Systex Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2009 and 2008 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, 2009 and 2008, 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, 2009 of Systex Information (H.K.) Ltd. and 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., which are all consolidated subsidiaries. The aggregate assets of these subsidiaries as of December 31, 2009 and 2008 amounted to NT$219,367 thousand and NT$457,238 thousand, respectively, or about 1.35% and 2.92% of the respective consolidated assets. The aggregate net operating revenues of these subsidiaries in 2009 and 2008 were about NT$440,361 thousand and NT$751,896 thousand, respectively, or about 3.51% and 5.48% of the respective consolidated net operating revenues. We also did not audit the financial statements as of and for the years ended December 31, 2009 and 2008 of AFE Solutions Limited, Enrichment I Venture Capital Corporation and Taifon Computer Co., Ltd., 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, 2009 and 2008 were NT$436,004 thousand and NT$298,285 thousand, respectively, or about 2.68% and 1.91% of the respective consolidated assets. The related investment income amounted to NT$114,848 thousand or about 7.25% of the consolidated pretax income of 2009. The related investment loss amounted to NT$20,192 thousand or about 2.80% of the consolidated pretax loss of 2008. 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, 2009 and 2008, 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.

March 3, 2010

Notice to Readers

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, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)

	2009		2008	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 2,456,615	15	$ 2,947,115	19
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	5,010,789	31	3,211,083	21
Available-for-sale financial assets - current (Notes 2 and 6)	351,610	2	366,848	2
Notes receivable, net (Notes 2 and 7)	144,354	1	148,861	1
Accounts receivable, net (Notes 2 and 7)	1,905,256	12	2,119,557	14
Lease receivables, net (Notes 2 and 8)	26,631	-	19,356	-
Receivables from related parties (Note 25)	5,986	-	4,573	-
Other receivables	33,273	-	230,260	1
Inventories (Notes 2, 3 and 9)	1,010,746	6	1,253,744	8
Prepayments	165,136	1	182,731	1
Deferred income tax assets - current (Notes 2 and 20)	61,386	1	132,486	1
Pledged time deposits - current (Note 26)	217,556	1	151,324	1
Refundable deposits - current (Note 27)	102,978	1	115,576	1
Other current assets	26,318	-	15,585	-
Total current assets	11,518,634	71	10,899,099	70
LONG-TERM INVESTMENTS				
Financial assets carried at cost - noncurrent (Notes 2 and 10)	1,105,169	7	1,092,254	7
Investments accounted for by the equity method (Notes 2 and 11)	742,410	4	524,258	3
Total long-term investments	1,847,579	11	1,616,512	10
PROPERTY AND EQUIPMENT (Notes 2 and 12)				
Cost				
Land	946,220	6	935,198	6
Buildings	1,517,748	9	1,519,659	10
Computer equipment	684,919	4	718,536	5
Transportation equipment	20,111	-	26,552	-
Leasehold improvements	137,006	1	150,852	1
Other equipment	157,241	1	175,543	1
Total cost	3,463,245	21	3,526,340	23
Accumulated depreciation	(1,042,759)	(6)	(1,011,171)	(7)
Accumulated impairment loss	(32,195)	-	(32,286)	-
Prepayments for equipment	16,287	-	10,409	-
Net property and equipment	2,404,578	15	2,493,292	16
INTANGIBLE ASSETS (Note 2)				
Computer software	56,675	-	72,976	1
Goodwill	67,481	1	67,481	-
Total intangible assets	124,156	1	140,457	1
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 13)	37,121	-	40,862	-
Idle assets, net (Notes 2 and 14)	45,017	-	70,194	1
Refundable deposits - noncurrent (Note 27)	126,640	1	120,113	1
Deferred charges, net (Note 2)	14,611	-	18,101	-
Long-term lease receivables, net (Notes 2 and 8)	24,981	-	26,943	-
Deferred income tax assets - noncurrent (Notes 2 and 20)	75,308	1	140,596	1
Pledged time deposits - noncurrent (Note 26)	69,772	-	62,734	-
Prepaid pension cost (Notes 2 and 17)	3,963	-	4,657	-
Total other assets	397,413	2	484,200	3
TOTAL	$ 16,292,360	100	$ 15,633,560	100

	2009		2008	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 15)	$ 79,000	1	$ 26,000	-
Short-term bills payable (Note 16)	19,986	-	-	-
Notes payable	3,626	-	14,736	-
Accounts payable	1,656,873	10	2,043,032	13
Payables to related parties (Note 25)	19,487	-	10,446	-
Income tax payable (Notes 2 and 20)	18,213	-	25,270	-
Accrued expenses (Notes 3 and 18)	564,095	4	675,546	4
Other payables	26,969	-	131,757	1
Advances from customers	228,758	1	307,378	2
Other current liabilities	96,792	1	88,610	1
Total current liabilities	2,713,799	17	3,322,775	21
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 17)	70,428	-	84,828	1
Others (Note 2)	13,841	-	19,127	-
Total other liabilities	84,269	-	103,955	1
Total liabilities	2,798,068	17	3,426,730	22
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 - 265,320 thousand shares in 2009 and 288,242 thousand shares in 2008	2,653,194	16	2,882,419	19
Advance receipts for common stock - 151 thousand shares	1,512	-	-	-
Total capital stock	2,654,706	16	2,882,419	19
Capital surplus				
Additional paid-in capital	8,570,993	52	9,317,718	59
Treasury stock transactions	772,738	5	263,881	2
Gain on sale of property and equipment	4,493	-	4,493	-
Donations	544	-	544	-
Long-term investments	6,216	-	-	-
Employee stock options	14,364	-	10,651	-
Total capital surplus	9,369,348	57	9,597,287	61
Retained earnings				
Legal reserve	283,073	2	283,073	2
Special reserve	233,051	1	-	-
Unappropriated earnings	1,404,394	9	233,051	1
Total retained earnings	1,920,518	12	516,124	3
Other equity				
Cumulative translation adjustments	(37,223)	-	68,079	-
Unrealized gain on financial instruments	13,076	-	13,643	-
Unrealized revaluation increment	56	-	56	-
Treasury stock - 24,520 thousand shares in 2009 and 45,080 thousand shares in 2008	(869,672)	(5)	(1,302,652)	(8)
Total other equity	(893,763)	(5)	(1,220,874)	(8)
Total equity attributable to the parent's stockholders	13,050,809	80	11,774,956	75
MINORITY INTEREST	443,483	3	431,874	3
Total stockholders' equity	13,494,292	83	12,206,830	78
TOTAL	$ 16,292,360	100	$ 15,633,560	100

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

(With Deloitte & Touche audit report dated March 3, 2010)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2, 5, 11 and 25)				
Sales	$ 8,140,983	65	$ 9,019,570	66
Less: Sales returns and allowances	26,057	-	82,920	1
Net sales	8,114,926	65	8,936,650	65
Service revenue	3,312,766	26	3,618,851	26
Others	1,119,783	9	1,173,574	9
Total operating revenues	12,547,475	100	13,729,075	100
OPERATING COSTS (Notes 2, 3, 5, 6, 10, 11, 21 and 25)				
Cost of goods sold	6,550,230	52	7,745,701	56
Service cost	1,537,599	12	1,590,980	12
Others	83,757	1	1,196,886	9
Total operating costs	8,171,586	65	10,533,567	77
GROSS PROFIT	4,375,889	35	3,195,508	23
OPERATING EXPENSES (Notes 3, 18 and 21)				
Selling expenses	2,228,550	18	2,480,302	18
General and administrative expenses	439,357	4	747,238	5
Research and development expenses	418,412	3	431,890	3
Total operating expenses	3,086,319	25	3,659,430	26
OPERATING INCOME (LOSS)	1,289,570	10	(463,922)	(3)
NON-OPERATING INCOME AND GAINS				
Interest income	4,777	-	16,245	-
Investment income recognized under equity method, net (Notes 2 and 11)	36,665	-	-	-
Dividend income	15,685	-	31,739	-
Gain on sale of investments, net (Note 2)	-	-	63,726	1
Exchange gain, net (Note 2)	13,377	-	6,335	-
Reversal of allowance for doubtful accounts	60,928	1	296	-
Valuation gain on financial assets, net (Notes 2 and 5)	146,944	1	-	-
Others	59,966	1	54,786	-
Total non-operating income and gains	338,342	3	173,127	1

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
NON-OPERATING EXPENSES AND LOSSES				
Interest expense (Notes 15 and 16)	$ 2,195	-	$ 5,194	-
Investment loss recognized under equity method, net (Notes 2 and 11)	-	-	77,702	1
Loss on sale of investments, net (Note 2)	14,634	-	-	-
Impairment loss on property and equipment, idle assets and computer software (Notes 2 and 14)	-	-	16,141	-
Impairment loss on financial assets carried at cost (Notes 2 and 10)	8,402	-	43,950	-
Valuation loss on financial assets, net (Notes 2 and 5)	-	-	211,178	2
Other impairment loss (Notes 2 and 22)	-	-	20,324	-
Impairment loss on available-for-sale financial assets (Notes 2 and 6)	-	-	44,717	-
Others	18,117	1	11,546	-
Total non-operating expenses and losses	43,348	1	430,752	3
INCOME (LOSS) BEFORE INCOME TAX	1,584,564	12	(721,547)	(5)
INCOME TAX (Notes 2 and 20)	(146,889)	(1)	(41,561)	-
NET INCOME (LOSS) BEFORE EXTRAORDINARY GAINS	1,437,675	11	(763,108)	(5)
EXTRAORDINARY GAINS, NET OF TAX (Notes 2 and 22)	-	-	14,169	-
CONSOLIDATED NET INCOME (LOSS)	$ 1,437,675	11	$ (748,939)	(5)
ATTRIBUTABLE TO:				
Stockholders' of the parent	$ 1,404,394	11	$ (731,277)	(5)
Minority interest	33,281	-	(17,662)	-
	$ 1,437,675	11	$ (748,939)	(5)

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2009		2008	
	Pretax	**After-tax**	**Pretax**	**After-tax**
BASIC EARNINGS (LOSS) PER SHARE (Note 23)				
Net income (loss) before extraordinary gains	$ 6.44	$ 5.83	$ (2.59)	$ (2.68)
Extraordinary gains, net of tax	-	-	0.05	0.05
	$ 6.44	$ 5.83	$ (2.54)	$ (2.63)
DILUTED EARNINGS (LOSS) PER SHARE (Note 23)				
Net income (loss) before extraordinary gains	$ 6.37	$ 5.77	$ (2.59)	$ (2.68)
Extraordinary gains, net of tax	-	-	0.05	0.05
	$ 6.37	$ 5.77	$ (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):

	2009		2008	
	Pretax	**After-tax**	**Pretax**	**After-tax**
BASIC EARNINGS (LOSS) PER SHARE				
Net income (loss) before extraordinary gains	$ 5.85	$ 5.30	$ (2.29)	$ (2.38)
Extraordinary gains, net of tax	-	-	0.05	0.05
	$ 5.85	$ 5.30	$ (2.24)	$ (2.33)
DILUTED EARNINGS (LOSS) PER SHARE				
Net income (loss) before extraordinary gains	$ 5.79	$ 5.24	$ (2.29)	$ (2.38)
Extraordinary gains, net of tax	-	-	0.05	0.05
	$ 5.79	$ 5.24	$ (2.24)	$ (2.33)

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

(With Deloitte & Touche audit report dated March 3, 2010) (Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(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, 2008	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)
Remuneration to directors	-	-	-	-	-	-	(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
Appropriations of earnings														
Special reserve	-	-	-	-	-	233,051	(233,051)	-	-	-	-	-	-	-
Issuance of stock from exercising employee stock options	667	6,665	1,512	15,814	-	-	-	-	-	-	-	-	-	23,991
Compensation recognized for employee stock options	-	-	-	3,713	-	-	-	-	-	-	-	-	-	3,713
Adjustments arising from changes in percentage of ownership in investees	-	-	-	6,216	-	-	-	-	-	-	-	-	-	6,216
Consolidated net income in 2009	-	-	-	-	-	-	1,404,394	1,404,394	-	-	-	-	33,281	1,437,675
Translation adjustments on long-term equity method investments	-	-	-	-	-	-	-	-	(105,302)	-	-	-	-	(105,302)
Equity in changes in investees' unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	(12,940)	-	-	-	(12,940)
Adjustments of unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	12,373	-	-	-	12,373
Acquisition of treasury stock - 3,029 thousand shares	-	-	-	-	-	-	-	-	-	-	-	(56,592)	-	(56,592)
Retirement of treasury stock - 23,589 thousand shares	(23,589)	(235,890)	-	(253,682)	-	-	-	-	-	-	-	489,572	-	-
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(21,672)	(21,672)
BALANCE, DECEMBER 31, 2009	265,320	$ 2,653,194	$ 1,512	$ 9,369,348	$ 283,073	$ 233,051	$ 1,404,394	$ 1,920,518	$ (37,223)	$ 13,076	$ 56	$ (869,672)	$ 443,483	$ 13,494,292

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

(With Deloitte & Touche audit report dated March 3, 2010)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income (loss)	$ 1,437,675	$ (748,939)
Depreciation and amortization	187,396	174,108
Compensation cost of employee stock options	3,713	10,651
Provision for (reversal of) allowance for doubtful accounts	(60,928)	127,267
Interest amortization for short-term bills payable	18	-
Reversal of losses on inventories	(23,748)	(7,081)
Valuation loss (gain) on financial assets, net	(868,946)	806,231
Impairment loss on available-for-sale financial assets	-	417,190
Impairment loss on property and equipment, idle assets and computer software	-	16,141
Impairment loss on financial assets carried at cost	52,575	179,653
Gain on sale of available-for-sale financial assets	(258,797)	(768,414)
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	(100,378)	150,709
Gain on liquidation of investee	(3,719)	-
Change in cumulative translation adjustments due to capital reduction and liquidation of investee	(2,702)	5,946
Loss (gain) on sale of property and equipment, assets leased to others, idle assets, computer software and deferred charges, net	4,649	(1,289)
Impairment of goodwill and amortization of deferred credits	(682)	19,537
Amortization of unearned gain on sales - leaseback	(4,226)	(4,226)
Deferred income tax	136,388	19,728
Net changes in operating assets and liabilities		
Notes receivable	4,603	75,212
Accounts receivable	256,120	149,918
Lease receivables	(20,096)	(18,563)
Receivables from related parties	13,370	5,144
Other receivables	197,002	67,322
Inventories	254,100	(64,850)
Prepayments	16,806	84,842
Other current assets	(2,577)	4,303
Notes payable	(11,110)	(28,259)
Accounts payable	(372,135)	(53,324)
Payables to related parties	9,041	6,822
Income tax payable	(7,057)	(35,167)
Accrued expenses	(30,473)	78,515
Other payables	(104,370)	(56,836)
Advances from customers	(77,426)	61,876
Other current liabilities	8,976	(3,564)
Accrued pension cost/prepaid pension cost	(13,706)	(15,233)
Net cash provided by operating activities	619,356	654,316

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SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in financial assets at fair value through profit or loss	$ (967,394)	$ 263,675
Acquisition of available-for-sale financial assets	(92,890)	(136,165)
Proceeds from sale of available-for-sale financial assets	309,407	917,175
Acquisition of financial assets carried at cost	(71,955)	(72,319)
Acquisition of investments accounted for by the equity method	(97,140)	(95,600)
Proceeds from sale of investments accounted for by the equity method	-	1,054
Return of capital through investees' capital reduction and liquidation	16,124	38,087
Additions to property and equipment, assets leased to others and idle assets	(138,486)	(154,523)
Proceeds from sale of property and equipment, assets leased to others, idle assets, computer software and deferred charges	14,115	44,431
Increase in computer software	(8,249)	(27,779)
Increase in deferred charges	(2,354)	(2,573)
Decrease in refundable deposits	5,681	73,649
Decrease (increase) in pledged time deposits	(73,586)	71,539
Net cash paid for acquisition of subsidiaries	-	(10,082)
Net cash provided by (used in) investing activities	(1,106,727)	910,569
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	53,000	(34,609)
Increase in short-term bills payable	19,968	-
Decrease in long-term loan from bank	-	(2,735)
Cash dividends paid	-	(320,269)
Bonus paid to employees	-	(80,316)
Remuneration paid to directors	-	(16,063)
Acquisition of treasury stock	(56,592)	(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	(384)	(4,591)
Cash dividends received by subsidiaries from the Corporation	-	25,747
Proceeds from exercise of employee stock options	23,991	278
Decrease in minority interest	-	(44,911)
Net cash provided by (used in) financing activities	39,983	(1,330,152)
EFFECT OF EXCHANGE RATE CHANGES	(43,112)	23,002

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (490,500)	$ 257,735
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,947,115	2,689,380
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,456,615	$ 2,947,115
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 2,261	$ 4,851
Income tax paid	$ 23,286	$ 38,066
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Additions to property and equipment, assets leased to others and idle assets	$ 58,692	$ 234,317
Decrease (increase) in payable for equipment purchased (included in accrued expenses)	79,794	(79,794)
Cash paid for acquisition of property and equipment, assets leased to others and idle assets	$ 138,486	$ 154,523

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 of Megatime Tech Corporation	(41,715)
Goodwill from merger	$ (28,374)

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(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 of Optima	10,720
Goodwill	$ 20,324

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

(With Deloitte & Touche audit report dated March 3, 2010) (Concluded)

1. ORGANIZATION AND OPERATIONS

Systex 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.

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 merge 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, Medincom Technology Corporation, Global FortuneNet Technology Corporation, Systex Information (H.K.) Ltd., Systek Information (Shanghai) Ltd., Sysplus Corporation, SysView Corporation, UCOM Information Ltd., Systex SDC China Ltd., TaiwanPay Corporation, Beijing Sysware Asia Pacific Ltd., OpenPower Information Co., Ltd., UCOM Technologies Inc. (USA), UCOM Information Ltd. (Shanghai), Systime Technology Corporation, 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., Sysware (Thailand) Co., Ltd., 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, Systex Capital Group Inc., AP Networks Ltd., Kimo.com (BVI) Corporation, Audacee Digital Inc. (BVI), and eTech Venture Inc. (BVI), which engage in investment activities.

As of December 31, 2009 and 2008, the Corporation and subsidiaries had 2,565 and 2,969 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; depreciation and impairment loss on property and equipment, assets leased to others and idle assets; amortization and impairment loss of intangible assets and deferred charges; 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, remuneration to directors and compensation cost of employee stock options, etc. Actual results could differ from these estimates.

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

Basis of Consolidation

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 2009 and 2008 include the accounts of the Corporation and of the following subsidiaries and other investees:

Company	Relationship with the Corporation
Concord System Management Corporation (CSMC)	24.6% of equity was owned by the Corporation, 10.1% by Hanmore, and 24.2% by Ching Pu, totaling 58.9%. After CSMC merged with SysView and Sysplus on January 1, 2009, 17.5% of equity was owned by the Corporation, 6.5% by Hanmore, and 43.3% by Ching Pu, totaling 67.3%.
Systex Capital Group Inc. (SCGI)	Wholly owned by the Corporation.
Hanmore Investment Corporation ("Hanmore")	48.9% of equity was owned by the Corporation; Hanmore and the Corporation were under the same management.
Ching Pu Investment Corporation ("Ching Pu")	Wholly owned subsidiary.
TaiwanPay Corporation ("TaiwanPay")	58.3% of equity was owned by Ching Pu.
Taiwan Electronic Data Processing Corporation (TEDP)	69.6% of equity was owned by Ching Pu.
Medincom Technology Corporation (Medincom)	Incorporated in March 2009, wholly owned by TEDP.
Kimo.com (BVI) Corp. ("Kimo BVI")	Wholly owned by the Corporation.

(Continued)

Company	Relationship with the Corporation
Sysware Singapore Pte. Ltd. ("Sysware Singapore")	Wholly owned by Kimo BVI.
Sysware (Thailand) Co., Ltd. ("Sysware Thailand")	Wholly owned by Kimo BVI.
Systex Information (H.K.) Limited ("Systex Info")	Wholly owned by Kimo BVI.
Beijing Systex Shenglong Information Systems Co., Ltd. ("Shenglong")	57% of equity was owned by Kimo BVI. Shenglong issued common stock for cash in October 2008. Kimo BVI participated in such expansion and held 71.2% of equity after the cash expansion plan.
Beijing Yisheng Financial and Economic Information Consulting Co., Ltd. ("Yisheng")	Wholly owned by Shenglong.
Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Wholly owned by Kimo BVI.
Optima Financial Software Company (Optima)	Sysware Shenglong acquired 100% of equity in August 2008.
UCOM Information Ltd. (Shanghai) ("UCOM Shanghai")	Wholly owned by Kimo BVI.
Systek Information (Shanghai) Ltd. ("Systek")	Wholly owned by Kimo BVI.
Beijing Sysware Asia Pacific Ltd. ("Beijing Sysware")	Wholly owned by Kimo BVI.
Systex SDC China Ltd. (SDC)	Wholly owned by Kimo BVI.
SysView Corporation ("SysView")	72.9% of equity was owned by Ching Pu. SysView was dissolved after it merged with CSMC on January 1, 2009.
Sysplus Corporation ("Sysplus")	43.7% of equity was owned by Ching Pu and 23.1% by the Corporation, totaling 66.8%. Sysplus was dissolved after it merged with CSMC on January 1, 2009.
Systime Technology Corp. ("Systime")	Wholly owned by the Corporation, dissolved in October 2009, and completed liquidation process in December 2009.
UCOM Information Ltd. ("UCOM")	Wholly owned by the Corporation, dissolved in December 2008, and completed liquidation process in February 2009.
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.
Global FortuneNet Technology Corporation (GFNT)	Wholly owned by the Corporation, dissolved on December 31, 2007, and completed liquidation process in April 2008.
Systex South Asia Pte. Ltd. (SSAP)	Wholly owned by Kimo BVI, sold in May 2009.
AP Networks Ltd. ("AP Networks")	Wholly owned by SCGI and dissolved in November 2008.
Audacee Digital Inc. (BVI) ("ADI BVI")	7.7% of equity was owned by SCGI and 51.3% by SysView, totaling 59%. ADI BVI was dissolved in August 2008.
UCOM Technologies Inc. (USA) ("UCOM USA")	Wholly owned by the Corporation, dissolved in December 2007, and completed liquidation process in January 2008.
eTech Venture Inc. (BVI) ("eTech BVI")	SCGI acquired 66.7% of equity in July 2007. eTech BVI was dissolved in April 2008 and completed liquidation process in May 2008.

(Concluded)

The consolidated financial statements for the year ended December 31, 2008 included the following entities: The Corporation, CSMC, Ching Pu, SysView, Sysplus, eTech BVI, Hanmore, GFNT, TaiwanPay, Systex Info, Systek, SCGI, Shenglong, Yisheng, SDC, AP Networks, SSAP, ADI BVI, UCOM USA, UCOM, Systime, Kimo BVI, OpenPower, S.H., Sysware Singapore, Sysware Thailand, Beijing Sysware, UCOM Shanghai, TEDP, Sysware Shenglong and Optima.

SysView and Sysplus merged with CSMC on January 1, 2009; eTech BVI, GFNT, AP Networks, ADI BVI, UCOM USA and S.H. completed their liquidation in 2008; OpenPower was sold in January 2009. Thus, these entities were not included in the consolidated financial statements as of and for the year ended December 31, 2009. Medincom was incorporated in March 2009; thus from March 2009, Medincom was included in the consolidated financial statements. SSAP was sold in May 2009 and not included in the consolidated financial statements since that date.

Among the abovementioned entities, the financial statements for the year ended December 31, 2009 of Sysware Singapore, Sysware Thailand, and SSAP, and the financial statements for the year ended December 31, 2008 of Sysware Singapore, AP Networks, SSAP, GFNT, UCOM and S.H. have not been audited. The aggregate assets of these subsidiaries as of December 31, 2009 and 2008 amounted to \$94,853 thousand and \$26,754 thousand, respectively, which were about 0.58% and 0.17% of the respective consolidated assets, and the aggregate liabilities amounted to \$17,816 thousand and \$7,717 thousand, respectively, which were about 0.64% and 0.22% of the respective consolidated liabilities. The aggregate net operating revenues of these subsidiaries in 2009 and 2008 amounted to \$64,604 thousand and \$48,555 thousand, respectively, which were about 0.51% and 0.35% of the respective net consolidated operating revenues, and the aggregate net loss totaled \$16,209 thousand and \$7,705 thousand in 2009 and 2008, respectively, which were about (1.13)% and 1.05% of the respective consolidated net loss (income). The Corporation believes that any adjustment that might have resulted had the financial statements of these subsidiaries been audited would not be material to the consolidated financial statements taken as a whole.

Merger

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 shares 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 the same with 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

Before January 1, 2009, inventories were 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.

As stated in Note 3, effective January 1, 2009, inventories are stated at the lower of cost (monthly weighted average) or net realizable value. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Write-down of inventories and any reversal of write-down are recorded as cost of goods sold for the period.

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.

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 benefits) 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 and other equipment, 2 to 8 years; transportation equipment, 2 to 5 years; leasehold improvements, over the shorter of service lives of 2 to 9 years or the terms of the leases. When property and equipment 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.

Computer Software

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

Goodwill

Goodwill arising on acquisition of the Corporation's equity in the fair value of the subsidiaries' net assets is 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. 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 basis 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 calculated 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 in 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 allowance is 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 investments in 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 Inventories

On January 1, 2009, the Corporation and subsidiaries adopted the newly revised SFAS No. 10, "Accounting for Inventories". Accordingly, inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate, and write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption had no material impact on the consolidated financial statements. The Corporation and subsidiaries reclassified $7,081 thousand from non-operating income to cost of goods sold for the year ended December 31, 2008.

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.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2009	2008
Cash on hand	$ 2,473	$ 2,722
Checking and savings accounts	809,402	774,955
Time deposits: Interest 0.03%-1.71% in 2009 and 0.12%-3.78% in 2008	1,459,198	2,169,438
Commercial paper under resell agreement: Interest 1.12%-1.14%	185,542	-
	$ 2,456,615	$ 2,947,115

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

	December 31	
	2009	2008
Trading financial assets		
Mutual funds	$ 4,323,012	$ 2,911,301
Domestic and overseas listed shares	655,162	283,437
Overseas convertible bonds	32,615	16,345
	$ 5,010,789	$ 3,211,083

On the valuation of financial assets held for trading, there were gains of $868,946 thousand and losses of $806,231 thousand in 2009 and 2008, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2009	2008
Domestic and overseas listed shares	$ 286,810	$ 332,583
Mutual funds	64,800	34,265
	$ 351,610	$ 366,848

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	
	2009	2008
Notes receivable	$ 144,526	$ 149,128
Less: Allowance for doubtful accounts	172	267
	$ 144,354	$ 148,861
Accounts receivable	$ 2,088,657	$ 2,392,037
Less: Allowance for doubtful accounts	183,401	272,480
	$ 1,905,256	$ 2,119,557

8. LEASE RECEIVABLES, NET

	Current	Long-term	Total
December 31, 2009			
Lease receivables	$ 28,678	$ 25,773	$ 54,451
Less: Unearned interest income	2,047	792	2,839
	$ 26,631	$ 24,981	$ 51,612
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

9. INVENTORIES

	December 31	
	2009	2008
Merchandise	$ 979,365	$ 1,212,636
Maintenance parts	31,381	41,108
	$ 1,010,746	$ 1,253,744

As of December 31, 2009 and 2008, the allowance for inventory devaluation was $206,258 thousand and $252,580 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2009 and 2008 was $6,550,230 thousand and $7,745,701 thousand, respectively, which included $23,748 thousand and $7,081 thousand gain on reversal of write-downs of inventories in 2009 and 2008, respectively.

10. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2009	2008
Unlisted common stocks	$ 1,005,866	$ 754,752
Unlisted preferred stocks	48,936	269,873
Others	50,367	67,629
	$ 1,105,169	$ 1,092,254

The Corporation and subsidiaries held more than 20% of the stock with voting rights of SuperGeo Technologies Inc. in 2009 and Enova Technology Corporation and SuperGeo Technologies Inc. in 2008, 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 newly issued common stock of Far Eastern Electronic Toll Collection Co., Ltd. (FETC) for $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 Interpretation No. 1998-150 issued by the Accounting Research and Development Foundation. In 2009 and 2008, the Corporation charged amortization expenses of $6,529 thousand and $6,311 thousand which were included in the impairment loss of the financial assets carried at cost, respectively, and Ching Pu charged amortization expenses of $2,755 thousand and $2,663 thousand, which were included in other operating cost, respectively.

In addition to the above losses, the Corporation and subsidiaries determined other than temporary decline of other financial assets carried at cost and calculated impairment losses on these assets. Thus, the Corporation and subsidiaries recognized additional impairment losses of $43,291 thousand and $170,679 thousand in 2009 and 2008, respectively.

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2009		2008	
	Carrying Value	**Owner-ship %**	**Carrying Value**	**Owner-ship %**
Unlisted common stocks				
AFE Solutions Limited (AFE)	$ 256,525	49.0	$ 189,716	49.0
Enrichment I Venture Capital Corporation (EIVCC)	109,872	43.4	41,235	43.4
Systex Data Management & Integration Service Corporation, Shanghai (Systex DMIS)	92,926	49.0	-	-
Investment Media Ltd. (I-Media)	86,055	40.0	87,071	40.0
Taifon Computer Co., Ltd.	69,607	34.8	67,334	34.8
Bisnews International Limited (BIL)	66,784	49.0	52,283	49.0
E-Customer Capital Limited (ECL)	57,749	23.5	56,382	23.5
Systex Infopro Co., Ltd. (Systex Infopro)	2,892	20.0	4,193	20.0
Elegance Technology Inc.	-	24.6	-	24.6
Silicon Valley Equity Fund-II, L.P. (SVEF)	-	-	23,953	23.1
Wit Investment Partners Ltd. (WIPL)	-	-	2,091	20.0
Changzhou Xin Code Master Equipment Co., Ltd. (CXME)	-	-	-	13.1
	$ 742,410		$ 524,258	

Although the Corporation and subsidiaries held less than 20% of the stock with voting rights of CXME in 2008, they had significant influence over CXME. Thus, the investment was accounted for by the equity method.

WIPC went into liquidation in March 2009. The liquidation process was completed in July 2009. At the completion of the liquidation, the Corporation received $1,946 thousand of cash.

EIVCC reduced its capital in April 2008 and returned $23,460 thousand of cash to the Corporation and subsidiaries.

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

Investee	2009	2008
AFE Solutions Limited	$ 71,003	$ 68,495
Enrichment I Venture Capital Corporation	38,632	(94,485)
Bisnews International Limited	13,708	13,350
E-Customer Capital Limited	5,494	6,975
Taifon Computer Co., Ltd.	5,213	5,798
Systex Infopro Co., Ltd.	(1,701)	(627)
Silicon Valley Equity Fund - II, L.P.	(1,690)	(40,672)
Systex Data Management & Integration Service Corporation, Shanghai	(1,100)	-
Investment Media Ltd.	(1,017)	(8,528)
Wit Investment Partners Ltd.	(141)	(34)
TrustView Inc. (TrustView)	-	(1,528)
Changzhou Xin Code Master Equipment Co., Ltd.	-	-
	$ 128,401	$ (51,256)

The financial statements used as bases for the carrying value of equity-method investments and the related equity in net income or net loss had all been audited, except those of BIL, ECL, WIPL, Systex Infopro and SVEF for 2009, and of BIL, ECL, CXME, TrustView, WIPL, Systex Infopro and SVEF for 2008. The Corporation and subsidiaries believe that any adjustment that might have resulted had the financial statements of such investees been audited would not be material to the consolidated financial statements taken as a whole.

12. PROPERTY AND EQUIPMENT

Accumulated depreciation and impairment loss consisted of:

	December 31	
	2009	2008
Buildings	$ 322,942	$ 297,275
Computer equipment	498,542	482,064
Transportation equipment	15,120	14,762
Leasehold improvements	96,419	98,949
Other equipment	109,736	118,121
	$ 1,042,759	$ 1,011,171

13. ASSETS LEASED TO OTHERS, NET

	December 31	
	2009	2008
Cost		
Land	$ 11,523	$ 11,523
Buildings	3,990	3,990
Computer equipment	94,241	86,026
	109,754	101,539
Accumulated depreciation		
Buildings	923	870
Computer equipment	68,680	56,777
	69,603	57,647
Accumulated impairment loss (land and buildings)	3,030	3,030
	$ 37,121	$ 40,862

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 as follows:

	December 31	
	2009	2008
Cost		
Land	$ 36,912	$ 56,297
Buildings	48,844	58,221
	85,756	114,518
Accumulated depreciation - building	11,957	14,106
Accumulated impairment loss	28,782	30,218
	$ 45,017	$ 70,194

15. SHORT-TERM LOANS

	December 31	
	2009	2008
Unsecured bank loans: Due in February and June 2010, 2.22%-2.60% interest per annum in 2009; due in January and June 2009, 2.78%-3.85% interest per annum in 2008	$ 79,000	$ 26,000

16. SHORT-TERM BILLS PAYABLE

	December 31	
	2009	2008
Commercial paper issued: Interest 2.088%	$ 20,000	$ -
Less: Unamortized discount on commercial paper issued	14	-
	$ 19,986	$ -

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 $78,137 thousand and $83,095 thousand in 2009 and 2008, 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, 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 $15,861 thousand and $14,744 thousand in 2009 and 2008, 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 contributions at 2% to 3.96% in 2009 and 0.5% to 4% in 2008 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.

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

a. Pension cost (gain)

	2009		2008	
Net periodic pension cost (gain)				
Service cost		$ 4,786		$ 12,444
Interest cost		9,806		11,197
Actual return on plan assets	$ 2,815		$ 11,445	
Loss (gain) on plan assets	2,978		(5,159)	
Projected return on plan assets		(5,793)		(6,286)
Amortization		4,407		3,141
Gains on curtailment or settlement		(1,301)		(22,146)
		$ 11,905		$ (1,650)

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

	December 31	
	2009	2008
Benefit obligation		
Vested benefit obligation	$ 3,961	$ 24,115
Non-vested benefit obligation	282,320	269,644
Accumulated benefit obligation	286,281	293,759
Additional benefits based on future salaries	63,266	151,513
Projected benefit obligation	349,547	445,272
Fair value of plan assets	(250,901)	(248,036)
Funded status	98,646	197,236
Unrecognized net transition obligation	(5,455)	(6,578)
Unrecognized past service cost	16,865	17,585
Unrecognized net actuarial loss	(43,591)	(128,072)
Accrued pension cost, net	$ 66,465	$ 80,171
Vested benefit	$ 4,981	$ 5,645

c. Actuarial assumptions

	December 31	
	2009	2008
Discount rate used in determining present value	2%-3%	2.25%-3%
Future salary increase rate	0%-3%	2%-3%
Expected rate of return on plan assets	1.5%-2.25%	2.25%-3%

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).

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 2009 and 2008 were as follows:

	2009		2008	
Employee Stock Option	**Number of Outstanding Options**	**Weighted-average Exercise Price (NT$)**	**Number of Outstanding Options**	**Weighted-average Exercise Price (NT$)**
Beginning outstanding balance	9,929.7	$ 37.01	6,961.0	$ 36.92
Options granted	-	$ -	4,865.0	$ 30.56
Options forfeited	(3,236.4)	$ 37.77	(776.0)	$ 33.24
Decrease due to capital reduction	-	$ -	(1,110.3)	$ 36.96
Options exercised	(817.7)	$ 29.34	(10.0)	$ 27.80
Ending outstanding balance	5,875.6	$ 37.66	9,929.7	$ 37.01
Ending exercisable balance	2,414.0		1,474.2	
Weighted average fair value of the options granted (NT$)	$ -		$7.15	

As of December 31, 2009, 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	380.9	0.66	$ 29.80	380.9	$ 29.80
$ 29.00	492.5	1.37	$ 29.00	492.5	$ 29.00
$ 45.20	2,567.7	2.72	$ 45.20	1540.6	$ 45.20
$ 33.10	2,106.0	3.04	$ 33.10	-	$ -
$ 30.00	328.5	3.45	$ 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 $3,713 thousand and $10,651 thousand in 2009 and 2008, respectively.

Intrinsic value-based method was adopted for options granted before January 1, 2008, and there was no compensation cost recognized in 2009 and 2008 for these options. Had the Corporation applied the fair value-based method to these options, the Corporation's assumptions and pro forma results in 2009 and 2008 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	-	-	-

		2009	2008
Net income (loss) of the Corporation:	Net income (loss) as reported	$ 1,404,394	$ (731,277)
	Pro forma net income (loss)	1,402,627	(754,448)
Earnings (loss) per share (EPS) of the Corporation:	Basic EPS as reported (NT$)	5.83	(2.63)
	Pro forma basic EPS (NT$)	5.83	(2.71)

Capital Surplus

Under relevant regulations, capital surplus from equity-method investments cannot be used for any purpose. Capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares and treasury stock transaction) 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.

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;

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 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 loss off-setting for 2008 and appropriations of earnings for 2007 had been approved in the stockholders' meetings held on June 19, 2009 and June 13, 2008, respectively. The loss off-setting, appropriations and dividends per share were as follows:

	Loss Off-Setting/ Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2008	For Year 2007	For Year 2008	For Year 2007
Special reserve	$ 233,051	$ -	$ -	$ -
Legal reserve	-	89,240	-	-
Bonus to employees - in cash	-	80,316	-	-
Remuneration to directors - in cash	-	16,063	-	-
Cash dividends	-	320,269	-	1.00
	$ 233,051	$ 505,888	$ -	$ 1.00

As of March 3, 2010, the board of directors has not resolved the appropriations of earnings for 2009. Information about the appropriation of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Under the Articles of Incorporation, the bonus to employees and the remuneration to directors were 10% and 2%, respectively, of net income (net of legal reserve and special reserve). For the year ended December 31, 2009, the bonus to employees and the remuneration to directors were $126,395 thousand and $25,279 thousand, respectively. There were no bonus to employees and remuneration to directors for the year ended December 31, 2008 because no earnings can be distributed after legal reserve and special reserve were appropriated. Material differences between the estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If a stock bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the stock bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Unrealized Gain or Loss on Financial Instruments

For the years ended December 31, 2009 and 2008, 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, 2009			
Balance, beginning of the year	$ -	$ 13,643	$ 13,643
Recognized in stockholders' equity	12,373	(12,940)	(567)
Balance, end of the year	$ 12,373	$ 703	$ 13,076
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

19. TREASURY STOCK

(In Thousand Shares)

Purpose of Treasury Stock	Beginning	Increase	Decrease	Ending
2009				
To maintain the Corporation's credibility and stockholders' interest	20,560	3,029	23,589	-
Reclassification of parent company stock held by subsidiaries from equity-method investments into treasury stock	24,520	-	-	24,520
	45,080	3,029	23,589	24,520
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 Corporation's shares held by subsidiaries as of December 31, 2009 and 2008 were as follows:

Subsidiaries	Shares (In Thousands)	Investment Cost	Market Value
December 31, 2009			
Hanmore Investment Corporation (Hanmore)	23,586	$ 1,155,848	$ 1,200,511
Ching Pu Investment Corporation	12,982	$ 488,011	$ 660,757
December 31, 2008			
Hanmore Investment Corporation	23,586	$ 1,182,054	$ 421,004
Ching Pu Investment Corporation	12,982	$ 502,435	$ 231,719

The carrying value of Hanmore's investment in the Corporation's shares, represents the investment cost of $1,155,848 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 $381,661 thousand (11,538 thousand shares), into treasury stock in 2009 and 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 from available-for-sale financial assets.

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 21, 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 Corporation acquired 3,029 thousand shares of its common stock between February 9, 2009 and April 8, 2009. These treasury shares were canceled on August 28, 2009, and the share acquisition cost was $56,592 thousand. Of the total acquisition cost, $30,290 thousand was charged to capital stock; $97,916 thousand was charged to additional paid-in capital; and $71,614 thousand was credited to treasury stock capital surplus.

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:

	2009	2008
Currently payable	$ 20,791	$ 20,179
Additional income tax on unappropriated earnings	2,260	7,024
Investment tax credits generated during the year	(75,808)	(111,431)
Deferred income tax		
Temporary differences and investment tax credits	184,439	127,547
Effect of tax law changes on deferred income tax	87,994	-
Effect of tax law changes on valuation allowance	(72,184)	-
Prior years' tax adjustment	(603)	(1,758)
Income tax expense	$ 146,889	$ 41,561

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

	2009	2008
Tax on pretax income (loss) at statutory rate	$ 271,278	$ (254,028)
Add (deduct) tax effects of:		
Unrealized loss (gain) on valuation of financial instruments	(160,128)	163,996
Impairment loss on available-for-sale financial assets	-	101,639
Impairment loss on financial assets carried at cost	8,103	37,482
Loss carryforwards	33,431	35,181
Increase in (reversal of) unrealized cost of sales	(6,562)	35,140
Equity in the net loss (income) of domestic investees	(10,672)	24,695
Allowance (reversal of allowance) for doubtful accounts	(5,168)	14,606
Loss from liquidation and capital reduction of investees	(80,303)	(67,980)
Dividend income	(6,825)	(26,173)
Loss (income) on sale of securities	20,362	(19,503)
Realized sales allowances	(24,856)	(9,931)

(Continued)

	2009	2008
Reversal of loss on inventories	$ (9,749)	$ (6,471)
Amortization of goodwill resulted from merger	(3,491)	(4,367)
Accrued pension cost	(2,112)	(3,625)
Tax-exempt income from sales of land	(441)	(2,549)
Realized royalty fees	(437)	(1,270)
Others	(1,639)	(4,162)
Alternative minimum tax	-	7,499
Currently payable	$ 20,791	$ 20,179

(Concluded)

Income tax payable as of December 31, 2009 and 2008 was net of prepaid income taxes of $2,458 thousand and $5,418 thousand, respectively.

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

	December 31	
	2009	2008
Deferred income tax assets - current		
Allowance for loss on inventories	$ 38,051	$ 58,427
Unused investment tax credits	37,651	61,234
Unrealized cost of sales	33,542	48,902
Allowance for doubtful accounts	29,940	42,540
Unused loss carryforwards	2,332	-
Sales allowances	327	25,265
Others	432	630
	142,275	236,998
Less: Valuation allowance	80,889	104,512
	$ 61,386	$ 132,486
Deferred income tax assets (liabilities) - noncurrent		
Unused investment tax credits	$ 268,480	$ 222,871
Unused loss carryforwards	126,717	183,503
Impairment loss on financial assets carried at cost	112,154	173,717
Accrued pension cost	13,005	18,379
Cumulative investment loss on foreign investees under equity method	4,908	5,620
Impairment of property and equipment, idle assets and assets leased to others	2,971	3,124
Unrealized royalty fees	2,857	4,008
Unrealized gain on sales - leaseback	845	2,113
Cumulative investment loss on domestic investees under equity method	-	3,919
Goodwill resulted from merger	(8,101)	(6,635)
Others	214	(390)
	524,050	610,229
Less: Valuation allowance	448,742	469,633
	$ 75,308	$ 140,596

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Corporation and subsidiaries recalculated their deferred income tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax benefit or expense.

d. Unused loss carryforwards as of December 31, 2009 were as follows:

Expiry Year	Total Credit Available	Unused Credit
2010	$ 11,661	$ 11,661
2011	3,304	3,304
2013	97,210	87,569
2014	89,060	85,841
2015	43,660	43,660
2016	67,691	67,691
2017	144,344	144,344
2018	63,730	63,730
2019	137,447	137,447
	$ 658,107	$ 645,247

e. As of December 31, 2009, 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 expenditures	$ 38,735	$ 35,987	2010
Statute for Upgrading Industries	Employee training expenditures	1,701	1,664	2010
Statute for Upgrading Industries	Research and development expenditures	76,913	73,680	2011
Statute for Upgrading Industries	Employee training expenditures	9	9	2011
Statute for Upgrading Industries	Purchase of machinery and equipment	5,067	5,067	2012
Act for promotion of private participation in infrastructure project	Investments in private participation in infrastructure projects	31,333	25,247	2012
Statute for Upgrading Industries	Research and development expenditures	88,509	88,509	2012
Statute for Upgrading Industries	Employee training expenditures	1,290	1,290	2012
Statute for Upgrading Industries	Research and development expenditures	73,685	72,555	2013
Statute for Upgrading Industries	Employee training expenditures	1,457	1,457	2013
Statute for Upgrading Industries	Purchase of machinery and equipment	666	666	2013
		$ 319,365	$ 306,131	

f. The integrated income tax was as follows:

	December 31	
	2009	2008
Imputation credit account balance	$ 195,029	$ 226,761

The estimated 2009 tax credit allocation rate applicable to the stockholders is 8.35%.

The unappropriated earnings, as of December 31, 2009 and 2008, do not include unappropriated earnings before 1998.

For distribution of earnings generated after January 1, 1998, the ratio of the imputation credits allocated to stockholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2009 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

g. Income tax returns through 2007, except 2006, and undistributed earnings returns through 2006, except 2005, of the Corporation, income tax returns through 2006 and undistributed earnings returns through 2005 of Concord System Management Corporation, and income tax returns through 2007 and undistributed earnings returns through 2006 of Megatime Technology Corporation, Sysplus Corporation, Ching Pu Investment Corporation, Hanmore Investment Corporation, TaiwanPay Corporation, SysView Corporation, Taiwan Electronic Data Processing Corporation and Systime Technology Corp. have been assessed by the tax authorities. The tax authorities assessed additional tax of $31,974 thousand and disallowed tax credit of $66,545 thousand (claimed under Statute for Upgrading Industries) on the Corporation’s 2007 income tax return. The Corporation disagreed with the tax authorities and had applied for a re-examination. The Corporation believes the result of the re-examination will be in its favor; accordingly, it did not provide for income tax.

Under the tax regulations of the People’s Republic of 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 years’ 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. 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

	2009		
	Operating Costs	**Operating Expenses**	**Total**
Personnel			
Payroll	$ -	$ 1,983,081	$ 1,983,081
Insurance	-	124,261	124,261
Pension	-	105,903	105,903
Others	-	73,361	73,361
	$ -	$ 2,286,606	$ 2,286,606
Depreciation	$ 47,623	$ 110,584	$ 158,207
Amortization	$ 6,109	$ 23,080	$ 29,189

	2008		
	Operating Costs	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

22. EXTRAORDINARY GAINS AND OTHER IMPAIRMENT LOSS

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 allocating the excess of fair value over cost to noncurrent assets, the remaining amount of $14,169 thousand was credited to extraordinary gains.

The cost of investment in certain subsidiaries exceeded the Corporation's proportionate equity in the investees' net assets. An evaluation showed that neither the investee's value-in-use nor net realizable value could cover the investment carrying value. Thus, impairment loss of $20,324 thousand was recognized as other impairment loss in 2008.

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
2009					
Basic earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 1,550,455	$ 1,404,394	240,691	$ 6.44	$ 5.83
Diluted earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 1,550,455	$ 1,404,394	243,241	$ 6.37	$ 5.77

(Continued)

	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 loss attributable to stockholders of the parent					
Net 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 loss attributable to stockholders of the parent					
Net 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)

(Concluded)

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or stocks, the Corporation should presume that the entire amount of the bonus will be settled in stocks and the resulting potential stocks should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the stocks have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential stocks should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

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
2009					
Pro forma basic earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 1,550,455	$ 1,404,394	265,211	$ 5.85	$ 5.30
Pro forma diluted earnings per share					
Consolidated net income attributable to stockholders of the parent	$ 1,550,455	$ 1,404,394	267,761	$ 5.79	$ 5.24

(Continued)

	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 loss attributable to stockholders of the parent					
Net 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 loss attributable to stockholders of the parent					
Net 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)

(Concluded)

24. FINANCIAL INSTRUMENTS

In 2009 and 2008, the Corporation and subsidiaries had no transactions involving derivative instruments.

a. Fair values of financial instruments

	December 31			
	2009		2008	
Non-derivative Instruments	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets at fair value through profit or loss - current	$ 5,010,789	$ 5,010,789	$ 3,211,083	$ 3,211,083
Available-for-sale financial assets - current	351,610	351,610	366,848	366,848
Financial asset carried at cost	1,105,169	-	1,092,254	-
Investments accounted for by the equity method - unlisted stocks and others	742,410	-	524,258	-
Refundable deposits - noncurrent	126,640	126,640	120,113	120,113
Pledged time deposits - noncurrent	69,772	69,772	62,734	62,734
Long-term lease receivables, net	24,981	24,981	26,943	26,943
Liabilities				
Guarantee deposits received	9,615	9,615	9,993	9,993

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, short-term bills payable, notes and accounts payable, accrued expenses, and other payables, which were not included in the assets and liabilities mentioned above, approximate fair value because of their short maturities.

2) For financial assets 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.

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 terms 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. As of December 31, 2009 and 2008, financial liabilities exposed to cash flow interest rate risk amounted to $79,000 thousand and $26,000 thousand, respectively. As of December 31, 2009, financial liabilities exposed to fair value interest rate risk amounted to $19,986 thousand.

d. Financial risks

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

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 assets 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.

4) Cash flow interest rate risk. Cash flows of the Corporation and subsidiaries' loans with floating-rate will fluctuate due to changes in market interest rates. However, cash flows of the Corporation and subsidiaries' loans with fixed-rate will not fluctuate significantly due to changes in market interest rates.

25. 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 (liquidation process has been completed in July 2009)
Enrichment I Venture Capital Corporation (EIVCC)	Investee accounted for by the equity method of the Corporation and its subsidiary, Hanmore Investment Corporation
TrustView Inc. (TrustView)	Investee accounted for by the equity method of the Corporation and its subsidiary, Ching Pu Investment Corporation (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% of equity in July 2008)
Systex Data Management & Integration Service Corporation, Shanghai (Systex DMIS)	Investee accounted for by the equity method of the Corporation's subsidiaries, Kimo.com (BVI) Corp. and Systex Capital Group Inc. (incorporated in August 2009)

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

	2009		2008	
	Amount	% to Total	Amount	% to Total
For the year				
Sales				
Taifon	$ 7,662	-	$ 30,437	-
Systex DMIS	2,817	-	-	-
Others	1,637	-	1,185	-
	$ 12,116	-	$ 31,622	-
Purchases				
Taifon	$ 27,092	-	$ 12,949	-
Others	422	-	385	-
	$ 27,514	-	$ 13,334	-
Service cost				
I-Media	$ 21,143	2	$ 21,402	1
AFE	4,027	-	-	-
	$ 25,170	2	$ 21,402	1

	2009		2008	
	Amount	% to Total	Amount	% to Total
At the end of the year				
Receivables from related parties				
Taifon	$ 3,112	52	$ 4,239	93
Systex DMIS	2,817	47	-	-
Others	57	1	334	7
	$ 5,986	100	$ 4,573	100
Payables to related parties				
Taifon	$ 17,782	91	$ 8,346	80
I-Media	1,705	9	2,100	20
	$ 19,487	100	$ 10,446	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 related-party transactions were similar to those for third parties.

c. Compensation of directors, supervisors and management personnel:

	2009	2008
Salaries	$ 116,002	$ 83,495
Incentives	46,182	57,407
Special compensation	1,018	1,553
Bonus	16,528	-
	$ 179,730	$ 142,455

26. PLEDGED ASSETS

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

	December 31	
	2009	2008
Pledged time deposits - current	$ 217,556	$ 151,324
Pledged time deposits - noncurrent	69,772	62,734
	$ 287,328	$ 214,058

27. SIGNIFICANT CONTINGENT LIABILITIES AND COMMITMENTS AS OF DECEMBER 31, 2009

a. Unused letters of credit aggregated about $967 thousand.

b. Outstanding sales contracts amounted to about $2,576,968 thousand.

c. There was a guarantee amounting to $95,970 thousand on the unused bank loan credit lines of UCOM Information Ltd. (Shanghai). Taiwan Electronic Data Processing Corporation provided endorsements for Taifon Computer Co. and Medincom Technology Corporation up to $15,112 thousand and $3,726 thousand, respectively.

d. There were lease contracts for office premises and warehouse, expiring between January 2010 and January 2014, with refundable deposits of $29,277 thousand. Future rentals are as follows:

Year	Amount
2010	$ 91,623
2011	38,915
2012	22,259
2013	12,820
2014	991

28. SEGMENT INFORMATION

Segment information is presented in the accompanying Table 1.

SYSTEX CORPORATION AND SUBSIDIARIES

SEGMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

A. Industry information

	2009				2008			
	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	$ 8,114,926	$ 3,312,766	$ 1,119,783	$ 12,547,475	$ 8,936,650	$ 3,618,851	$ 1,173,574	$ 13,729,075
Sales to other segments	-	-	-	-	-	-		-
Total sales	$ 8,114,926	$ 3,312,766	$ 1,119,783	$ 12,547,475	$ 8,936,650	$ 3,618,851	$ 1,173,574	$ 13,729,075
Segment operating income (loss) (Note 2)	$ 324,618	$ 368,283	$ 1,036,026	$ 1,728,927	$ 113,451	$ 193,177	$ (23,312)	$ 283,316
Investment income (loss), net (Note 3)				176,258				(302,406)
Other corporate income				120,931				49,975
Corporate general expenses				(439,357)				(747,238)
Interest expense				(2,195)				(5,194)
Income (loss) before income tax				$ 1,584,564				$ (721,547)
Identifiable assets (Note 4)	$ 3,443,393	$ 1,197,926	$ 272,609	$ 4,913,928	$ 5,188,223	$ 1,523,100	$ 282,001	$ 6,993,324
Corporate general assets				9,530,853				7,023,724
Long-term investments				1,847,579				1,616,512
Total assets				$ 16,292,360				$ 15,633,560
Depreciation and amortization expense	$ 89,174	$ 66,693	$ 31,529		$ 92,694	$ 64,415	$ 16,999	
Capital expenditures	$ 39,571	$ 98,506	$ 11,012		$ 80,970	$ 92,043	$ 11,862	

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

	2009					2008				
	Asia	**Others**	**Taiwan**	**Adjustments and Eliminations**	**Consolidated**	**Asia**	**Others**	**Taiwan**	**Adjustments and Eliminations**	**Consolidated**
Sales to other than consolidated entities	$ 1,832,811	$ 612,143	$ 10,102,521	$ -	$ 12,547,475	$ 1,464,323	$ 997,996	$ 11,266,756	$ -	$ 13,729,075
Sales among consolidated entities	46,559	-	181,287	(227,846)	-	56,643	144,719	155,571	(356,933)	-
Total sales	$ 1,879,370	$ 612,143	$ 10,283,808	$ (227,846)	$ 12,547,475	$ 1,520,966	$ 1,142,715	$ 11,422,327	$ (356,933)	$ 13,729,075
Operating income (loss)	$ (103,501)	$ 498,889	$ 849,921	$ 44,261	$ 1,289,570	$ (160,157)	$ 588,249	$ (859,489)	$ (32,525)	$ (463,922)
Non-operating income and gains					338,342					173,127
Non-operating expenses and losses					(43,348)					(430,752)
Income (loss) before income tax					$ 1,584,564					$ (721,547)
Identifiable assets	$ 1,455,207	$ 2,583,079	$ 12,615,765	$ (2,209,270)	$ 14,444,781	$ 1,282,217	$ 2,336,305	$ 11,264,957	$ (866,431)	$ 14,017,048
Long-term investments					1,847,579					1,616,512
Total assets					$ 16,292,360					$ 15,633,560

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)