Systex Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2008 and 2007 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Systex Corporation

We have audited the accompanying consolidated balance sheets of Systex Corporation (the "Corporation") and its subsidiaries as of December 31, 2008 and 2007, 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, 2008 of SysView Corporation, Sysplus Corporation, Systex Information (H.K.) Ltd. and Sysware (Thailand) Co., Ltd. and 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, TaiwanPay Corporation (formerly Mondex Taiwan Inc.), Systex Information (H.K.) Ltd., AP Networks Ltd., and Systex South Asia Pte. Ltd., which are all consolidated subsidiaries. The aggregate assets of these subsidiaries as of December 31, 2008 and 2007 amounted to NT$457,238 thousand and NT$508,145 thousand, respectively, or about 2.92% and 2.65% of the respective consolidated assets. The aggregate net operating revenues of these subsidiaries in 2008 and 2007 were about NT$751,896 thousand and NT$882,496 thousand, respectively, or about 5.48% and 7.19% of the respective consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2008 of AFE Solutions Limited, Enrichment I Venture Capital Corporation and Taifon Computer Co., Ltd. and 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, 2008 and 2007 were NT$298,285 thousand and NT$524,575 thousand, respectively, or about 1.91% and 2.73% of the respective consolidated total assets. The related investment loss amounted to NT$20,192 thousand or about 2.80% of the consolidated pretax loss of 2008. The related investment income amounted to NT$58,095 thousand or about 5.61% of the consolidated pretax income of 2007. The subsidiaries and investees' financial statements were audited by other auditors whose reports have been furnished to us and, our opinion, insofar as it relates to the amounts included for these subsidiaries and investees, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Systex Corporation and its subsidiaries as of December 31, 2008 and 2007, 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 Note 3 to the consolidated financial statements, effective January 1, 2008, the Corporation and its subsidiaries adopted Interpretation 2007-052 issued by the Accounting Research and Development Foundation in March 2007 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors. These bonuses were previously recorded as appropriations from earnings.

As stated in Note 3 to the consolidated financial statements, effective January 1, 2008, the Corporation adopted the newly issued Statement of Financial Accounting Standards (SFAS) No. 39 - "Accounting for Share-based Payments," which requires companies to account for share-based payment transactions at fair value.

As stated in Notes 1 and 2 to the consolidated financial statements, Sysware Corporation merged with Systex Corporation on January 1, 2007. Systex Corporation was dissolved after the completion of the merger. Sysware Corporation was the surviving company but 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 have been prepared by treating Systex Corporation as the acquirer entity and Sysware Corporation as the acquired entity.

March 5, 2009

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

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

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

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)

	2008		2007	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 2,947,115	19	$ 2,689,380	14
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	3,211,083	21	4,287,459	22
Available-for-sale financial assets - current (Notes 2 and 6)	366,848	2	1,951,807	10
Notes receivable, net (Notes 2 and 7)	148,861	1	224,073	1
Accounts receivable, net (Notes 2 and 7)	2,119,557	14	2,395,955	13
Lease receivables, net (Notes 2 and 8)	19,356	-	15,645	-
Receivables from related parties (Note 25)	4,573	-	9,717	-
Other receivables	230,260	1	295,534	2
Inventories, net (Notes 2 and 9)	1,253,744	8	1,182,235	6
Prepayments	182,731	1	265,705	1
Deferred income tax assets - current (Notes 2 and 20)	132,486	1	113,002	1
Pledged time deposits - current (Note 26)	151,324	1	189,047	1
Refundable deposits - current (Note 27)	115,576	1	201,548	1
Other current assets	15,585	-	19,759	-
Total current assets	10,899,099	70	13,840,866	72
LONG-TERM INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	-	-	303,837	2
Financial assets carried at cost - noncurrent (Notes 2 and 10)	1,092,254	7	1,291,504	7
Investments accounted for by the equity method (Notes 2 and 11)	524,258	3	625,895	3
Total long-term investments	1,616,512	10	2,221,236	12
PROPERTY AND EQUIPMENT (Notes 2 and 12)				
Cost				
Land	935,198	6	907,499	5
Buildings	1,519,659	10	1,415,289	7
Computer equipment	718,536	5	696,570	3
Transportation equipment	26,552	-	24,357	-
Leasehold improvements	150,852	1	141,788	1
Other equipment	175,543	1	150,638	1
Total cost	3,526,340	23	3,336,141	17
Accumulated depreciation	(1,011,171)	(7)	(955,807)	(5)
Accumulated impairment loss	(32,286)	-	(34,344)	-
Prepayments for equipment	10,409	-	10,930	-
Net property and equipment	2,493,292	16	2,356,920	12
INTANGIBLE ASSETS				
Computer software (Note 2)	72,976	1	66,137	-
Goodwill (Notes 2 and 22)	67,481	-	76,028	1
Deferred pension cost (Notes 2 and 17)	-	-	9,219	-
Total intangible assets	140,457	1	151,384	1
OTHER ASSETS				
Assets leased to others, net (Notes 2, 13 and 26)	40,862	-	159,123	1
Idle assets, net (Notes 2 and 14)	70,194	1	38,149	-
Refundable deposits - noncurrent (Note 27)	120,113	1	107,552	1
Deferred charges, net (Note 2)	18,101	-	26,008	-
Long-term lease receivables, net (Notes 2 and 8)	26,943	-	12,091	-
Deferred income tax assets - noncurrent (Notes 2 and 20)	140,596	1	179,808	1
Pledged time deposits - noncurrent (Note 26)	62,734	-	96,550	-
Prepaid pension cost (Notes 2 and 17)	4,657	-	-	-
Total other assets	484,200	3	619,281	3
TOTAL	$15,633,560	100	$19,189,687	100

	2008		2007	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Notes 15 and 26)	$ 26,000	-	$ 56,000	-
Notes payable	14,736	-	42,995	-
Accounts payable	2,043,032	13	2,095,183	11
Payables to related parties (Note 25)	10,446	-	3,624	-
Income tax payable (Notes 2 and 20)	25,270	-	60,480	-
Accrued expenses (Note 3)	675,546	4	516,001	3
Other payables	131,757	1	180,913	1
Advances from customers	307,378	2	244,010	1
Current portion of long-term liabilities (Notes 16 and 26)	-	-	162	-
Other current liabilities	88,610	1	92,769	1
Total current liabilities	3,322,775	21	3,292,137	17
LONG-TERM LIABILITIES				
Long-term bank loans (Notes 16 and 26)	-	-	2,573	-
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 17)	84,828	1	104,623	1
Guarantee deposits received	9,993	-	14,628	-
Deferred credits (Note 2)	682	-	1,469	-
Unearned gain on sales - leaseback (Note 2)	8,452	-	12,678	-
Total other liabilities	103,955	1	133,398	1
Total liabilities	3,426,730	22	3,428,108	18
EQUITY ATTRIBUTABLE TO THE PARENT'S STOCKHOLDERS (Notes 2, 3, 18 and 19)				
Capital stock - par value NT$10, authorized - 400,000 thousand shares; issued and outstanding - 288,242 thousand shares in 2008 and 320,178 thousand shares in 2007	2,882,419	19	3,201,778	16
Advance receipts for common stock - 81 thousand shares	-	-	810	-
Total capital stock	2,882,419	19	3,202,588	16
Capital surplus				
Additional paid-in capital	9,317,718	59	9,317,540	49
Treasury stock transactions	263,881	2	238,134	1
Gain on sale of property and equipment	4,493	-	4,493	-
Donations	544	-	544	-
Employee stock options	10,651	-	-	-
Total capital surplus	9,597,287	61	9,560,711	50
Retained earnings				
Legal reserve	283,073	2	193,833	1
Unappropriated earnings	233,051	1	1,500,116	8
Total retained earnings	516,124	3	1,693,949	9
Other equity				
Cumulative translation adjustments	68,079	-	(48,480)	-
Unrealized gain on financial instruments	13,643	-	1,017,909	5
Unrealized revaluation increment	56	-	56	-
Treasury stock - 45,080 thousand shares in 2008 and 24,794 thousand shares in 2007	(1,302,652)	(8)	(834,424)	(4)
Total other equity	(1,220,874)	(8)	135,061	1
Total equity attributable to the parent's stockholders	11,774,956	75	14,592,309	76
MINORITY INTEREST	431,874	3	1,169,270	6
Total stockholders' equity	12,206,830	78	15,761,579	82
TOTAL	$15,633,560	100	$19,189,687	100

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

(With Deloitte & Touche audit report dated March 5, 2009)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2008		2007	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2, 11 and 25)				
Sales	$ 9,019,570	66	$ 7,959,039	65
Less: Sales returns and allowances	82,920	1	73,203	1
Net sales	8,936,650	65	7,885,836	64
Service income	3,618,851	26	3,657,735	30
Others	1,173,574	9	733,122	6
Total operating revenues	13,729,075	100	12,276,693	100
OPERATING COSTS (Notes 2, 5, 6, 10, 11, 21 and 25)				
Cost of goods sold	7,752,782	56	6,788,055	55
Cost of services	1,590,980	12	1,489,181	12
Others	1,196,886	9	108,018	1
Total operating costs	10,540,648	77	8,385,254	68
GROSS PROFIT	3,188,427	23	3,891,439	32
OPERATING EXPENSES (Note 21)				
Selling expenses	2,480,302	18	2,188,724	18
General and administrative expenses	776,526	5	554,413	4
Research and development expenses	402,602	3	358,457	3
Total operating expenses	3,659,430	26	3,101,594	25
OPERATING INCOME (LOSS)	(471,003)	(3)	789,845	7
NON-OPERATING INCOME AND GAINS				
Interest income	16,245	-	19,028	-
Investment income recognized under equity method, net (Notes 2 and 11)	-	-	3,314	-
Dividend income	31,739	-	19,713	-
Gain on sale of investments (Note 2)	63,726	1	93,108	1
Foreign exchange gain, net (Note 2)	6,335	-	32,619	-
Reversal of allowance for doubtful accounts (Note 22)	296	-	102,422	1
Reversal of loss on inventory (Notes 2 and 9)	7,081	-	-	-
Others (Note 22)	54,786	-	133,387	1
Total non-operating income and gains	180,208	1	403,591	3

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2008		2007	
	Amount	**%**	**Amount**	**%**
NON-OPERATING EXPENSES AND LOSSES				
Interest expense (Notes 15 and 16)	$ 5,194	-	$ 5,868	-
Investment loss recognized under equity method, net (Notes 2 and 11)	77,702	1	-	-
Provision for loss on inventories (Notes 2 and 9)	-	-	52,379	1
Impairment loss on property and equipment, idle assets and computer software (Notes 2, 12 and 14)	16,141	-	1,779	-
Impairment loss on financial assets carried at cost (Notes 2 and 10)	43,950	-	27,404	-
Loss on valuation of financial assets, net (Notes 2 and 5)	211,178	2	35,128	-
Other impairment loss (Notes 2 and 22)	20,324	-	4,611	-
Impairment loss on available-for-sale financial assets (Notes 2 and 6)	44,717	-	-	-
Others	11,546	-	30,895	-
Total non-operating expenses and losses	430,752	3	158,064	1
INCOME (LOSS) BEFORE INCOME TAX	(721,547)	(5)	1,035,372	9
INCOME TAX (Notes 2 and 20)	(41,561)	-	(74,997)	(1)
NET INCOME (LOSS) BEFORE EXTRAORDINARY GAIN	(763,108)	(5)	960,375	8
EXTRAORDINARY GAIN, NET OF TAX (Notes 2 and 22)	14,169	-	22,883	-
CONSOLIDATED NET INCOME (LOSS)	$ (748,939)	(5)	$ 983,258	8
ATTRIBUTABLE TO:				
Stockholders' of the parent	$ (731,277)	(5)	$ 892,401	7
Minority interest	(17,662)	-	90,857	1
	$ (748,939)	(5)	$ 983,258	8

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2008		2007	
	Pre-tax	**After-tax**	**Pre-tax**	**After-tax**
BASIC EARNINGS (LOSS) PER SHARE				
Net income (loss) before extraordinary gain	$ (2.59)	$ (2.68)	$ 3.09	$ 3.01
Extraordinary gain, net of tax	0.05	0.05	0.01	0.01
	$ (2.54)	$ (2.63)	$ 3.10	$ 3.02
DILUTED EARNINGS (LOSS) PER SHARE				
Net loss before extraordinary gain	$ (2.59)	$ (2.68)		
Extraordinary gain, net of tax	0.05	0.05		
	$ (2.54)	$ (2.63)		

The pro forma net income (loss) and earnings (loss) 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, 19 and 23):

	2008		2007	
	Pre-tax	**After-tax**	**Pre-tax**	**After-tax**
BASIC EARNINGS (LOSS) PER SHARE				
Net income (loss) before extraordinary gain	$ (2.29)	$ (2.38)	$ 2.93	$ 2.86
Extraordinary gain, net of tax	0.05	0.05	0.01	0.01
	$ (2.24)	$ (2.33)	$ 2.94	$ 2.87
DILUTED EARNINGS (LOSS) PER SHARE				
Net loss before extraordinary gain	$ (2.29)	$ (2.38)		
Extraordinary gain, net of tax	0.05	0.05		
	$ (2.24)	$ (2.33)		

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

(With Deloitte & Touche audit report dated March 5, 2009) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Capital Stock Issued and Outstanding		Advance Receipts for Common Stock (Note 18)	Capital Surplus (Notes 2, 3 and 18)	Retained Earnings (Notes 2 and 18)				Other Equity				Minority Interest	Total Stockholders' Equity
	Shares (Thousands)	Amount			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Unrealized Gain (Loss) on Financial Instruments (Notes 2 and 18)	Unrealized Revaluation Increment	Treasury Stock (Notes 2 and 19)		
BALANCE, JANUARY 1, 2007	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 18)	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 earnings														
Legal reserve	-	-	-	-	30,612	-	(30,612)	-	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	(34,644)	(34,644)	-	-	-	-	-	(34,644)
Bonus to directors and supervisors	-	-	-	-	-	-	(6,929)	(6,929)	-	-	-	-	-	(6,929)
Cash dividends - NT$1 per share	-	-	-	-	-	-	(319,911)	(319,911)	-	-	-	-	-	(319,911)
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 arising from changes in percentage of ownership in investees	-	-	-	-	-	-	(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
Appropriations of earnings														
Legal reserve	-	-	-	-	89,240	-	(89,240)	-	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	(80,316)	(80,316)	-	-	-	-	-	(80,316)
Bonus to directors and supervisors	-	-	-	-	-	-	(16,063)	(16,063)	-	-	-	-	-	(16,063)
Cash dividends - NT$1 per share	-	-	-	-	-	-	(320,269)	(320,269)	-	-	-	-	-	(320,269)
Issuance of stock from exercising employee stock options	91	910	(810)	178	-	-	-	-	-	-	-	-	-	278
Capital reduction (Notes 18 and 19)	(32,027)	(320,269)	-	-	-	-	-	-	-	-	-	37,244	-	(283,025)
Compensation recognized for employee stock options	-	-	-	10,651	-	-	-	-	-	-	-	-	-	10,651
Consolidated net loss in 2008	-	-	-	-	-	-	(731,277)	(731,277)	-	-	-	-	(17,662)	(748,939)
Adjustments arising from changes in percentage of ownership in investees	-	-	-	-	-	-	(29,900)	(29,900)	-	-	-	-	-	(29,900)
Translation adjustments on long-term equity method investments	-	-	-	-	-	-	-	-	116,559	-	-	-	-	116,559
Equity in changes in investees' unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	(1,014,618)	-	-	-	(1,014,618)
Adjustments of unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	10,352	-	-	-	10,352
Treasury stock held by subsidiary - 2,450 thousand shares (Note 19)	-	-	-	-	-	-	-	-	-	-	-	(62,492)	-	(62,492)
Cash dividends received by subsidiaries from parent company	-	-	-	25,747	-	-	-	-	-	-	-	-	-	25,747
Acquisition of treasury stock - 21,560 thousand shares	-	-	-	-	-	-	-	-	-	-	-	(442,980)	-	(442,980)
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(719,734)	(719,734)
BALANCE, DECEMBER 31, 2008	288,242	$2,882,419	$ -	$9,597,287	$283,073	$ -	$ 233,051	$ 516,124	$ 68,079	$ 13,643	$ 56	$ (1,302,652)	$ 431,874	$12,206,830

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

(With Deloitte & Touche audit report dated March 5, 2009)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income (loss)	$ (748,939)	$ 983,258
Depreciation and amortization	174,108	161,847
Compensation cost of employee stock options	10,651	-
Provision (reversal of allowance) for doubtful accounts	127,267	(75,829)
Interest amortization for commercial paper issued	-	116
Provision for (reversal of) losses on inventories	(7,081)	52,379
Loss on valuation of financial assets, net	806,231	13,837
Impairment loss on available-for-sale financial assets	417,190	-
Impairment loss on property and equipment, idle assets and computer software	16,141	1,779
Impairment loss on financial assets carried at cost	179,653	55,751
Gain on sale of available-for-sale financial assets	(768,414)	(219,856)
Gain on sale of financial assets carried at cost	-	(47,832)
Gain on sale of investments accounted for by the equity method	(1,054)	-
Investment loss (income) recognized under the equity method, net of cash dividends received	150,709	(40,136)
Change in cumulative translation adjustments due to capital reduction of investee	5,946	-
Gain on disposal of property and equipment, assets leased to others, idle assets and deferred charges	(1,289)	(1,362)
Impairment of goodwill and amortization of deferred credits	19,537	3,862
Amortization of unearned gain on sales - leaseback	(4,226)	-
Deferred income tax	19,728	21,246
Net changes in operating assets and liabilities		
Notes receivable	75,212	131,585
Accounts receivable	149,918	(91,957)
Lease receivables	(18,563)	(668)
Receivables from related parties	5,144	(4,077)
Other receivables	67,322	(43,475)
Inventories	(64,850)	(296,652)
Prepayments	84,842	74,477
Other current assets	4,303	17,768
Notes payable	(28,259)	(193,634)
Accounts payable	(53,324)	410,483
Payables to related parties	6,822	(71,494)
Income tax payable	(35,167)	14,006
Accrued expenses	78,515	(28,838)
Other payables	(56,836)	28,563
Advances from customers	61,876	(8,046)
Other current liabilities	(3,564)	1,291
Accrued pension cost/prepaid pension cost	(15,233)	(2,921)
Net cash provided by operating activities	654,316	845,471

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in financial assets at fair value through profit or loss	$ 263,675	$ (472,252)
Acquisition of available-for-sale financial assets	(136,165)	(398,653)
Proceeds from sale of available-for-sale financial assets	917,175	1,000,873
Acquisition of financial assets carried at cost	(72,319)	(194,612)
Proceeds from sale of financial assets carried at cost	-	75,862
Acquisition of investment accounted for by the equity method	(95,600)	-
Proceeds from sale of investment accounted for by the equity method	1,054	-
Return of capital through investees' capital reduction	38,087	193,078
Additions to property and equipment, assets leased to others and idle assets	(154,523)	(439,981)
Proceeds from disposal of property and equipment, assets leased to others and idle assets	44,431	122,716
Decrease (increase) in refundable deposits	73,649	(15,422)
Decrease in pledged time deposits	71,539	188,249
Increase in deferred charges	(2,573)	(4,835)
Increase in computer software	(27,779)	(50,901)
Net cash paid for acquisition of subsidiaries	(10,082)	(146,926)
Net cash provided by (used in) investing activities	910,569	(142,804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(34,609)	(249,945)
Decrease in commercial paper issued	-	(60,000)
Decrease in long-term loan from bank	(2,735)	(3,558)
Cash dividends paid	(320,269)	(319,911)
Bonus paid to employees	(80,316)	(34,644)
Remuneration paid to directors and supervisors	(16,063)	(6,929)
Acquisition of treasury stock	(442,980)	-
Acquisition of the Corporation's common stock by subsidiaries	(127,715)	-
Cash received by subsidiaries from capital reduction of the Corporation	40,630	-
Acquisition of treasury stock of subsidiaries	(12,349)	-
Cash paid to stockholders for capital reduction	(310,269)	-
Decrease in guarantee deposits received	(4,591)	(264)
Cash dividends received by subsidiaries from the Corporation	25,747	24,798
Proceeds from exercise of employee stock options	278	9,674
Decrease in minority interest	(44,911)	(237,503)
Net cash used in financing activities	(1,330,152)	(878,282)
EFFECT OF EXCHANGE RATE CHANGES	23,002	(8,358)

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 257,735	$ (183,973)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,689,380	2,873,353
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,947,115	$ 2,689,380
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 4,851	$ 7,392
Income tax paid	$ 38,066	$ 59,851
NONCASH INVESTING AND FINANCING ACTIVITIES		
Receivable from return of capital by investees (included in other receivables)	$ -	$ 1,998
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Additions to property and equipment, assets leased to others and idle assets	$ 234,317	$ 439,981
Increase in payable for equipment purchased (included in accrued expenses)	(79,794)	-
Cash paid for acquisition of property and equipment, assets leased to others and idle assets	$ 154,523	$ 439,981

As stated in Note 2 to the consolidated financial statements, the Corporation has merged with Systex Corporation (Systex) under reverse merger accounting on January 1, 2007. The fair value of the assets and liabilities of Sysware Corporation (treated as the acquired entity) at the date of merger 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

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

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

As stated in Note 2 to the consolidated financial statements, the Corporation has merged with Megatime Tech Corporation on January 1, 2008. The fair value of the assets and liabilities of Megatime Tech Corporation at the date of merger are listed as follows:

Cash	$ 165,463
Notes receivable and accounts receivable (including receivables from related parties), net	8,590
Inventories, net	331
Prepayment and other current assets	706
Property and equipment, net	161,200
Other assets	32,116
Notes payable and accounts payable (including payables to related parties)	(1,283)
Income tax payable	(4,246)
Accrued expenses and other current liabilities	(31,235)
Other liabilities (including accrued pension cost)	(5,050)
The fair value of net assets	326,592
Write-off the Megatime Tech Corporation's stocks held by the Corporation	(313,251)
Cash paid by the Corporation for the acquisition of the minority interest in Megatime Tech Corporation	(41,715)
Goodwill from merger	$ (28,374)

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

The Corporation's subsidiary, Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong) acquired 100% equity interest in Optima Financial Software Company (Optima) in August 2008. The fair values of the acquired assets and liabilities are summarized as follows:

Cash	$ 638
Notes and accounts receivable, net	1,445
Prepayments and other current assets	1,560
Property and equipment, net	651
Short-term loans	(4,609)
Accrued expenses and other current liabilities	(9,289)
	(9,604)
Percentage of ownership acquired	100%
	(9,604)
Cash paid by Sysware Shenglong for the acquisition of the equity interest in Optima	10,720
Goodwill	$ 20,324

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 5, 2009) (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 GreTai Securities Market since January 6, 2003.

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.

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 of the merger was January 1, 2008. The Corporation offered the price of NT$18 per share (a total of $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 took over all the rights and obligations of Megatime Tech Corporation. The merger had been approved by the relevant authority-in-charge on February 27, 2008.

To integrate resources and enhance competitiveness, the stockholders of Sysplus Corporation and Sysview Corporation resolved on March 3, 2008 to merger with Concord System Management Corporation, which was the surviving company. The effective date of the merger was January 1, 2009. The merger had been approved by the relevant authority-in-charge on August 19, 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.) Ltd., Systek Information (Shanghai) Ltd., Sysplus Corporation, SysView Corporation, TrustView Inc., Syscape Technology Corporation, UCOM Information Ltd., Systex SDC China Ltd., TaiwanPay Corporation (formerly Mondex Taiwan Inc.), Beijing Sysware Asia Pacific Ltd., OpenPower Information Co., Ltd., UCOM Technologies Inc. (USA), UCOM Information Ltd. (Shanghai), Systime Technology Corporation., 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., Optima Financial Software Company, 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) Corporation, Systex Securities Holdings Ltd., Sysware.com (BVI) Corporation, 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, 2008 and 2007, the Corporation and subsidiaries had 2,969 and 2,940 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 and accounting principles generally accepted in the Republic of China. In preparing financial statements in conformity with these guidelines 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 available-for-sale financial assets, financial assets carried at cost and investments accounted for by the equity method; depreciation and impairment loss on property and equipment, assets leased to others and idle assets; amortization and impairment loss of intangible assets 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; bonus to employees, directors and supervisors and compensation cost of employee stock option, 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 2008 and 2007 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; 24.6% of the shares were owned by the Corporation, 10.1% by Hanmore, and 24.2% by Ching Pu, totaling 58.9%.
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. SysView was dissolved in January, 2008 after merged with CSMC.
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'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%. Sysplus was dissolved in January, 2008 after merged with CSMC.
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 April 2007 and completed the liquidation process in August 2007.
eTech Venture Inc. (BVI) ("eTech BVI")	Wholly owned by eTech; SCGI acquired 66.7% equity in July 2007. eTech BVI was dissolved in March 2008 and completed liquidation process in May 2008.
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 June 2007 and completed the liquidation process in October 2007.
Global FortuneNet Technology Corporation (GFNT)	Wholly owned by the Corporation, dissolved in December 31, 2007, and completed the liquidation process in April 2008.
TaiwanPay Corporation (formerly Mondex Taiwan Inc.) ("TaiwanPay")	58.3% of the shares were owned by Ching Pu.
Megatime Technology Corporation (Megatime)	The Corporation acquired 88.2% equity in 2007. Megatime was dissolved after merging with the Corporation in January, 2008.
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. Shenglong issued common stock for cash in October 2008. Kimo BVI participated in such expansion and held 71.1% of the shares after the cash expansion plan.

(Continued)

Company	Relationship with the Corporation
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 and dissolved in November 2008.
Systex South Asia Pte. Ltd. (SSAP)	Wholly owned by Kimo BVI.
Audacee Digital Inc. (BVI) ("ADI BVI")	7.7% of the shares were owned by SCGI and 51.3% by SysView, totaling 59%. ADI BVI was dissolved in August 2008.
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, dissolved in December 2008, and the liquidation process has yet to be completed before the date of auditors' report.
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, sold in January 2009.
S.H. Technology Ltd. ("S.H.")	Wholly owned by the Corporation and dissolved in December 2008.
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")	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.
Optima Financial Software Company (Optima)	Sysware Shenglong acquired 100% of the shares in August 2008.

(Concluded)

The consolidated financial statements for the year ended December 31, 2007 include the following entities: The Corporation, CSMC, Ching Pu, SysView, Syscape, Sysplus, eTech, eTech BVI, Trust View, Hanmore, SGSI, GFNT, TaiwanPay, Megatime, SIHL, Systex Info, Systek, SCGI, SSHL, Shenglong, Yisheng, SDC, AP Networks, SSAP, ADI BVI, ADI Taiwan, ADI China, ADI Beijing, UCOM USA, UCOM, Systime, Kimo BVI, OpenPower, S.H., Sysware Asia, Sysware Singapore, Sysware Thailand, Sysware BVI, Beijing Sysware, UCOM Shanghai, TV-BVI, TV-Japan, TEDP and Sysware Shenglong.

The Corporation and subsidiaries did not have control over TrustView. Thus, 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.

Megatime has merged with the Corporation on January 1, 2008; eTech, SGSI, Syscape, Sysware BVI, Sysware Asia, SIHL, and SSHL dissolved in 2007; the shares of ADI Taiwan and ADI China were sold in 2007. Thus, the entities mentioned above did not include in the consolidated financial statements as of and for the year ended December 31, 2008.

To integrate resources within the group and simplify the organizational structure, the Corporation gradually dissolved its subsidiaries including SIHL, SSHL, Sysware BVI, Sysware Asia, UCOM USA, SGSI, Syscape, eTech, eTech BVI, AP Networks, S.H. and UCOM during 2007 and 2008; SSAP originally held by AP Networks; Systek and Systex Info held by SIHL; Shenlong held by SSHL; Sysware Singapore and Sysware Thailand held by Sysware BVI; Beijing Sysware and UCOM Shanghai held by Sysware Asia; SDC held by SCGI, which were sold at their carrying amounts to Kimo BVI.

Among the previously noted entities, the financial statements for the year ended December 31, 2008 of Sysware Singapore, AP Networks, SSAP, GFNT, UCOM and S.H. and the financial statement for the year ended December 31, 2007 of Sysware Singapore, Sysware Thailand, TV-BVI and TV-Japan have not been audited. The aggregate assets of these subsidiaries as of December 31, 2008 and 2007 amounted to \$26,754 thousand and \$19,910 thousand, respectively, which were about 0.17% and 0.10% of the respective consolidated assets, and the aggregate liabilities amounted to \$7,717 thousand and \$2,726 thousand, respectively, which were about 0.22% and 0.08% of the respective consolidated liabilities. The aggregated net operating revenues of these subsidiaries in 2008 and 2007 amounted to \$48,555 thousand and \$9,885 thousand, respectively, which were about 0.35% and 0.08% of the respective consolidated operating revenues, and the aggregate net loss totaled \$7,705 thousand and \$9,302 thousand, respectively, which were about 1.05% and (0.95)% of the respective consolidated net loss (income). The Corporation believed that had the financial statements of these subsidiaries been audited, there would have been no material adjustments in the 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 was 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.

The Corporation had merged with Megatime Tech Corporation (Megatime). Since the Corporation owned majority of Megatime shares and exercised significant influence over the investee, the merger was treated as restructuring of entities. Thus, Megatime's share held by the Corporation were recorded at the carrying amount (reduced for asset impairment, if any). The remaining issued shares held by minority interest were accounted for based on the ROC Statement of Financial Accounting Standards No. 25 "Business Combinations," and the excess of purchase price over the fair value of the net identifiable assets was recorded as goodwill.

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 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 at fair value through profit or loss (FVTPL) are financial assets held for trading, and on initial recognition, are measured at fair value, including the acquisition costs. Subsequent changes in fair value are recognized as current gain or loss. Cash dividends received subsequently (including those received in the year of investment) are accounted for as investment income for the year. On derecognition of a financial asset, the difference between its carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized or derecognized on a trade date basis.

On the balance sheet date, the fair values of listed securities are measured at their closing prices and those of open-ended mutual funds, at their net asset values.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are similar to those of financial assets at FVTPL.

On the balance sheet date, the fair values of listed securities are measured at their closing prices and those of open-ended mutual funds, at their net asset values.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss on available-for-sale financial assets is recognized directly in equity.

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

Revenue from sales of hardware, software, and mobile phones are recognized when the items, and the risks and rewards associated with the items are transferred to the customers. Revenue from integrated hardware and software solutions are generally recognized incrementally after delivery, installation and testing or on customers’ acceptance, depending on contract terms.

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

When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred. When goods or services are exchanged or swapped for goods or services which are of similar nature and value, the exchange is not regarded as a transaction which generates revenue.

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

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

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

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 revenue over the term of the lease.

Assets leased to others under operating leases (assets leased to others) are stated at cost less accumulated depreciation and impairment. The depreciation is computed using averaged years of usage: building over 60 years and computers leased out over 2-5 years. Rental revenue is 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 (over 180 days without any movement), obsolete or unusable inventories are provided with allowance for losses at their net realizable values.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is similar to that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

When the stocks are sold, the costs are computed under the moving average method.

Investments Accounted for by the Equity Method

Investments in which the Corporation and subsidiaries hold 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method. These investments are initially stated at cost and subsequently adjusted for the Corporation and subsidiaries' proportionate share in the net income or net loss and cumulative translation adjustment. Cash dividends received are accounted for as a reduction of the carrying value of the investments. When the investee recognizes unrealized gains or losses on financial instruments, the Corporation and subsidiaries also records their equity in the investee's unrealized gains or losses as an adjustment to stockholders' equity.

Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standard ("SFAS") No. 5, "Long-term Investments Accounted for by Equity Method", the acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized. The excess of the fair value of the net identifiable assets acquired over the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

When the Corporation and subsidiaries subscribe for their investees' newly issued shares at a percentage different from their percentage of ownership in the investee, or the investee's appropriation of stock bonus to employees, or the investee's acquisition of its shares as treasury stock, the Corporation and subsidiaries record the change in their equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings. Upon the sale of investments accounted for by the equity method, any capital surplus and other equity adjustment are charged to current income proportionately.

When the Corporation and subsidiaries and their investees 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, it should be considered as treasury stock. The cash dividend released 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.

Profits or losses from downstream transactions with an equity-method investee are eliminated in proportion to the Corporation and subsidiaries' percentage of ownership in the investee; however, if the Corporation and subsidiaries have control over the investee, all the profits are eliminated. In addition, profits and losses from upstream transactions with an equity-method investee are eliminated in proportion to the Corporation and subsidiaries' percentage of ownership in the investee.

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

Property and Equipment and Idle Assets

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

Depreciation is provided on a straight-line basis over the estimated useful lives as follows: buildings, 19 to 60 years; computer equipment, 2 to 8 years; transportation equipment, 2 to 5 years; leasehold improvements, over the shorter of service lives of 2 to 8 years or the terms of the leases; other equipment, 2 to 8 years. When property and equipment and idle assets have reached their estimated service life but are still in use, depreciation is provided over their reestimated service lives.

Upon sale or disposal of property and equipment and idle assets, the related cost and accumulated depreciation and accumulated impairment are removed from the accounts, and any gain or loss is credited or charged to income. At year-end, any gain generated before 2000 less applicable income tax is transferred to capital surplus.

Intangible Assets

Computer software is initially recorded at cost and is amortized using the straight-line basis over 2 to 10 years.

Goodwill arising on acquisition of the Corporation's equity in the fair value of the subsidiaries' net assets and was 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.

Deferred Charges

Deferred charges, mainly the costs of telephone wire installation, are amortized on the straight-line method over 2 to 6 years.

Impairment of Assets

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

For long-term equity investments for which the Corporation and subsidiaries have significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Employee Stock Options

Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, "Accounting for Share-based Payment." Under SFAS No. 39, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). The Corporation adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Pension

Under the defined benefit pension plan, pension cost is recognized on the basis of actuarial calculation. Unrecognized net transition obligation, unrecognized past service cost and the unrecognized net actuarial gain or loss are amortized using the straight-line method over the average remaining service years of employees.

Under the defined benefit pension plan, 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.

Under the defined contribution plan, the required monthly contributions to employees' individual pension accounts are recognized as pension cost.

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.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in stockholders' equity.

When the Corporation's treasury stock is retired, the treasury stock account should be credited, the capital surplus - premium on stock account and the capital account should be debited proportionately according to the share ratio. The carrying value of treasury stock in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. If this sum exceeds carrying value, the excess should be credited to capital surplus from the treasury stock transactions.

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

Tax credits for research and development expenditures, personnel training expenditures and investment in the private participation in infrastructure projects are recognized using the flow-through method.

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

An additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

Foreign-currency Transactions

Non-derivative foreign-currency transactions are recorded in 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.

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.

3. ACCOUNTING CHANGES

Accounting for Bonuses to Employees, Directors and Supervisors

On January 1, 2008, the Corporation and subsidiaries adopted Interpretation 2007-052 issued by the Accounting Research and Development Foundation in March 2007 that requires corporation to recognize as compensation expenses bonuses paid to employees, directors and supervisors. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in an increase of $2,712 thousand in consolidated loss before income tax expense, an increase of $2,034 thousand in consolidated net loss and an increase of $1,094 thousand in consolidated net loss attributable to stockholders of the parent for the year ended December 31, 2008.

Accounting for Employee Stock Options

On January 1, 2008, the Corporation adopted the newly released SFAS No. 39, "Accounting for Share-based Payment" to account for employee stock options. The adoption resulted in an increase of $10,651 thousand in consolidated loss before income tax expense, and an increase of $7,988 thousand in consolidated net loss attributable to stockholders of the parent for the year ended December 31, 2008.

Accounting for Intangible Assets and Noncurrent Assets Held for Sale and Discontinued Operations

The Corporation and subsidiaries, starting from January 1, 2007, adopted the newly issued SFAS No. 37 - "Accounting for Intangible Assets", SFAS 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 as of and for the year ended December 31, 2007.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2008	2007
Cash on hand	$ 2,722	$ 5,958
Checking and savings accounts	774,955	889,893
Time deposits: Interest 0.12%-3.78% in 2008 and 1.60%-4.95% in 2007	2,169,438	1,503,161
Commercial paper under resell agreements: Interest 4.5%-5.0%	-	290,368
	$ 2,947,115	$ 2,689,380

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
	2008	2007
Trading financial assets		
Mutual funds	$ 2,911,301	$ 3,053,926
Domestic and overseas listed shares	283,437	1,149,091
Overseas convertible bonds	16,345	84,442
	$ 3,211,083	$ 4,287,459

On the valuation of financial assets held for trading, there were losses of $806,231 thousand and $13,837 thousand in 2008 and 2007, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2008		2007	
	Current	Non-current	Current	Non-current
Domestic and overseas listed shares	$ 332,583	$ -	$ 1,905,172	$ 303,837
Mutual funds	34,265	-	46,635	-
	$ 366,848	$ -	$ 1,951,807	$ 303,837

In 2008, the Corporation and its subsidiaries assessed the recoverable amount of the available-for-sale financial assets and recognized an impairment loss of $417,190 thousand, which was included in other operating cost for $372,473 thousand and impairment loss on available-for-sale financial assets for $44,717 thousand, respectively.

7. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2008	2007
Notes receivable	$ 149,128	$ 228,465
Less: Allowance for doubtful accounts	267	4,392
	$ 148,861	$ 224,073
Accounts receivable	$ 2,392,037	$ 2,544,637
Less: Allowance for doubtful accounts	272,480	148,682
	$ 2,119,557	$ 2,395,955

8. LEASE RECEIVABLES, NET

	Current	Long-term	Total
December 31, 2008			
Lease receivables	$ 21,594	$ 28,551	$ 50,145
Less: Unearned interest income	2,238	1,608	3,846
	$ 19,356	$ 26,943	$ 46,299
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

9. INVENTORIES, NET

	December 31	
	2008	2007
Merchandise	$ 1,414,247	$ 1,337,729
Maintenance parts	92,077	114,470
	1,506,324	1,452,199
Less: Allowance for losses	252,580	269,964
	$ 1,253,744	$ 1,182,235

10. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2008	2007
Unlisted common stocks	$ 754,752	$ 896,670
Unlisted preferred stocks	269,873	324,326
Others	67,629	70,508
	$ 1,092,254	$ 1,291,504

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 (Ching Pu), 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 based on the Interpretation No. 1998-150 issued by the Accounting Research and Development Foundation. In 2008 and 2007, the Corporation charged amortization expenses of $6,311 thousand and $2,394 thousand which were included in the impairment loss of the financial assets carried at cost, respectively, and Ching Pu charged amortization expenses of $2,663 thousand and $1,010 thousand, which were included in 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 $170,679 thousand and $52,347 thousand in 2008 and 2007, respectively.

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2008		2007	
	Carrying Value	Owner-ship %	Carrying Value	Owner-ship %
Unlisted common stocks				
AFE Solutions Limited (AFE)	$ 189,716	49.0	$ 118,691	49.0
Investment Media Ltd. (I-Media)	87,071	40.0	-	-
Taifon Computer Co., Ltd.	67,334	34.8	67,244	35.2
E-Customer Capital Limited (ECL)	56,382	23.5	52,463	23.5
Bisnews International Limited (BIL)	52,283	49.0	44,787	49.0
Enrichment I Venture Capital Corporation (EIVCC)	41,235	43.4	174,575	43.4
Silicon Valley Equity Fund-II, L.P. (SVEF)	23,953	23.1	158,493	23.1
Systex Infopro Co., Ltd. (Systex Infopro)	4,193	20.0	5,572	20.0
Wit Investment Partners Ltd. (WIPL)	2,091	20.0	2,543	20.0
Elegance Technology Inc.	-	24.6	-	24.6
Changzhou Xin Code Master Equipment Co., Ltd. (CXME)	-	13.1	-	13.1
TrustView Inc. (TrustView)	-	-	1,527	21.1
	$ 524,258		$ 625,895	

Although the Corporation and subsidiaries hold less than 20% of the stock with voting rights of CXME, they still have significant influence over the company. Thus, the investment is accounted for by the equity method.

EIVCC has reduced its capital in April of 2008 and June of 2007 and has returned a total of $23,460 thousand and $39,100 thousand of cash to the Corporation and subsidiaries.

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

Investee	2008	2007
AFE Solutions Limited	$ 68,495	$ 44,565
Bisnews International Limited	13,351	12,315
E-Customer Capital Limited	6,975	25,533
Taifon Computer Co., Ltd.	5,798	4,078
Changzhou Xin Code Master Equipment Co., Ltd.	-	(45)
Enrichment I Venture Capital Corporation	(94,486)	(101)
Silicon Valley Equity Fund - II, L.P.	(40,672)	9,949
Investment Media Ltd.	(8,528)	-
TrustView Inc.	(1,528)	(2,556)
Systex Infopro Co., Ltd.	(627)	(351)
Wit Investment Partners Ltd.	(34)	410
	$ (51,256)	$ 93,797

The financial statements used as basis for calculating the income (loss) on equity-method investments had all been audited, except those of BIL, ECL, CXME, Trust View, WIPL, Systex Infopro and SVEF for 2008, and BIL, ECL and WIPL for 2007. 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	
	2008	**2007**
Buildings	$ 297,275	$ 235,172
Computer equipment	482,064	510,732
Transportation equipment	14,762	13,711
Leasehold improvements	98,949	82,078
Other equipment	118,121	114,114
	$ 1,011,171	$ 955,807
Accumulated impairment loss	$ 32,286	$ 34,344

13. ASSETS LEASED TO OTHERS, NET

	December 31	
	2008	**2007**
Cost		
Land	$ 11,523	$ 90,653
Buildings	3,990	133,111
Computer equipment	86,026	70,300
	101,539	294,064
Accumulated depreciation		
Buildings	870	53,886
Computer equipment	56,777	52,605
	57,647	106,491
Accumulated impairment loss (land and buildings)	3,030	28,450
	$ 40,862	$ 159,123

14. IDLE ASSETS, NET

Idle assets are the network operation centers and buildings currently not in use. The cost, accumulated depreciation and accumulated impairment loss are summarized as follows:

	December 31	
	2008	2007
Land	$ 56,297	$ 28,852
Buildings (including prepaid construction fee)	58,221	14,485
	114,518	43,337
Accumulated depreciation - building	14,106	2,772
Accumulated impairment loss	30,218	2,416
	$ 70,194	$ 38,149

15. SHORT-TERM LOANS

	December 31	
	2008	2007
Unsecured bank loans: Due during January and June 2009, 2.78%-3.85% interest per annum in 2008; due in June 2008, 3.695%-5.043% interest per annum in 2007	$ 26,000	$ 42,000
Secured bank loans: Due in June 2008, 3.645% interest per annum	-	14,000
	$ 26,000	$ 56,000

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

16. LONG-TERM BANK LOANS

	December 31	
	2008	2007
Bank mortgage: Needs to be paid monthly from September 2006 to August 2013, at an annual interest of 3.05%, the loan had been redeemed in June 2008.	$ -	$ 2,735
Less: Current portion	-	162
	$ -	$ 2,573

Assets leased to others served as collaterals for the above bank loans.

17. PENSION PLAN

Defined Contribution Plan

Based on the defined contribution plan under the Labor Pension Act, which applies only to the Corporation and domestic subsidiaries, the rate of the required monthly contributions to the employees' individual pension accounts is at 6% of salaries and wages. The Corporation and subsidiaries recognized pension costs of $83,095 thousand and $76,192 thousand in 2008 and 2007, 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., Optima Financial Software Company, 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 $14,744 thousand and $12,690 thousand in 2008 and 2007, respectively.

Defined Benefit Plan

Based on the defined benefit plan under the Labor Standards Law, which applies to the Corporation and its domestic subsidiaries, the companies make monthly defined benefit contributions at 0.5% 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 fund's balances were $248,036 thousand and $226,786 thousand as of December 31, 2008 and 2007, respectively.

Under Labor Standards Law, other information on the defined benefit plan of the Corporation and subsidiaries was as follows:

a. Pension cost (gain)

	2008		2007	
Net periodic pension cost				
Service cost		$ 12,444		$ 6,455
Interest cost		11,197		11,653
Actual return on plan assets	$ 11,445		$ 4,560	
Loss (gain) on plan assets	(5,159)		1,223	
Projected return on plan assets		(6,286)		(5,783)
Amortization		3,141		3,541
Gains on curtailment or settlement		(22,146)		(844)
		$ (1,650)		$ 15,022

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

	December 31	
	2008	2007
Benefit obligation		
Vested benefit obligation	$ 24,115	$ 21,656
Non-vested benefit obligation	269,644	271,653
Accumulated benefit obligation	293,759	293,309
Additional benefits based on future salaries	151,513	136,302
Projected benefit obligation	445,272	429,611
Fair value of plan assets	(248,036)	(226,786)
Funded status	197,236	202,825
Unrecognized net transition obligation	(6,578)	(16,924)
Unrecognized past service cost	17,585	-
Unrecognized net actuarial loss	(128,072)	(90,497)
	80,171	95,404
Additional pension liability	-	9,219
Accrual pension cost	$ 80,171	$ 104,623
Vested benefits obligations	$ 5,645	$ 25,049

c. Actuarial assumptions

	December 31	
	2008	**2007**
Discount rate used in determining present value	2.25%-3.00%	2.75%-3.50%
Future salary increase rate	2.00%-3.00%	2.00%-3.00%
Expected rate of return on plan assets	2.25%-3.00%	2.50%-3.00%

18. STOCKHOLDERS' EQUITY

Capital Stock

On March 20, 2008, the Board of Directors resolved to reduce capital by 10% and distributed cash to its stockholders. The capital reduction plan had been resolved by the stockholders on June 13, 2008 and approved by the relevant authority-in-charge on August 7, 2008. The Corporation decided August 12, 2008 and October 15, 2008 as the record date and stock transfer date of capital reduction, respectively. The capital reduction amounted to $320,269 thousand at NT$1 per share (a total of $310,269 thousand in cash which is net of $10,000 thousand for treasury 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 acquirer 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 425 units, 4,440 units, 4,635 units, 1,500 units and 1,500 units on June 12, 2008, January 16, 2008, September 19, 2007, May 16, 2006 and August 30, 2005, respectively. The option rights were granted to qualified employees of the Corporation and its subsidiaries. The option rights are valid for 5 years and exercisable at certain percentages after the second anniversary of the grant date. The exercise price of the stock option right is equal to the closing price of the Corporation's common shares listed on the Taiwan 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 2008 and 2007 were as follows:

Employee Stock Option	2008 Number of Outstanding Options	2008 Weighted-average Exercise Price (NT$)	2007 Number of Outstanding Options	2007 Weighted-average Exercise Price (NT$)
Beginning outstanding balance	6,961.0	$ 36.92	3,000.0	$ 28.48
Options granted	4,865.0	$ 30.56	4,635.0	$ 41.70
Options forfeited	(776.0)	$ 33.24	(326.0)	$ 28.48
Decrease due to capital reduction	(1,110.3)	$ 36.96	-	$ -
Options exercised	(10.0)	$ 27.80	(348.0)	$ 27.80
Ending outstanding balance	9,929.7	$ 37.01	6,961.0	$ 36.92
Ending exercisable balance	1,474.2		464.0	
Weighted average fair value of the options granted (NT$)	$ 7.15		$ 7.20	

As of December 31, 2008, 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$)
$ 29.80	826.2	1.66	$ 29.80	826.2	$ 29.80
$ 29.00	1,080.0	2.37	$ 29.00	648.0	$ 29.00
$ 45.20	3,897.0	3.72	$ 45.20	-	$ -
$ 33.10	3,744.0	4.04	$ 33.10	-	$ -
$ 30.00	382.5	4.45	$ 30.00	-	$ -

Options granted during the year ended December 31, 2008 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	Issued on June 12, 2008	Issued on January 16, 2008
Grant-date share price (NT$)	$28.00	$30.80
Exercise price (NT$)	$28.00	$30.80
Expected volatility	32.80%-32.96%	32.29%-32.51%
Expected life (years)	2.25-3.25 years	2.25-3.25 years
Expected dividend yield	-	-
Risk-free interest rate	2.59%	2.46%
Estimated % of forfeiture due to termination of employment over the remaining vesting period	-	-

The compensation cost of employee stock option was $10,651 thousand in 2008.

Intrinsic value-based method was adopted for options granted before January 1, 2008, and there was no compensation cost recognized in 2008 and 2007 for these options. Had the Corporation applied the fair value-based method to these options, the Corporation's assumptions and pro forma results in 2008 and 2007 would have been as follows:

		Issued on September 19, 2007	Issued on May 16, 2006	Issued on August 30, 2005
Method:	Black-Scholes Model			
Assumptions:	Risk-free interest rate	2.45%	2.15%	1.76%
	Expected life	5 years	5 years	5 years
	Expected volatility	38.13%	30.00%	41.06%
	Expected dividend yield	-	-	-

		2008	2007
Net income (loss) of the Corporation:	Net income (loss) as reported	$ (731,277)	$ 892,401
	Pro forma net income (loss)	(754,448)	875,293
Earnings (loss) per share (EPS) of the Corporation:	Basic EPS as reported (NT$)	(2.63)	3.02
	Pro forma basic EPS (NT$)	(2.71)	2.98

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. 10% as bonus to employees;

b. 2% as remuneration to directors and supervisors;

c. 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. The distribution of profits shall be made preferably by way of cash dividends. The distribution could also be made by way of stock dividends, but not to exceed 50% of the total distributed cash and stock dividends. In addition, dividend policy depends on criteria such as the Corporation's current and future investment environment, cash requirements, domestic and international competition. 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.

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 2007 and 2006 had been approved in the stockholders' meetings held on June 13, 2008 and June 13, 2007, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Fiscal Year 2007	**For Fiscal Year 2006**	**For Fiscal Year 2007**	**For Fiscal Year 2006**
Reversal of special reserve	$ -	$ (70,929)	$ -	$ -
Legal reserve	89,240	30,612	-	-
Bonus to employees - in cash	80,316	34,644	-	-
Remuneration to directors and supervisors - in cash	16,063	6,929	-	-
Cash dividends	320,269	319,911	1.00	1.00
	$ 505,888	$ 321,167	$ 1.00	$ 1.00

As of March 5, 2009, the board of directors has not resolved the loss off-setting of 2008 net loss. Information about the loss off-setting of 2008 net loss 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, 2008 and 2007, 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, 2008			
Balance, beginning of the year	$ (10,352)	$ 1,028,261	$ 1,017,909
Recognized in stockholders' equity	(34,365)	(1,014,618)	(1,048,983)
Transferred to profit or loss	44,717	-	44,717
Balance, end of the year	$ -	$ 13,643	$ 13,643
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

19. TREASURY STOCK

(In Thousand Shares)

Purpose of Treasury Stock	Beginning	Increase	Decrease	Ending
2008				
To maintain the Corporation's credibility and stockholders' interest	-	21,560	1,000	20,560
Reclassification of parent company stock held by subsidiaries from equity-method investments into treasury stock	24,794	2,450	2,724	24,520
	24,794	24,010	3,724	45,080

The decrease in treasury stock is due to the capital reduction of the Corporation.

(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 acquired 5,000 thousand shares of the Corporation at the investment cost of $127,715 thousand in 2008. The Corporation reclassified its 48.9% ownership of Hanmore, with a carrying amount of $62,492 thousand (2,450 thousand shares), into treasury stock. The carrying amount reclassified into treasury stock totaled $394,481 thousand and reduced to $381,661 thousand (11,538 thousand shares) due to the capital reduction of the Corporation in 2008. Hanmore's remaining shares should be treated as a recovery on the investment of 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, 2008, the market value of the Corporation's shares held by Hanmore of 23,586 thousand shares (included 5,000 thousand shares acquired net of 2,620 thousand shares decreased resulted from capital reduction in 2008) was $421,004 thousand.

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. The carrying value of the investment reclassified into treasury stock was reduced to $488,011 thousand (12,982 thousand shares) due to capital reduction of the Corporation.

Based on the closing price as of December 31, 2008, the market value of the Corporation's shares held by Ching Pu of 12,982 thousand shares (net of 1,442 thousand shares decreased due to capital reduction) was $231,719 thousand.

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.

The Corporation executed the following share buyback plans in accordance with Article 28-2 of Securities and Exchange Act. The Corporation acquired 9,000 thousand shares of its common stock (net of 1,000 thousand shares decreased due to capital reduction) between August 25, 2008 and October 24, 2008 and 11,560 thousand shares between October 22, 2008 and December 21, 2008. These treasury shares were canceled on January 22, 2009, and the share acquisition costs were $222,784 thousand (net of $10,000 thousand decreased due to capital reduction) and $210,196 thousand, respectively, totaling $432,980 thousand. Of the total acquisition cost, $205,600 thousand was charged to capital stock; $664,623 thousand was charged to additional paid-in capital; and $437,243 thousand was credited to treasury stock capital surplus.

The Board of Directors resolved on February 6, 2009 to execute the share buyback plan in accordance with Article 28-2 of Securities and Exchange Act to acquire 26,700 thousand shares of its common stock from February 9, 2009 to April 8, 2009.

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote.

20. INCOME TAX

a. Income tax expense was as follows:

	2008	2007
Currently payable	$ 20,179	$ 103,947
Additional income tax on unappropriated earnings	7,024	8,940
Investment tax credits generated during the year	(111,431)	(79,339)
Deferred income tax	127,547	30,830
Prior years' tax adjustment	(1,758)	10,619
Income tax expense	$ 41,561	$ 74,997

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

	2008	2007
Tax on pretax income (loss) at 25% statutory rate	$ (254,028)	$ 220,525
Add (deduct) tax effects of:		
Unrealized loss (gain) on valuation of financial instruments	163,996	(1,134)
Impairment loss on available-for-sale financial assets	101,639	-
Impairment loss on financial assets carried at cost	37,482	12,373
Loss carryforwards	35,181	28,710
Increase in (reversal of) unrealized cost of sales	35,140	(14,788)
Equity in the net loss of domestic investees	24,695	447
Allowance (reversal of allowance) for doubtful accounts	14,606	(26,255)
Loss from liquidation of investees	(67,980)	(21,948)
Dividend income	(26,173)	(21,052)
Tax-exempt income from sale of securities	(19,503)	(66,721)
Realized sales allowances	(9,931)	(2,309)
Provision for (reversal of) losses on inventories	(6,471)	4,918
Amortization of goodwill resulted from merger	(4,367)	(2,639)
Accrued pension liabilities	(3,625)	125
Tax-exempt income from sales of land	(2,549)	(4,631)
Unrealized (realized) royalty fees	(1,270)	3,613
Reversal of unrealized loss on breach of contracts	-	(6,385)
Reversal of unrealized loss on endorsements	-	(6,750)
Others	(4,162)	(3,451)
Alternative minimum tax	7,499	11,299
Currently payable	$ 20,179	$ 103,947

Income tax payables as of December 31, 2008 and 2007 were net of prepaid income taxes of $5,418 thousand and $19,307 thousand, respectively.

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

	December 31	
	2008	**2007**
Deferred income tax assets - current		
Unused investment tax credits	$ 61,234	$ 34,394
Allowance for losses on inventories	58,427	64,643
Unrealized cost of sales	48,902	10,695
Allowance for doubtful accounts	42,540	31,168
Unrealized sales allowances	25,265	35,196
Unused loss carryforwards	-	37,994
Others	630	5,679
	236,998	219,769
Less: Valuation allowance	(104,512)	(106,767)
	$ 132,486	$ 113,002
Deferred income tax assets (liabilities) - noncurrent		
Unused investment tax credits	$ 222,871	$ 190,662
Unused loss carryforwards	183,503	97,229
Impairment loss on financial assets carried at cost	173,717	148,388
Accrued pension cost	18,379	20,999
Cumulative investment loss on foreign investees under equity method	5,620	67,237
Unrealized royalty fees	4,008	5,279
Cumulative investment loss on domestic investees under equity method	3,919	13,769
Impairment of property and equipment, idle assets and assets leased to others	3,124	5,781
Unrealized gain on sales - leaseback	2,113	3,169
Goodwill resulted from merger	(6,635)	(5,181)
Others	(390)	4,781
	610,229	552,113
Less: Valuation allowance	469,633	372,305
	$ 140,596	$ 179,808

The statutory tax rate of 25% was used to calculate the deferred income taxes as of December 31, 2008 and 2007.

d. Unused loss carryforwards in 2008 were as follows:

Expiry Year	**Total Credit Available**	**Unused Credit**
2013	$ 165,772	$ 164,906
2014	116,055	116,055
2015	73,143	73,143
2016	95,996	95,996
2017	142,530	142,530
2018	141,382	141,382
	$ 734,878	$ 734,012

On January 6, 2009, the Legislative Yuan of the Republic of China passed the amendment of Article 39 of the Income Tax Law, which extends the operating losses carryforward period from five years to ten years.

e. As of December 31, 2008, 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	$ 62,138	$ 59,696	2009
Statute for Upgrading Industries	Employee training	1,538	1,538	2009
Statute for Upgrading Industries	Research and development expenses	38,735	38,735	2010
Statute for Upgrading Industries	Employee training	1,726	1,726	2010
Statute for Upgrading Industries	Research and development expenses	76,914	73,680	2011
Statute for Upgrading Industries	Employee training	9	9	2011
Statute for Upgrading Industries	Research and development expenses	74,510	74,510	2012
Statute for Upgrading Industries	Employee training	2,878	2,878	2012
Act for promotion of private participation in infrastructure project	Investments in the private participation in infrastructure projects	31,333	31,333	2012
		$ 289,781	$ 284,105	

f. The integrated income tax was as follows:

	December 31 2008	December 31 2007
Imputation credit account balance	$ 232,315	$ 247,593

The actual 2007 tax credit allocation rate applicable to the stockholders is 11.50%.

As of December 31, 2008 and 2007, there are no unappropriated earnings generated prior to December 31, 1997.

g. Income tax returns through 2005 and undistributed earnings returns through 2004 of the Corporation, Concord System Management Corporation (CSMC) and Systime Corporation have been assessed by the tax authorities.

Income tax returns through 2006 and undistributed earnings returns through 2005 of Sysplus Corporation, Ching Pu Investment Corporation, Hanmore Investment Corporation, TaiwanPay Corporation (formerly Mondex Taiwan Inc.), SysView Corporation, UCOM Information Ltd., OpenPower Information Co., Ltd., Taiwan Electronic Data Processing Corporation, S.H. Technology Ltd. and Systex Corporation have been assessed by the tax authorities.

Income tax returns through 2007 and undistributed earnings returns through 2006 of Megatime have been assessed by the tax authorities.

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. UCOM Information Ltd. (Shanghai), 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., Systex SDC China Ltd., Optima Financial Software Company 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) Corporation, 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) Corporation, which are subsidiaries of the Corporation, are exempt from income tax under the International Business Companies Act of the British Virgin Islands.

21. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2008		
	Cost of Sales	**Operating Expenses**	**Total**
Personnel			
Payroll	$ -	$ 2,205,363	$ 2,205,363
Insurance	-	126,572	126,572
Pension	-	96,189	96,189
Others	-	79,510	79,510
	$ -	$ 2,507,634	$ 2,507,634
Depreciation	$ 41,067	$ 103,484	$ 144,551
Amortization	$ 6,576	$ 22,981	$ 29,557

	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

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

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 August 7, 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 nonoperating 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 had acquired shares of Concord System Management Corporation in 2008 and 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 $14,169 thousand is credited to extraordinary gain.

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.

The cost of investment in the subsidiaries exceeded the Corporation’s proportionate equity in these investees’ net assets. An evaluation shown that, neither the investee’s value-in-use nor net realizable value could cover their carrying value. Thus, impairment losses of $20,324 thousand and $4,611 thousand were recognized as other impairment loss in 2008 and 2007, respectively.

23. EARNINGS (LOSS) PER SHARE

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

	Amount (Numerator)		Shares in Thousands	Earnings (Loss) Per Share (NT$)	
	Pretax	After-tax	(Denominator)	Pretax	After-tax
2008					
Basic earnings (loss) per share					
Consolidated net income (loss) attributable to stockholders of the parent					
Net income (loss) before extraordinary gains	$ (720,398)	$ (745,446)	278,270	$ (2.59)	$ (2.68)
Extraordinary gains	14,169	14,169	278,270	0.05	0.05
	$ (706,229)	$ (731,277)		$ (2.54)	$ (2.63)
Diluted earnings (loss) per share					
Consolidated net income (loss) attributable to stockholders of the parent					
Net income (loss) before extraordinary gains	$ (720,398)	$ (745,446)	278,270	$ (2.59)	$ (2.68)
Extraordinary gains	14,169	14,169	278,270	0.05	0.05
	$ (706,229)	$ (731,277)		$ (2.54)	$ (2.63)
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

The pro forma net income (loss) and earnings (loss) 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**
2008					
Pro forma basic earnings (loss) per share					
Consolidated net income (loss) attributable to stockholders of the parent					
Net income (loss) before extraordinary gains	$ (694,651)	$ (719,699)	303,216	$ (2.29)	$ (2.38)
Extraordinary gains	14,169	14,169	303,216	0.05	0.05
	$ (680,482)	$ (705,530)		$ (2.24)	$ (2.33)
Pro forma diluted earnings (loss) per share					
Consolidated net income (loss) attributable to stockholders of the parent					
Net income (loss) before extraordinary gains	$ (694,651)	$ (719,699)	303,216	$ (2.29)	$ (2.38)
Extraordinary gains	14,169	14,169	303,216	0.05	0.05
	$ (680,482)	$ (705,530)		$ (2.24)	$ (2.33)
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

24. FINANCIAL INSTRUMENTS

In 2008 and 2007, the Corporation and subsidiaries had no transactions involving derivative instruments.

a. Fair values of financial instruments

	December 31			
	2008		2007	
Non-derivative Instruments	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss - current	$ 3,211,083	$ 3,211,083	$ 4,287,459	$ 4,287,459
Available-for-sale financial assets - current	366,848	366,848	1,951,807	1,951,807
Available-for-sale financial assets - noncurrent	-	-	303,837	303,837
Financial asset carried at cost	1,092,254	-	1,291,504	-
Investments accounted for by the equity method				
Unlisted stocks and others	524,258	-	625,895	-
Refundable deposits - noncurrent	120,113	120,113	107,552	107,552
Pledged time deposits - noncurrent	62,734	62,734	96,550	96,550
Long-term lease receivables, net	26,943	26,943	12,091	12,091
Liabilities				
Guarantee deposits received	9,993	9,993	14,628	14,628

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

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

5) 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.

27. RELATED PARTY TRANSACTIONS

a. Related parties

Related Parties	Relationship with the Corporation and Subsidiaries
AFE Solutions Limited (AFE)	Investee accounted for by the equity method of the Corporation's subsidiary, Systex Capital Group Inc.
Taifon Computer Co., Ltd. (Taifon)	Investee accounted for by the equity method of the Corporation's subsidiary, Taiwan Electronic Data Processing Corporation
Wit Investment Partners Ltd. (WIPL)	Investee accounted for by the equity method of the Corporation
Enrichment I Venture Capital Corporation (EIVCC)	Investee accounted for by the equity method of the Corporation
TrustView Inc. (TrustView)	Investee accounted for by the equity method of the Corporation and subsidiary(sold in September 2008)
Investment Media Ltd. (I-Media)	Investee accounted for by the equity method of the Corporation's subsidiary, Ching Pu Investment Corporation (after Ching Pu acquired 40% equity in August 2008)

b. Significant related party transactions (in addition to those disclosed in Note 27)

	2008		2007	
	Amount	% to Total	Amount	% to Total
For the year				
Sales				
Taifon	$ 30,437	-	$ 20,342	-
I-Media	704	-	-	-
AFE	433	-	1,309	-
WIPL	48	-	-	-
	$ 31,622	-	$ 21,651	-
Purchases				
Taifon	$ 12,949	-	$ 3,867	-
TrustView	385	-	-	-
	$ 13,334	-	$ 3,867	-
Cost of services				
I-Media	$ 21,402	-	$ -	-
Taifon	-	-	75	-
	$ 21,402	-	$ 75	-
At the end of the year				
Receivables from related parties				
Taifon	$ 4,239	93	$ 9,679	99
I-Media	296	6	-	-
AFE	38	1	38	1
	$ 4,573	100	$ 9,717	100
Payables to related parties				
Taifon	$ 8,346	80	$ 3,114	86
I-Media	2,100	20	-	-
Trust View	-	-	510	14
	$ 10,446	100	$ 3,624	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.

c. Compensation of directors, supervisors and management personnel:

	2008	2007
Salaries	$ 83,495	$ 95,975
Incentives	57,407	47,151
Special compensation	1,553	1,599
Bonus	-	18,846
	$ 142,455	$ 163,571

The compensation of directors, supervisors and management personnel for the year ended December 31, 2007 included the bonuses appropriated from earnings for 2007 which had been approved by stockholders in their annual meeting held in 2008.

26. ASSETS PLEDGED

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

	December 31	
	2008	2007
Pledged time deposits - current	$ 151,324	$ 189,047
Pledged time deposits - noncurrent	62,734	96,550
Assets leased to others - land	-	23,113
Assets leased to others - building, net	-	12,018
	$ 214,058	$ 320,728

27. SIGNIFICANT CONTINGENT LIABILITIES AND COMMITMENTS AS OF DECEMBER 31, 2008

a. Unused letters of credit aggregated about $970 thousand.

b. Outstanding sales contracts amounted to about $3,128,379 thousand.

c. There was a guarantee amounting to $158,400 thousand on the unused bank loans credit lines of Ching Pu Investment Corporation.

d. There were lease contracts for office premises and warehouse, expiring between January 2009 and December 2013, with refundable deposits of $35,003 thousand. Future rentals due are as follows:

Year	Amount
2009	$ 87,573
2010	48,533
2011	19,146
2012	4,214
2013	8

28. SEGMENT INFORMATION

Segment information is presented in the accompanying Table 1.

SYSTEX CORPORATION AND SUBSIDIARIES

SEGMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

A. Industry information

	2008				2007			
	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	$ 8,936,650	$ 3,618,851	$ 1,173,574	$ 13,729,075	$ 7,885,836	$ 3,657,735	$ 733,122	$ 12,276,693
Sales to other segments	-	-		-	-	-	-	-
Total sales	$ 8,936,650	$ 3,618,851	$ 1,173,574	$ 13,729,075	$ 7,885,836	$ 3,657,735	$ 733,122	$ 12,276,693
Segment operating income (loss) (Note 2)	$ 121,211	$ 207,624	$ (23,312)	$ 305,523	$ 241,700	$ 477,454	$ 625,104	$ 1,344,258
Investment income (loss), net (Note 3)				(302,406)				53,603
Other corporate income				57,056				197,792
Corporate general expenses				(776,526)				(554,413)
Interest expense				(5,194)				(5,868)
Income (loss) before income tax				$ (721,547)				$ 1,035,372
Identifiable assets (Note 4)	$ 5,188,223	$ 1,523,100	$ 282,001	$ 6,993,324	$ 4,430,893	$ 1,191,315	$ 190,492	$ 5,812,700
Long-term investments				1,616,512				2,221,236
Corporate general assets				7,023,724				11,155,751
Total assets				$ 15,633,560				$ 19,189,687
Depreciation and amortization expense	$ 92,694	$ 64,415	$ 16,999		$ 84,145	$ 58,474	$ 19,228	
Capital expenditures	$ 80,970	$ 92,043	$ 11,862		$ 217,423	$ 247,155	$ 31,139	

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 income (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 available-for-sale financial assets and 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)