. COMMERCIAL PAPER ISSUED, NET

	December 31 2007	December 31 2006
Commercial paper issued - discount rate 1.5%	$ -	$ 60,000
Less: Unamortized discount on commercial paper issued	-	116
	$ -	$ 59,884

In 2006, Kimo.com (BVI) Corporation provided US$2,000 thousand of time deposit as collateral for the above commercial paper.

18. LONG-TERM BANK LOANS

	December 31	
	2007	2006
Bank mortgage: Needs to be paid monthly from September of 2006 to August 2013, at an annual interest of 3.05%	$ 2,735	$ -
Less: Current portion	162	-
	$ 2,573	$ -

Rental properties service as collaterals for the above bank loans.

19. PENSION PLAN

Defined contribution plan

On July 1, 2005, the new Labor Pension Act (the "Act") took effect, and the employees who were subject to the Labor Standards Law before the enforcement of the Act were allowed to continue to be covered by the defined benefit plan under the Labor Standards Law or to be subject to the defined contribution plan under this Act, with their service periods as of July 1, 2005 to be retained. Employees hired on or after July 1, 2005 can be covered only by the new Act.

Based on the defined contribution plan under the Labor Pension Act, which applies only to the Corporation and domestic subsidiaries, the rate of the required monthly contributions to the employees' individual pension accounts starting on July 1, 2005 is at 6% of salaries and wages. The Corporation and subsidiaries recognized pension costs of $76,192 thousand in 2007 and $21,254 thousand in 2006.

Defined benefit plan

Based on the defined benefit plan under the Labor Standards Law, which applies to the Corporation and its domestic subsidiaries, the companies make monthly defined benefit contributions at 2% to 4% of salaries and wages to a pension fund. The pension fund is administered by the employees' pension fund committee and deposited in its name in the Bank of Taiwan (the Central Trust of China was merged into the Bank of Taiwan in July 2007). The fund's balances were $226,786 thousand and $53,804 thousand as of December 31, 2007 and 2006, respectively.

Systex Information (H.K.) Limited, Beijing Systex Shenglong Information Systems Co., Ltd., Beijing Yisheng Financial and Economic Information Consulting Co., Ltd., Systek Information (Shanghai) Ltd., Beijing Sysware Asia Pacific Ltd., UCOM Information Ltd. (Shanghai), Systex SDC China Ltd., Sysware Shenglong Information Systems Co., Ltd., Audacee Digital Inc. (Beijing), Sysware Singapore Pte. Ltd., Sysware (Thailand) Co., Ltd. and Systex South Asia Pte. Ltd. make monthly contributions to a pension fund according to their local government regulations. These subsidiaries recognized pension costs of $12,690 thousand in 2007 and $1,522 thousand in 2006.

Under labor standards law, other information on the defined benefit plan of the Corporation and subsidiaries was as follows:

a. Pension cost

	2007		2006	
Net periodic pension cost				
Service cost		$ 6,455		$ 1,034
Interest cost		11,653		2,036
Actual return on plan assets	$ 4,560		$ 1,162	
Loss on plan assets	1,223		288	
Projected return on plan assets (total of actual return on plan assets and loss on plan assets)		(5,783)		(1,450)
Amortization		3,541		926
Gains on curtailment or settlement		(844)		-
		$ 15,022		$ 2,546

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

	December 31	
	2007	2006
Benefit obligation		
Vested benefit obligation	$ 21,656	$ 12,131
Non-vested benefit obligation	271,653	68,349
Accumulated benefit obligation	293,309	80,480
Additional benefits based on future salaries	136,302	33,440
Projected benefit obligation	429,611	113,920
Fair value of plan assets	(226,786)	(53,804)
Funded status	202,825	60,116
Unrecognized net transition asset (obligation)	(16,924)	134
Unrecognized net actuarial loss	(90,497)	(55,774)
	95,404	4,476
Additional accrued pension cost	9,219	357
Accrual pension cost	$ 104,623	$ 4,833
Vested benefits obligations	$ 25,049	$ 13,136

c. Actuarial assumptions

	December 31	
	2007	2006
Discount rate used in determining present value	2.75%-3.50%	2.75%
Future salary increase rate	2.00%-3.00%	2.50%-2.75%
Expected rate of return on plan assets	2.50%-3.00%	2.75%

20. STOCKHOLDERS' EQUITY

Capital stock

As stated in Notes 1 and 2, the merger of the Corporation and Systex Corporation (Systex) is based on the reverse merger accounting treatment. Under such treatment, Systex is listed as the acquirier entity and the Corporation is the acquired entity. As a result, the change in capital stock of the Corporation in 2007 was as follows:

Balance, beginning of the year	$ 832,307
Issuance of stock from merger	2,366,801
Issuance of stock from exercising employee stock options	2,670
Balance, end of the year	$ 3,201,778

Stock-based compensation plan

For the Corporation to retain its quality professionals for its business and operations and deepen the employees' sense of belonging, the Corporation adopted stock option plans (the "Plans") - which the Board of Directors approved on March 19, 2007 and May 3, 2005 - to grant employees 9,500 units and 3,000 units of stock options, respectively. Each unit represented 1,000 common shares of the Corporation. The Securities and Futures Bureau under the Financial Supervisory Commission, Executive Yuan of ROC approved the Plans on June 14, 2007 and June 22, 2005, respectively.

The Corporation issued 1,500 units each on May 16, 2006 and August 30, 2005. The option rights were granted to qualified employees of the Corporation and its subsidiaries. The option rights are valid for 5 years and exercisable at certain percentages after the second anniversary of the grant date. The exercise price of the stock option right is equal to the closing price of the Corporation's common shares listed on the Taiwan Gre Tai Securities Market on the date of the grant. If the number of the Corporation's common shares changes after the granting of the stock option, the exercise price will be revised in accordance with the terms of the Plans.

The outstanding employee stock options in 2007 and 2006 were as follows:

	2007		2006	
Employee Stock Option	**Number of Outstanding Options**	**Weighted-average Exercise Price (NT$)**	**Number of Outstanding Options**	**Weighted-average Exercise Price (NT$)**
Beginning outstanding balance	3,000	$ 28.48	1,500	$ 32.65
Options granted	-	$ -	1,500	$ 31.85
Options exercised	(348)	$ 27.80	-	$ -
Ending outstanding balance	2,652	$ 27.43	3,000	$ 32.25
Ending exercisable balance	552		-	
Weighted average fair value of the options granted	$ -		$ 8.4	

As of December 31, 2007, outstanding employee stock options were as follows:

Range of Exercise Price (NT$)	Number of Outstanding Options	Weighted-average Remaining Life (Years)	Weighted-average Exercise Price of Outstanding Options (NT$)	Number of Exercisable Options	Weighted-average Exercise Price (NT$)
$27.80	1,152	2.66	$27.80	552	$ 27.80
$27.15	1,500	3.37	$27.15	-	$ -

Based on the intrinsic value-based method used by the Corporation, the compensation cost of 2007 and 2006 for the employee stock options granted did not need to be recognized. Had the Corporation applied the fair value-based method to this compensation cost, the Corporation's assumptions and pro forma results in 2007 and 2006 would have been as follows:

		Issued on May 16, 2006	Issued on August 30, 2005
Method:	Black-Scholes Model		
Assumptions:	Risk-free interest rate	2.15%	1.76%
	Expected life	5 years	5 years
	Expected volatility	30.00%	41.06%
	Expected dividend yield	-	-

		2007	2006
Net income of the Corporation:	Net income as reported	$892,401	$306,124
	Pro forma net income	879,261	293,790
Earnings per share (EPS) of the Corporation:	Basic EPS as reported (NT$)	3.02	3.68
	Pro forma basic EPS (NT$)	2.98	3.53

Capital surplus

Under relevant regulations, capital surplus from equity-method investments cannot be used for any purpose. Capital surplus from additional paid-in capital and donation received can only be used to offset deficit or transferred to capital, and the amount transferred per year should not exceed a certain percentage of the capital. Other capital surplus can only be used to offset deficit.

Capital surplus adjustment after the merger as of January 1, 2007 was as follows:

Additional capital surplus as a result of issuance of stock for merger	$ 7,479,099
Adjustment of capital surplus under reverse merger accounting	1,449,829
Elimination of mutually owned stocks between Systex and the Corporation	(350,734)
	$ 8,578,194

Appropriation of earnings and dividend policy

The Corporation's Articles of Incorporation provide that the annual net income (less any deficit) after allocations of 10% as legal reserve and of special reserve should be appropriated as follows:

a. Dividends not exceeding 10% of capital;

b. 10% as bonus to employees;

c. 2% as remuneration to directors and supervisors;

d. The remainder, to be distributed to the stockholders or retained by the Corporation.

The employees who qualify for the distribution of earnings as bonus include employees of the Corporation's affiliates who meet certain criteria.

Following its Articles of Incorporation and considering the overall environment, growth trends in the industry, and the Corporation's long-term financial planning and ongoing goal to have steady progress, the Corporation applies its residual dividends policy as follows:

a. Determine the appropriate capital budget.

b. Determine the funds needed for the capital budget.

c. Determine the amount to be funded by unappropriated earnings (the remaining may be funded through capital increase by cash or through issuance of bonds).

d. The remaining retained earnings, less an appropriate portion for the operational needs, may be distributed to stockholders.

The Corporation's dividends may be distributed in cash or stocks. Cash dividends should not exceed 50% of the total distributed cash and stock dividends. In addition, dividend policy depends on criteria such as the Corporation's current and future investment environment, cash requirements, domestic and international competition. Further, the Corporation evaluates stockholders' interests and balances dividends and its long-term financial goals. Annually, the board of directors prepares a proposal on earnings appropriation for approval at the stockholders' meeting.

Under the local regulations, when the Corporation distributes its earnings, it needs to provide a special reserve equal to the sum of all debit balances shown in the stockholders' equity, except for deficit and treasury stock. If the Corporation's stock are held by its subsidiaries at the end of the year and the market value of the shares held are lower than their carrying value, the Corporation should provide a special reserve equal to the difference between the book value and market value multiplied by its percentages of ownership of the subsidiaries. The balance of the special reserve is adjusted to reflect changes in the debit balances of the stockholders' equity accounts, and the portion that is reversed should be available for distribution as dividends.

Under the Company Law, legal reserve should be appropriated until the reserve equals the Corporation's capital. This reserve may be used to offset a deficit; or, when the reserve has reached 50% of the capital, up to 50% thereof may be transferred to capital.

Any appropriations of earnings are recorded in the year of stockholders' approval. Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2006 and 2005 had been approved in the stockholders' meetings held on June 13, 2007 and June 15, 2006, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2006	**For Fiscal Year 2005**	**For Fiscal Year 2006**	**For Fiscal Year 2005**
Reversal of special reserve	$ (70,929)	$ (49,551)	$ -	$ -
Legal reserve	30,612	31,701	-	-
Bonus to employees - in cash	34,644	25,285	-	-
Bonus to employees - in stock	-	8,200	-	-
Bonus to directors and supervisors - in cash	6,929	6,697	-	-
Cash dividends	319,911	156,974	1.00	2.00
Stock dividends	-	19,622	-	0.25
	$ 321,167	$ 198,928	$ 1.00	$ 2.25

The stockholders also resolved the transfer of $19,622 thousand of capital surplus to paid-in capital in the stockholders' meeting on June 15, 2006.

If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2006 and 2005, the basic after income tax earnings per share for the years ended December 31, 2006 and 2005 would have decreased from $3.68 to $3.18 and $4.04 to $3.33, respectively.

Stock bonus to employees of 820 thousand shares were distributed out of the earnings for the year ended December 31, 2005, representing 1.04% of the total outstanding shares at the end of 2005.

As of March 7, 2008, the board of directors has not resolved the appropriations of earnings for 2007. Information about the appropriations of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Unrealized gain or loss on financial instruments

For the years ended December 31, 2007 and 2006, movements of unrealized gain or loss on financial instruments were as follows:

	Available-for-sale Financial Assets	**Equity Method Investments**	**Total**
Year ended December 31, 2007			
Balance, beginning of the year	$ 85,191	$ 279,261	$ 364,452
Transferred from the dissolved entity	(85,837)	(196,487)	(282,324)
Recognized in stockholders' equity	(9,277)	945,698	936,421
Transferred to profit or loss	(429)	(211)	(640)
Balance, end of the year	$ (10,352)	$ 1,028,261	$ 1,017,909

(Continued)

Year ended December 31, 2006	Available-for-sale Financial Assets	Equity Method Investments	Total
Balance, beginning of the year	$ -	$ -	$ -
Effects of adoption of SFAS No. 34	474	578,137	578,611
Recognized in stockholders' equity	90,319	(298,876)	(208,557)
Transferred to profit or loss	(5,602)	-	(5,602)
Balance, end of the year	$ 85,191	$ 279,261	$ 364,452

(Concluded)

21. TREASURY STOCK

(In Thousand Shares)

Purpose of Treasury Stock	Beginning	Increase	Decrease	Ending
2007				
Reclassification of parent company stock held by subsidiaries from equity-method investments into treasury stock	-	24,794	-	24,794

After the merger with Systex Corporation (Systex), Ching Pu Investment Corporation (Ching Pu) and Hanmore Investment Corporation (Hanmore) which are the subsidiaries of Systex also merged as the Corporation's subsidiaries. For this merger, every 3.0105 shares of Systex were swapped for one share of the Corporation. Therefore, Hanmore held 21,206 thousand shares of the Corporation after swapping 63,842 thousand shares of Systex. The carrying value of Hanmore's investment in the Corporation's shares, which were treated as available-for-sale financial assets, was $678,636 thousand, which represents the investment cost of $1,054,339 thousand net of the market value decline of $375,703 thousand. The Corporation reclassified its 48.9% ownership of Hanmore, with a carrying amount of $331,989 thousand (10,370 thousand shares), into treasury stock. Hanmore's remaining shares should be treated as a recovery of the investment of the minority interest and reclassified as a deduction of minority interest in available-for-sale financial assets.

Based on the closing price as of December 31, 2007, the market value of the Corporation's shares held by Hanmore of 21,206 thousand shares was $678,602 thousand.

Starting from January 1, 2007, the Corporation reclassified its 100% ownership of Ching Pu, with the carrying value of Ching Pu's investment in the Corporation's share, which were treated as available-for-sale financial assets - noncurrent, of $502,435 thousand (14,424 thousand shares), into treasury stock.

Based on the closing price as of December 31, 2007, the market value of the Corporation's shares held by Ching Pu of 14,424 thousand shares was $461,564 thousand.

The Corporation's shares held by its subsidiaries are recorded as treasury stocks, with the subsidiaries having the same rights as other common stockholders on these stocks, except that the subsidiaries which are owned by the parent company for over 50% will not have the right to participate in any share issuance for cash or to vote.

22. INCOME TAX

The ROC government enacted the Alternative Minimum Tax Act ("AMT Act"), which became effective on January 1, 2006. The alternative minimum tax (AMT) imposed under the AMT Act is supplemental tax levied at a rate of 10% tax which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Corporation has considered the impact of the AMT Act in determining its tax liabilities.

a. Income tax expense was as follows:

	2007	2006
Currently payable	$ 103,947	$ 36,726
Additional income tax on unappropriated earnings	8,940	11,881
Investment tax credits generated during the year	(79,339)	(13,760)
Deferred income tax	30,830	3,992
Prior years' tax adjustment	10,619	(1,962)
Income tax expense	$ 74,997	$ 36,877

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

	2007	2006
Tax on pretax income at 25% statutory rate	$ 220,525	$ 85,652
Add (deduct) tax effects of:		
Impairment loss on financial assets carried at cost	12,373	-
Reversal of unrealized cost of sales	(14,788)	-
Reversal of unrealized loss on breach of contracts	(6,385)	-
Reversal of unrealized loss on endorsements	(6,750)	-
Equity in the net loss of domestic investees	447	-
Equity in the net loss of foreign investees	88	-
Allowance (reversal of allowance) for doubtful accounts	(26,255)	4,109
Tax-exempt income from sale of securities	(66,721)	(44,661)
Tax-exempt income from sales of land	(4,631)	-
Dividend income	(21,052)	-
Provision for losses on inventories	4,918	626
Realized sales allowances	(2,309)	-
Loss from liquidation of investees	(21,948)	-
Unrealized loss (gain) on valuation of financial instruments	(1,134)	2,794
Realized deferred charges	(4,319)	(5,616)
Unrealized royalty fees	3,613	-
Amortization of goodwill resulted from merger	(2,639)	-
Loss carryforwards	28,710	-
Tax-exempt income	(7,967)	-
Alternative minimum tax	11,299	-
Others	8,872	(6,178)
Currently payable	$ 103,947	$ 36,726

Income tax payables as of December 31, 2007 and 2006 were net of prepaid income taxes of $19,307 thousand and $166 thousand, respectively.

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

	December 31 2007	December 31 2006
Deferred income tax assets - current		
Allowance for losses on inventories	$ 64,643	$ 5,378
Unused loss carryforwards	37,994	18,471
Unrealized sales allowances	35,196	-
Unused investment tax credits	34,394	10,823
Allowance for doubtful accounts	31,168	6,651
Unrealized cost of sales	10,695	-
Others	5,679	61
	219,769	41,384
Less: Valuation allowance	(106,767)	(18,471)
	$ 113,002	$ 22,913
Deferred income tax assets (liabilities) - noncurrent		
Unused investment tax credits	$ 190,662	$ -
Impairment loss on financial assets carried at cost	148,388	-
Unused loss carryforwards	97,229	-
Cumulative investment loss on foreign investees under equity method	67,237	-
Accrued pension cost	20,999	-
Cumulative investment loss on domestic investees under equity method	13,769	-
Impairment of property and equipment, assets for disposal and rental assets	5,781	-
Unrealized royalty fees	5,279	-
Unrealized gain on sales - leaseback	3,169	-
Unrealized deferred charges	452	4,503
Goodwill resulted from merger	(5,181)	-
Others	4,329	267
	552,113	4,770
Less: Valuation allowance	372,305	-
	$ 179,808	$ 4,770

The statutory tax rate of 25% was used to calculate the deferred income taxes as of December 31, 2007 and 2006.

d. Unused loss carryforwards in 2007 were as follows:

Expiry Year	**Creditable Tax Amount**	**Remaining Creditable Tax Amount**
2008	$ 38,401	$ 37,994
2009	26,946	26,946
2010	12,399	12,304
2011	16,733	16,733
2012	41,246	41,246
	$ 135,725	$ 135,223

e. As of December 31, 2007, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenses	$ 72,323	$ 29,177	2008
Statute for Upgrading Industries	Research and development expenses	63,845	62,336	2009
Statute for Upgrading Industries	Research and development expenses	47,149	47,149	2010
Statute for Upgrading Industries	Research and development expenses	80,308	73,563	2011
Statute for Upgrading Industries	Employee training	5,217	5,217	2008
Statute for Upgrading Industries	Employee training	2,046	1,987	2009
Statute for Upgrading Industries	Employee training	1,726	1,726	2010
Statute for Upgrading Industries	Employee training	2,560	2,560	2011
Statute for Upgrading Industries	Purchase of machinery and equipment	1,341	1,341	2010
		$ 276,515	$ 225,056	

f. The integrated income tax was as follows:

	December 31 2007	December 31 2006
Imputation credit account balance	$ 249,979	$ 31,964

The estimated 2007 and the actual 2006 tax credit allocation rates applicable to the stockholders are 10.26% and 14.82%, respectively.

As of December 31, 2007 and 2006, there are no unappropriated earnings generated prior to December 31, 1997.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to stockholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2007 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

g. Income tax returns of UCOM Information Ltd. (Shanghai) through 2004 had been examined and cleared by the tax authorities.

Income tax returns of Systex Information (H.K.) Limited through 2003 had been examined and cleared by the tax authorities.

Income tax returns and undistributed earnings returns through 2005 and 2004, respectively of the Corporation, Concord System Management Corporation (CSMC), Sysplus Corporation, SysView Corporation, Ching Pu Investment Corporation, Syshubs Global Service Inc., Global FortuneNet Technology Corporation, OpenPower Information Co., Ltd., Systime Technology Corp., Megatime Tech Corporation, Hanmore Investment Corporation, Syscape Technology Corporation, eTech Venture Corporation, S.H. Technology Ltd. and Mondex Taiwan Inc. had been examined and cleared by the tax authorities. However, the Corporation disagreed with the tax authorities' assessment of the investment tax credits of its 2005 tax return and had applied for a re-examination. Nevertheless, the Corporation has provided provision for the income tax assessed by the tax authorities for conservatism. CSMC was assessed an additional income tax on its 2003 returns, and CSMC's management applied for administrative relief for this assessment. Nevertheless, CSMC accrued the related income tax.

Under tax regulations in China, foreign companies may receive the following tax benefits: In the first year of profit after years of losses, net income may be used to offset prior year's losses. After prior losses are fully utilized, companies are tax-exempt in their next two profitable years. In the next three years, the companies may get 50% deduction on their taxes. Systek Information (Shanghai) Ltd., Beijing Sysware Asia Pacific Ltd., Beijing Systex Shenglong Information Systems Co., Ltd., Beijing Yisheng Financial and Economic Information Consulting Co., Ltd., Audacee Digital Inc. (Beijing), Systex SDC China Ltd. and Sysware Shenglong Information Systems Co., Ltd. have started using these tax benefits from the start of 2008 or their profit years, whichever comes earlier.

Systex Capital Group Inc., Systex Investment Holdings Ltd., AP Networks Ltd., Sysware.com (BVI) Corp., Audacee Digital Inc. (BVI), Audacee Digital Inc. (China), Audacee Digital Inc. (Taiwan), Systex Securities Holdings Ltd., Sysware Asia (BVI) Ltd., eTech Venture Inc. (BVI), TrustView Holding Ltd. and Kimo.com (BVI) Corp., which are subsidiaries of the Corporation, are exempt from income tax under the International Business Companies Act of the British Virgin Islands.

23. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2007		
	Cost of Sales	**Operating Expenses**	**Total**
Personnel			
Payroll	$ 13,123	$ 1,948,683	$ 1,961,806
Insurance	1,094	111,911	113,005
Pension	976	102,928	103,904
Others	582	71,286	71,868
	$ 15,775	$ 2,234,808	$ 2,250,583
Depreciation	$ 37,630	$ 95,095	$ 132,725
Amortization	$ 8,878	$ 20,244	$ 29,122

	2006		
	Cost of Sales	**Operating Expenses**	**Total**
Personnel			
Payroll	$ -	$ 532,921	$ 532,921
Insurance	-	32,880	32,880
Pension	-	25,322	25,322
Others	-	21,304	21,304
	$ -	$ 612,427	$ 612,427
Depreciation	$ 5,099	$ 47,550	$ 52,649
Amortization	$ -	$ 11,271	$ 11,271

24. REVERSAL OF ALLOWANCE FOR DOUBTFUL ACCOUNTS, OTHER NON-OPERATING INCOME, AND EXTRAORDINARY GAIN

On February 24, 2006, the Taipei High Administrative Court announced its decision to revoke the status of Far Eastern Electronic Toll Collection Co., Ltd. (FETC) as the best qualified candidate for "Private Participation in the Electronic Toll Collection BOT Project" ("ETC Project"). On August 3, 2006, the Supreme Administrative Court ruled that the original screening process conducted by the Taiwan Area National Freeway Bureau ("TANFB") was flawed and in violation of the principles of equality and promotion of public interest. Thus, this court stripped FETC of its "best qualified candidate" status. In 2006, after the assessment, Systex Corporation (Systex) has decided to recognize the loss on receivables from FETC of $102,422 thousand and the collaterals to the bank of $27,000 thousand on behalf of FETC.

TANFB had reapplied for the selection process in 2007 and had written a new agreement with FETC on the seventh of August 2007. After approval from Ministry of Transportation and Communication, on August 22, 2007, TANFB signed a new contract with FETC, which would last a total of eighteen years and four months.

In 2007, the Corporation collected the $102,422 thousand receivables from FETC and rescinded the $27,000 thousand collaterals to the bank. Therefore, the related loss recognized in 2006 has been reversed as non-operating income in 2007.

Systex (before the merger) had signed two project contracts and could not execute one of them and thus, accrued $12,580 thousand as penalty for breach of contract in 2006. However, the customer and the Corporation reached an agreement and the customer has agreed to exempt the Corporation $11,580 thousand of its penalty in 2007. In addition, Systex could not complete the other project as scheduled. For the delay, Systex accrued $12,960 thousand as penalty based on the length of the delay. In 2007, the customer and the Corporation reached an agreement and the customer has agreed to relieve Systex of the entire penalty. In 2007, both exempt amounts are booked as other income.

The Corporation and Ching Pu Investment Corporation have acquired shares of Concord System Management Corporation in 2007. The acquisition cost was lower than the fair value of the identifiable net assets acquired. After partially allocated the excess of fair value over cost to noncurrent assets, the remaining amount of $22,883 thousand is credited to extraordinary gain.

25. EARNINGS PER SHARE

The data used in calculating the Corporation's earnings per share were as follows:

	Amount (Numerator)		Shares in Thousands	Earnings Per Share (NT$)	
	Pretax	After-tax	(Denominator)	Pretax	After-tax
2007					
Basic earnings per share					
Consolidated net income attributable to stockholders of the parent					
Net income before extraordinary gains	$ 912,839	$ 890,273	295,189	$ 3.09	$ 3.01
Extraordinary gains	2,128	2,128	295,189	0.01	0.01
	$ 914,967	$ 892,401		$ 3.10	$ 3.02

(Continued)

	Amount (Numerator)		Shares in Thousands	Earnings Per Share (NT$)	
	Pretax	After-tax	(Denominator)	Pretax	After-tax
2006					
Basic earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 342,845	$ 306,124	83,231	$ 4.12	$ 3.68

(Concluded)

The pro forma net income and earnings per share had the parent company's stock held by subsidiaries been treated as an investment instead of treasury stock, are as follows:

	Amount (Numerator)		Shares in Thousands	Earnings (Loss) Per Share (NT$)	
	Pretax	After-tax	(Denominator)	Pretax	After-tax
2007					
Pro forma basic earnings per share					
Consolidated net income attributable to stockholders of the parent					
Net income before extraordinary gains	$ 937,637	$ 915,071	319,987	$ 2.93	$ 2.86
Extraordinary gains	2,128	2,128	319,987	0.01	0.01
	$ 939,765	$ 917,199		$ 2.94	$ 2.87

26. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

In 2007 and 2006, the Corporation and subsidiaries had no transactions involving derivative instruments other than those disclosed in this note under item d.

	December 31			
	2007		2006	
Non-derivative Instruments	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets				
Financial assets at fair value through profit or loss - current	$ 4,287,459	$ 4,287,459	$ 177,833	$ 177,833
Available-for-sale financial assets - current	1,951,807	1,951,807	961,514	961,514
Available-for-sale financial assets - noncurrent	303,837	303,837	-	-
Financial asset carried at cost	1,291,504	-	35,866	-
Investments accounted for by the equity method				
Unlisted stocks and others	625,895	-	10,486	-

(Continued)

Non-derivative Instruments	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Refundable deposits - noncurrent	$ 107,552	$ 107,552	$ 54,912	$ 54,912
Pledged time deposits - noncurrent	96,550	96,550	-	-
Long-term lease receivables, net	12,091	12,091	895	895
<u>Liabilities</u>				
Guarantee deposits received	14,628	14,628	124	124

(Concluded)

As a result of the adoption of Statement of Financial Accounting Standards No. 34, - "Accounting for Financial instruments," the Corporation and subsidiaries recognized cumulative accounting changes and also made adjustments to various accounts. Please refer to Note 3 for details.

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

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

2) For financial instruments at fair value through profit or loss and available-for-sale financial assets with active market, the fair value is based on quoted market price. For financial instruments at fair value through profit or loss without active market, the fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with those generally used by other market participants for instrument pricing.

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

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

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

6) For long-term lease receivables, their fair value is estimated using discounted cash flow analysis, based on the Corporation and subsidiaries' contract rates with maturity periods similar to those of long-term leases.

c. Financial risks

1) Market risk. Financial instruments at fair value through profit or loss and available-for-sale financial assets are held by the Corporation and subsidiaries for trading in active markets. Hence, the Corporation and subsidiaries are exposed to market risks as a result of price fluctuations. The Corporation and subsidiaries run a control system to mitigate this risk, and management does not anticipate any material loss due to this risk.

2) Credit risk. The Corporation and subsidiaries are exposed to credit risk on counter-parties' default on contracts. The Corporation and subsidiaries' maximum exposure to credit risk is equal to its book value. In addition, the Corporation and subsidiaries transact only with selected financial institutions, corporations and individuals with good credit ratings. Thus, management does not anticipate any material losses on default on contracts.

3) Liquidity risk. The Corporation and subsidiaries have sufficient working capital to meet the cash needs for their operations. Thus, no material liquidity risk is anticipated. In addition, the Corporation and subsidiaries' financial instruments at fair value through profit or loss and available-for-sale financial assets are publicly-traded in an active market and can readily be sold in the market at their approximate fair values. However, they have financial assets carried at cost and investments in unlisted stocks accounted for by the equity method with significant liquidity risks because these assets do not have quoted market prices in an active market.

d. In order to avoid the risk resulting from fluctuation of exchange rate, Systex Capital Group Inc., the Corporation's subsidiary, had entered into several foreign-currency forward exchange contracts in 2007. All such contracts have been settled in 2007, and none was outstanding as of December 31, 2007. These transactions generated exchange gain of US$23 thousand for the year ended December 31, 2007.

Kimo.com (BVI) Corp. ("Kimo"), the Corporation's subsidiary, had entered into option (covered call) contracts with a financial institution in 2006. The purpose of the transaction was to hedge the fluctuation risk on the selling price of Yahoo stock and to have a gain on the sale of shares as well as royalty income. In 2006, all such contracts have been settled and Kimo recognized royalty income of US$69 thousand.

27. RELATED PARTY TRANSACTIONS

a. Related parties

Related Parties	Relationship with the Corporation and Subsidiaries
SysView Corporation (SysView)	Systex's investee accounted for by the equity method in 2006 (after merger with Systex in January 1, 2007, it also merged as the Corporation's subsidiary)
Concord System Management Corporation (CSMC)	Systex's investee accounted for by the equity method in 2006 (after merger with Systex in January 1, 2007, it also merged as the Corporation's subsidiary)
Systex Corporation (Systex)	The Corporation's investor using the equity method (dissolved after merger with the Corporation in January 1, 2007)
AFE Solutions Limited (AFE)	Investee accounted for by the equity method of the Corporation's subsidiary, Systex Capital Group Inc.
Taifon Computer Co., Ltd. (TCC)	Investee accounted for by the equity method of the Corporation's subsidiary, Taiwan Electronic Data Processing Corporation

b. Significant related party transactions (in addition to those disclosed in Note 29)

	2007		2006	
	Amount	**% to Total**	**Amount**	**% to Total**
For the year				
Sales				
TCC	$ 20,342	-	$ -	-
AFE	1,309	-	-	-
Systex	-	-	60,067	2
SysView	-	-	3,671	-
CSMC	-	-	1,944	-
	$ 21,651	-	$ 65,682	2
Purchases				
TCC	$ 3,867	-	$ -	-
Systex	-	-	15,376	1
CSMC	-	-	566	-
	$ 3,867	-	$ 15,942	1
Cost of services				
TCC	$ 75	-	$ -	-
Systex	-	-	5,693	1
	$ 75	-	$ 5,693	1
Purchases of property and equipment (at carrying amount)				
Systex	$ -	-	$ 20	-
Operating expenses				
Systex	$ -	-	$ 3,377	-
At the end of the year				
Receivables from related parties				
TCC	$ 9,679	99	$ -	-
AFE	38	1	-	-
Systex	-	-	13,241	80
SysView	-	-	2,577	16
CSMC	-	-	725	4
	$ 9,717	100	$ 16,543	100
Payables to related parties				
TCC	$ 3,114	86	$ -	-
Trust View	510	14	-	-
Systex	-	-	10,720	99
CSMC	-	-	111	1
	$ 3,624	100	$ 10,831	100

The product/service sales and purchase transactions with related parties were conducted under pricing terms similar to those for third parties, for purchases or sales of similar products/services, except those transactions on products/services with special specifications. Settlement terms for other related-party transactions were similar to those for third parties. The Corporation had rented office and network operation center from Systex from January to December 2006. The monthly rent was based on market price and the size of rented area.

28. ASSETS PLEDGED

The following assets had been pledged as collaterals, performance bonds, provisional seizure, and import duty guarantees:

	December 31	
	2007	**2006**
Pledged time deposits - current	$ 189,047	$ 180,100
Pledged time deposits - noncurrent	96,550	-
	$ 285,597	$ 180,100

29. SIGNIFICANT CONTINGENT LIABILITIES AND COMMITMENTS AS OF DECEMBER 31, 2007

a. Unused letters of credit aggregated about $1,003 thousand.

b. Outstanding sales contracts amounted to about $2,947,383 thousand.

c. There was a guarantee amounting to $207,290 thousand on the unused bank loans credit lines of Ching Pu Investment Corporation.

d. A certain company bought Oracle database and related software from the Corporation. The buyer claimed that it did not receive the authorized software document; thus the buyer ended the sales contract and demanded $16,000 thousand in damages plus legal interest. As of March 7, 2008, the court has ruled in favor of the Corporation.

e. Taiwan Electronic Data Processing Corporation(TEDP) had signed two project contracts with other parties. Due to process delays, the contracts could not be completed in a timely manner. According to the contracts, the ceiling of the penalty was set at $13,990 thousand. TEDP had accrued penalty based on the length of the delay, which amounted to $6,450 thousand.

f. There were lease contracts for office premises and warehouse, expiring between January 2008 and December 2012, with refundable deposits of $36,271 thousand. Future rentals due are as follows:

Year	**Amount**
2008	$ 99,984
2009	53,857
2010	24,346
2011	7,493
2012	4,605

30. SEGMENT INFORMATION

Segment information is presented in the accompanying Table 1.

TABLE 1

SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

SEGMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

A. Industry information

	2007				2006			
	Sale of Computer Hardware and Software, and Handsets	Services (Note 1)	Others (Note 1)	Total	Sale of Computer Hardware and Software, and Handsets	Services (Note 1)	Others (Note 1)	Total
Sales to customers	$ 7,885,836	$ 3,657,735	$ 733,122	$ 12,276,693	$ 2,902,131	$ 1,064,297	$ 210,844	$ 4,177,272
Sales to other segments	-	-	-	-	-	-	-	-
Total sales	$ 7,885,836	$ 3,657,735	$ 733,122	$ 12,276,693	$ 2,902,131	$ 1,064,297	$ 210,844	$ 4,177,272
Segment operating income (Note 2)	$ 241,700	$ 477,454	$ 625,104	$ 1,344,258	$ 129,549	$ 98,938	$ 207,130	$ 435,617
Investment income, net (Note 3)				53,603				4,368
Other corporate income				197,792				52,766
Corporate general expenses				(554,413)				(146,605)
Interest expense				(5,868)				(3,185)
Income before income tax				$ 1,035,372				$ 342,961
Identifiable assets (Note 4)	$ 4,430,893	$ 1,191,315	$ 190,492	$ 5,812,700	$ 1,327,665	$ 328,914	$ 49,296	$ 1,705,875
Long-term investments				2,221,236				46,352
Corporate general assets				11,155,751				2,545,884
Total assets				$ 19,189,687				$ 4,298,111
Depreciation and amortization expense	$ 84,145	$ 58,474	$ 19,228		$ 25,944	$ 37,335	$ 641	
Capital expenditures	$ 217,423	$ 247,155	$ 31,139		$ 26,659	$ 38,362	$ 613	

Notes:

1. The Corporation and subsidiaries' services mainly include VAN services, data processing, computer software services, training services and computer maintenance. Other businesses include computer leasing and miscellaneous items.

2. Segment operating income is revenues less costs and operating expenses. Operating expenses include costs and expenses that are directly identifiable to an industry segment, excluding interest expense, investment loss and general and administrative expenses.

3. Investment income (loss) is gain or loss from the sale of investments, dividend income, gain or loss on valuation of financial assets, net investment income (loss) recognized under the equity method, and impairment loss on financial assets carried at cost.

(Continued)

4. Identifiable assets represent tangible assets that are used by the industry segment, excluding:

   a. Assets maintained for general corporate purpose.
   b. Financial assets at fair value through profit or loss and available-for-sale financial assets.
   c. Long-term investments.

B. Geographical financial information

No overseas revenue accounted for 10% of the Corporation and subsidiaries' total operating revenues.

C. Export sales

The Corporation and subsidiaries' export sales revenue did not reach 10% of the total revenues as reported in the consolidated statements of income.

D. Major customers

No customer accounted for 10% of the Corporation and subsidiaries' total operating revenues.

(Concluded)

SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

PRO FORMA CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars, Except Par Value)
(Not Audited)

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	$ 2,873,353	17
Financial assets at fair value through profit or loss - current	3,834,253	23
Available-for-sale financial assets - current	629,499	4
Notes receivable, net	351,770	2
Accounts receivable, net	2,169,246	13
Lease receivables, net	18,388	-
Receivables from related parties	5,137	-
Other receivables	249,463	1
Inventories, net	930,964	5
Prepayments	320,540	2
Deferred income tax assets - current	154,832	1
Pledged time deposits - current	427,988	2
Refundable deposits - current	125,579	1
Other current assets	36,846	-
Total current assets	12,127,858	71
LONG-TERM INVESTMENTS		
Available-for-sale financial assets - noncurrent	535,070	3
Financial assets carried at cost - noncurrent	1,325,699	8
Investments accounted for by the equity method	549,786	3
Total long-term investments	2,410,555	14
PROPERTY AND EQUIPMENT		
Cost		
Land	773,603	4
Buildings	1,134,977	7
Computer equipment	709,293	4
Leasehold improvements	132,286	1
Other equipment	158,247	1
Total cost	2,908,406	17
Accumulated depreciation	(945,119)	(5)
Accumulated impairment loss	(25,134)	-
Prepayments for equipment	100	-
Net property and equipment	1,938,253	12
INTANGIBLE ASSETS		
Goodwill	33,061	-
Deferred pension cost	358	-
Total intangible assets	33,419	-
OTHER ASSETS		
Rental properties, net	137,770	1
Assets for disposal, net	18,094	-
Refundable deposits - noncurrent	135,024	1
Deferred charges, net	51,941	-
Long-term lease receivables, net	4,662	-
Deferred income tax assets - noncurrent	122,965	1
Pledged time deposits - noncurrent	35,846	-
Others	3,153	-
Total other assets	509,455	3
TOTAL	$ 17,019,540	100

LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	%
CURRENT LIABILITIES		
Short-term loans	$ 194,731	1
Commercial paper issued, net	59,884	-
Notes payable	168,398	1
Accounts payable	1,671,445	10
Payables to related parties	75,118	1
Income tax payable	42,248	-
Accrued expenses	524,093	3
Other payables	150,020	1
Advances from customers	226,915	1
Other current liabilities	86,656	1
Total current liabilities	3,199,508	19
OTHER LIABILITIES		
Accrued pension cost	101,105	1
Deferred credits	5,498	-
Others	13,208	-
Total other liabilities	119,811	1
Total liabilities	3,319,319	20
EQUITY ATTRIBUTABLE TO THE PARENT'S STOCKHOLDERS		
Capital stock - par value NT$10	3,199,108	19
Capital surplus		
Additional paid-in capital	9,311,346	55
Treasury stock transactions	213,336	1
Gain on sale of property and equipment	4,493	-
Donations	544	-
Total capital surplus	9,529,719	56
Retained earnings		
Legal reserve	163,221	1
Special reserve	70,929	-
Unappropriated earnings	934,949	6
Total retained earnings	1,169,099	7
Other equity		
Cumulative translation adjustments	(38,774)	-
Unrealized gain on financial instruments	82,128	-
Unrealized revaluation increment	56	-
Total other equity	43,410	-
Treasury stock	(834,424)	(5)
Total stockholders' equity attributable to the parent's stockholders	13,106,912	77
MINORITY INTEREST	593,309	3
Total stockholders' equity	13,700,221	80
TOTAL	$ 17,019,540	100

SYSTEX CORPORATION (FORMERLY SYSWARE CORPORATION) AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars, Except Loss Per Share)
(Not Audited)

	Amount	%
OPERATING REVENUES		
Sales	$ 8,145,377	69
Less: Sales returns and allowances	212,705	2
Net sales	7,932,672	67
Service income	3,528,744	30
Others	408,860	3
Total operating revenues	11,870,276	100
OPERATING COSTS		
Cost of goods sold	6,838,775	57
Cost of services	1,506,974	13
Others	265,058	2
Total operating costs	8,610,807	72
GROSS PROFIT	3,259,469	28
OPERATING EXPENSES		
Selling expenses	2,364,769	20
General and administrative expenses	669,184	6
Research and development expenses	299,482	2
Total operating expenses	3,333,435	28
OPERATING LOSS	(73,966)	-
NONOPERATING INCOME AND GAINS		
Interest income	107,306	1
Dividend income	38,006	-
Foreign exchange gain, net	5,220	-
Gain on valuation of financial assets, net	88,669	1
Others	35,232	-
Total nonoperating income and gains	274,433	2

(Continued)

	Amount	%
NONOPERATING EXPENSES AND LOSSES		
Interest expense	$ 4,334	-
Investment loss recognized under the equity method, net	7,708	-
Loss on disposal of property and equipment, rental properties and deferred charges, net	2,356	-
Loss on sale of investments, net	27,751	-
Provision for losses on inventories	32,095	-
Impairment loss on financial assets carried at cost	276,553	3
Others	87,460	1
Total nonoperating expenses and losses	438,257	4
LOSS BEFORE INCOME TAX	(237,790)	(2)
INCOME TAX	(41,838)	(1)
NET LOSS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	(279,628)	(3)
CUMULATIVE EFFECT OF ACCOUNTING CHANGES, NET OF TAX	93,972	1
CONSOLIDATED NET LOSS	$ (185,656)	(2)
ATTRIBUTABLE TO:		
Stockholders of the parent	$ (192,707)	(4)
Minority interest	7,051	2
	$ (185,656)	(2)

	Pre-tax	After-tax
LOSS PER SHARE		
Basic loss per share - based on pro forma weighted average number of outstanding shares of 295,117 thousand		
Net loss before cumulative effect of accounting changes	$ (0.61)	$ (0.70)
Cumulative effect of accounting changes, net of tax	0.05	0.05
	$ (0.56)	$ (0.65)

The pro forma information had the parent company's shares held by subsidiaries been treated as an investment instead of treasury stock are shown as follows:

	Pre-tax	After-tax
NET LOSS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	$ (179,613)	$ (207,375)
CUMULATIVE EFFECT OF ACCOUNTING CHANGES	14,668	14,668
	$ (164,945)	$ (192,707)

(Continued)

	Pre-tax	After-tax
BASIC LOSS PER SHARE - BASED ON PRO FORMA WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES OF 319,911 THOUSAND		
Net loss before cumulative effect of accounting changes	$ (0.56)	$ (0.65)
Cumulative effect of accounting changes, net of tax	0.05	0.05
	$ (0.51)	$ (0.60)

(Concluded)