Systex Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Systex Corporation

We have audited the accompanying balance sheets of Systex Corporation (the "Corporation") as of December 31, 2008 and 2007, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. Among those investments which are reflected in the accompanying financial statements using the equity method of accounting, we did not audit the financial statements as of and for the year ended December 31, 2008 of Enrichment I Venture Capital Corporation, Sysplus Corporation; Hanmore Investment Corporation's investee company accounted for using the equity method: Enrichment I Venture Capital Corporation; Ching Pu Investment Corporation's investee companies accounted for using the equity method: SysView Corporation and Sysplus Corporation; Kimo.com (BVI) Corporation's investee companies accounted for using the equity method: Systex Information (H.K.) Ltd. and Sysware (Thailand) Co., Ltd.; and Systex Capital Group Incorporation's investee company using the equity method: AFE Solutions Limited, and the financial statements as of and for the year ended December 31, 2007 of Enrichment I Venture Capital Corporation, Global Fortune Net Technology Corporation, Sysplus Corporation, Systex Infopro Co., Ltd.; Hanmore Investment Corporation's investee company accounted for using the equity method: Enrichment I Venture Capital Corporation; Ching Pu Investment Corporation's investee companies accounted for using the equity method: SysView Corporation, Sysplus Corporation, Syscape Technology Corporation, and TaiwanPay Corporation (formerly Mondex Taiwan Inc.); Kimo.com (BVI) Corporation's investee company accounted for using the equity method: Systex Information (H.K.) Ltd.; and Systex Capital Group Incorporation's investee companies using the equity method: AFE Solutions Limited, AP Networks Ltd. and Silicon Valley Equity Fund-II, L.P. The aggregate carrying values of these equity-method investments as of December 31, 2008 and 2007, were NT$471,369 thousand and NT$777,993 thousand, respectively or about 3.27% and 4.54% of the Corporation's respective total assets, and the equity amounting to NT$53,798 thousand in their net loss and equity amounting to NT$29,753 thousand in their net income for the years ended December 31, 2008 and 2007, respectively, were about (7.47) % and 3.26% of the Corporation's (loss) income before income tax, respectively. The financial statements of such investees were audited by other auditors whose reports have been furnished to us and, our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Systex Corporation as of December 31, 2008 and 2007, and the results of its operations and its 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 financial statements, effective January 1, 2008, the Corporation adopted the newly issued Statement of Financial Accounting Standards (SFAS) No. 39 - "Accounting for Share-based Payments," which requires companies to account for share-based payment transactions at fair value.

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

We have also audited the consolidated financial statements of Systex Corporation and its subsidiaries as of and for the year ended December 31, 2008, and have expressed a modified unqualified opinion thereon in our report (not presented herewith) dated March 5, 2009.

March 5, 2009

Notice to Readers

The accompanying 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 financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

SYSTEX CORPORATION

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

	2008		2007	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 634,459	4	$ 195,616	1
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	1,179,446	8	1,223,426	7
Available-for-sale financial assets - current (Notes 2 and 6)	12,988	-	3,839	-
Notes receivable, net (Notes 2 and 7)	142,862	1	213,930	1
Accounts receivable, net (Notes 2 and 7)	1,466,982	10	1,532,738	9
Lease receivables, net (Notes 2 and 8)	11,611	-	6,660	-
Receivables from related parties (Note 23)	165,075	1	79,873	1
Other receivables	167,087	1	244,043	2
Inventories, net (Notes 2 and 9)	947,801	7	912,523	5
Prepayments	88,228	1	232,170	1
Deferred income tax assets - current (Notes 2 and 18)	120,271	1	98,304	1
Pledged time deposits - current (Note 24)	126,570	1	182,823	1
Refundable deposits - current (Note 25)	89,061	1	154,486	1
Other current assets (Note 11)	26,684	-	12,922	-
Total current assets	5,179,125	36	5,093,353	30
LONG-TERM INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	-	-	9,701	-
Financial assets carried at cost - noncurrent (Notes 2 and 10)	496,382	4	579,444	3
Investments accounted for by the equity method (Notes 2 and 11)	6,109,636	42	9,010,228	53
Total long-term investments	6,606,018	46	9,599,373	56
PROPERTY AND EQUIPMENT (Notes 2 and 12)				
Cost				
Land	929,798	6	755,369	4
Buildings	1,229,659	8	1,118,400	6
Computer equipment	540,621	4	484,708	3
Transportation equipment	21,351	-	20,735	-
Leasehold improvements	120,044	1	133,109	1
Other equipment	120,969	1	98,560	1
Total cost	2,962,442	20	2,610,881	15
Less: Accumulated depreciation	(845,224)	(6)	(777,891)	(4)
Less: Accumulated impairment	(11,912)	-	-	-
	2,105,306	14	1,832,990	11
Prepayment for equipment	10,409	-	5,220	-
Net property and equipment	2,115,715	14	1,838,210	11
INTANGIBLE ASSETS				
Computer software (Note 2)	65,987	-	65,324	-
Goodwill (Note 2)	67,481	1	39,107	-
Deferred pension cost (Notes 2 and 15)	-	-	9,219	-
Total intangible assets	133,468	1	113,650	-
OTHER ASSETS				
Assets leased to others (Notes 2 and 13)	27,097	-	121,943	1
Idle assets, net (Notes 2 and 14)	70,194	1	17,998	-
Refundable deposits - noncurrent (Note 25)	60,937	1	45,603	-
Deferred charges, net (Note 2)	15,831	-	21,951	-
Long-term lease receivables, net (Notes 2 and 8)	17,554	-	8,888	-
Deferred income tax assets - noncurrent (Notes 2 and 18)	138,719	1	180,024	1
Pledged time deposits - noncurrent (Note 24)	58,291	-	96,550	1
Total other assets	388,623	3	492,957	3
TOTAL	$14,422,949	100	$17,137,543	100

	2008		2007	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Notes payable	$ 3,445	-	$ 7,323	-
Accounts payable	1,647,200	11	1,623,562	10
Payables to related parties (Note 23)	16,573	-	24,238	-
Income tax payable (Notes 2 and 18)	12,788	-	34,901	-
Accrued expenses	515,864	4	377,459	2
Other payables	123,355	1	151,724	1
Receipts in advance	183,569	1	155,845	1
Other current liabilities	68,056	1	64,727	-
Total current liabilities	2,570,850	18	2,439,779	14
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 15)	66,814	-	96,853	1
Guarantee deposits received	7,513	-	8,602	-
Credit balance of long-term investments accounted for by the equity method (Notes 2 and 11)	2,816	-	-	-
Total other liabilities	77,143	-	105,455	1
Total liabilities	2,647,993	18	2,545,234	15
STOCKHOLDERS' EQUITY (Notes 2, 3, 16 and 17)				
Capital stock - par value NT$10, authorized - 400,000 thousand shares; issued - 288,242 thousand shares in 2008 and 320,178 thousand shares in 2007	2,882,419	20	3,201,778	18
Advance receipts for common stock - 81 thousand shares	-	-	810	-
Total capital stock	2,882,419	20	3,202,588	18
Capital surplus				
Additional paid-in capital	9,317,718	65	9,317,540	54
Treasury stock transactions	263,881	2	238,134	2
Gain on sale of property and equipment	4,493	-	4,493	-
Donations	544	-	544	-
Employee stock option	10,651	-	-	-
Total capital surplus	9,597,287	67	9,560,711	56
Retained earnings				
Legal reserve	283,073	2	193,833	1
Unappropriated earnings	233,051	2	1,500,116	9
Total retained earnings	516,124	4	1,693,949	10
Other equity				
Cumulative translation adjustments	68,079	-	(48,480)	-
Unrealized gain on financial instruments	13,643	-	1,017,909	6
Unrealized revaluation increment	56	-	56	-
Treasury stock - 45,080 thousand shares in 2008 and 24,794 thousand shares in 2007	(1,302,652)	(9)	(834,424)	(5)
Total other equity	(1,220,874)	(9)	135,061	1
Total stockholders' equity	11,774,956	82	14,592,309	85
TOTAL	$14,422,949	100	$17,137,543	100

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

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

SYSTEX CORPORATION

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

	2008		2007	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 23)				
Sales	$ 6,698,674	68	$ 5,648,103	65
Less: Sales returns and allowances	27,481	-	30,613	-
Net sales	6,671,193	68	5,617,490	65
Service income	3,043,695	31	2,987,550	34
Others	73,649	1	72,194	1
Total operating revenues	9,788,537	100	8,677,234	100
OPERATING COSTS (Notes 2, 19 and 23)				
Cost of goods sold	5,867,519	60	4,943,291	57
Service cost	1,378,156	14	1,256,601	15
Others	22,189	-	13,167	-
Total operating costs	7,267,864	74	6,213,059	72
GROSS PROFIT	2,520,673	26	2,464,175	28
OPERATING EXPENSES (Notes 19 and 23)				
Selling expenses	1,771,206	18	1,519,129	17
General and administrative expenses	371,940	4	335,088	4
Research and development expenses	272,036	3	255,110	3
Total operating expenses	2,415,182	25	2,109,327	24
OPERATING INCOME	105,491	1	354,848	4
NON-OPERATING INCOME AND GAINS				
Interest income (Note 23)	9,482	-	6,381	-
Investment income recognized under the equity method, net (Notes 2 and 11)	-	-	334,096	4
Dividend income	31,739	-	19,713	-
Gain on sale of investments, net (Notes 2 and 11)	61,707	1	88,210	1
Exchange gains, net (Note 2)	11,975	-	816	-
Reversal of allowance for doubtful accounts (Note 20)	-	-	102,422	1
Others (Notes 20 and 23)	32,403	1	97,092	1
Total non-operating income and gains	147,306	2	648,730	7

(Continued)

SYSTEX CORPORATION

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

	2008		2007	
	Amount	**%**	**Amount**	**%**
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	$ 35	-	$ 577	-
Investment loss recognized under the equity method, net (Notes 2 and 11)	651,528	7	-	-
Provision for loss on inventories (Notes 2 and 9)	18,169	-	14,646	-
Impairment loss on financial assets carried at cost (Notes 2 and 10)	43,950	-	25,295	-
Valuation loss on financial assets, net (Notes 2 and 5)	210,967	2	35,201	1
Impairment loss on available-for-sale financial assets (Notes 2 and 6)	44,717	1	-	-
Others	3,829	-	15,020	-
Total non-operating expenses and losses	973,195	10	90,739	1
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	(720,398)	(7)	912,839	10
INCOME TAX EXPENSE (Notes 2 and 18)	(25,048)	-	(22,566)	-
NET INCOME (LOSS) BEFORE EXTRAORDINARY GAINS	(745,446)	(7)	890,273	10
EXTRAORDINARY GAINS, NET OF TAX EXPENSE (Notes 2 and 11)	14,169	-	2,128	-
NET INCOME (LOSS)	$ (731,277)	(7)	$ 892,401	10

	2008		2007	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
BASIC EARNINGS (LOSS) PER SHARE (Note 21)				
Net income (loss) before extraordinary gains	$ (2.59)	$ (2.68)	$ 3.09	$ 3.01
Extraordinary gains, net of tax	0.05	0.05	0.01	0.01
	$ (2.54)	$ (2.63)	$ 3.10	$ 3.02
DILUTED EARNING (LOSS) PER SHARE (Note 21)				
Net loss before extraordinary gains	$ (2.59)	$ (2.68)		
Extraordinary gains, net of tax	0.05	0.05		
	$ (2.54)	$ (2.63)		

(Continued)

SYSTEX CORPORATION

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

Pro forma information assuming the Corporation's shares held by its subsidiaries were accounted for as an investment instead of treasury stock is as follows (Notes 2, 17 and 21):

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

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

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

SYSTEX CORPORATION

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

	Capital Stock Issued and Outstanding		Advance Receipts		Retained Earnings (Notes 2 and 16)				Other Equity				
	Shares (Thousands)	Amount	for Common Stock (Note 16)	Capital Surplus (Notes 2, 3 and l6)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Unrealized Gain (Loss) on Financial Instruments (Notes 2 and 16)	Unrealized Revaluation Increment	Treasury Stock (Notes 2 and 17)	Total Stockholders' Equity
BALANCE, JANUARY 1, 2007	83,231	$ 832,307	$ -	$ 951,525	$ 163,221	$ 70,929	$ 934,949	$ 1,169,099	$ (76,558)	$ 364,452	$ -	$ -	$ 3,240,825
Issuance of stock from merger (Notes 1 and 16)	236,680	2,366,801	-	8,578,194	-	-	-	-	37,784	(282,324)	56	(834,424)	9,866,087
Reversal of special reserve	-	-	-	-	-	(70,929)	70,929	-	-	-	-	-	-
Appropriations of earnings													
Legal reserve	-	-	-	-	30,612	-	(30,612)	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	(34,644)	(34,644)	-	-	-	-	(34,644)
Bonus to directors and supervisors	-	-	-	-	-	-	(6,929)	(6,929)	-	-	-	-	(6,929)
Cash dividends - NT$1 per share	-	-	-	-	-	-	(319,911)	(319,911)	-	-	-	-	(319,911)
Issuance of stock from exercising employee stock options	267	2,670	810	6,194	-	-	-	-	-	-	-	-	9,674
Net income for the year ended December 31, 2007	-	-	-	-	-	-	892,401	892,401	-	-	-	-	892,401
Adjustments arising from changes in percentage of ownership in investees	-	-	-	-	-	-	(6,067)	(6,067)	-	-	-	-	(6,067)
Change in translation adjustments on investments accounted for by the equity method	-	-	-	-	-	-	-	-	(9,706)	-	-	-	(9,706)
Equity in changes in investees' unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	945,487	-	-	945,487
Change in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(9,706)	-	-	(9,706)
Cash dividends received by subsidiaries from the Corporation	-	-	-	24,798	-	-	-	-	-	-	-	-	24,798
BALANCE, DECEMBER 31, 2007	320,178	3,201,778	810	9,560,711	193,833	-	1,500,116	1,693,949	(48,480)	1,017,909	56	(834,424)	14,592,309
Appropriations of earnings													
Legal reserve	-	-	-	-	89,240	-	(89,240)	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	(80,316)	(80,316)	-	-	-	-	(80,316)
Bonus to directors and supervisors	-	-	-	-	-	-	(16,063)	(16,063)	-	-	-	-	(16,063)
Cash dividends - NT$1 per share	-	-	-	-	-	-	(320,269)	(320,269)	-	-	-	-	(320,269)
Issuance of stock from exercising employee stock options	91	910	(810)	178	-	-	-	-	-	-	-	-	278
Capital reduction (Notes 16 and 17)	(32,027)	(320,269)	-	-	-	-	-	-	-	-	-	37,244	(283,025)
Compensation recognized for employee stock options	-	-	-	10,651	-	-	-	-	-	-	-	-	10,651
Net loss for the year ended December 31, 2008	-	-	-	-	-	-	(731,277)	(731,277)	-	-	-	-	(731,277)
Adjustments arising from changes in percentage of ownership in investees	-	-	-	-	-	-	(29,900)	(29,900)	-	-	-	-	(29,900)
Change in translation adjustments on investments accounted for by the equity method	-	-	-	-	-	-	-	-	116,559	-	-	-	116,559
Equity in changes in investees' unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	(1,014,618)	-	-	(1,014,618)
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	10,352	-	-	10,352
Treasury stock held by subsidiary - 2,450 thousand shares (Note 17)	-	-	-	-	-	-	-	-	-	-	-	(62,492)	(62,492)
Cash dividends received by subsidiaries from the Corporation	-	-	-	25,747	-	-	-	-	-	-	-	-	25,747
Acquisition of treasury stock - 21,560 thousand shares	-	-	-	-	-	-	-	-	-	-	-	(442,980)	(442,980)
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)	$ 11,774,956

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

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

SYSTEX CORPORATION

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

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (731,277)	$ 892,401
Extraordinary gains, net of tax	(14,169)	(2,128)
Net income (loss) before extraordinary gains	(745,446)	890,273
Depreciation and amortization	132,709	123,313
Provision (reversal of allowance) for doubtful accounts	60,394	(93,474)
Interest amortization for commercial paper issued	-	116
Compensation cost of employee stock options	10,651	-
Provision for loss on inventories	18,169	14,646
Valuation loss on financial assets, net	210,967	35,201
Gain on sale of available-for-sale-financial assets, net	(163)	(1,054)
Gain on sale of financial assets carried at cost, net	-	(12,236)
Gain on sale of investments accounted for by the equity method, net	(212)	(204)
Investment loss (income) recognized under the equity method, net of cash dividends received	651,946	(333,571)
Change in cumulative translation adjustments due to capital reduction of investee	5,946	-
Impairment loss on available-for-sale financial assets	44,717	-
Impairment loss on financial assets carried at cost	43,950	25,295
Gain on sale of property and equipment, assets leased to others and idle assets, net	(553)	(6,438)
Deferred income tax	19,338	(26,115)
Net changes in operating assets and liabilities		
Notes receivable	74,892	(74,843)
Accounts receivable	10,069	15,648
Lease receivables (current and noncurrent)	(13,617)	(654)
Receivables from related parties	(75,240)	33,166
Other receivables	77,662	(67,210)
Inventories	(53,116)	(226,342)
Prepayments	143,912	50,680
Other current assets	5,300	(6,392)
Notes payable	(4,663)	(146,242)
Accounts payable	23,178	361,774
Payables to related parties	(7,606)	(5,697)
Income tax payable	(26,359)	10,655
Accrued expenses	50,338	(39,474)
Other payables	(28,369)	(12,494)
Receipts in advance	5,754	(4,813)
Other current liabilities	2,367	4,844
Deferred credits	-	(453)
Accrued pension cost	(24,659)	447
Net cash provided by operating activities	612,256	508,352

(Continued)

SYSTEX CORPORATION

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

	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets at fair value through profit or loss	$ (166,987)	$ (68,026)
Proceeds from disposal of available-for-sale financial assets	1,142	58,471
Acquisition of financial assets carried at cost	-	(119,700)
Proceeds from disposal of financial assets carried at cost	-	31,052
Acquisition of investments accounted for by the equity method	(13,700)	(322,722)
Proceeds from disposal of investments accounted for by the equity method	212	16,444
Proceeds from return of capital by investees	1,007,932	445,574
Acquisition of property and equipment, assets leased to others and idle assets	(80,001)	(77,339)
Proceeds from disposal of property and equipment, assets leased to others and idle assets	12,379	69,153
Acquisition of computer software	(21,422)	(50,880)
Increase in deferred charges	(1,012)	(9,501)
Decrease (increase) in pledged time deposits	94,512	(4,590)
Decrease in refundable deposits	51,703	11,970
Increase in loan to related party	(10,000)	-
Net cash received from merger	123,748	72,612
Net cash provided by investing activities	998,506	52,518
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	-	(140,000)
Decrease in commercial paper issued	-	(60,000)
Decrease in guarantee deposits received	(2,300)	(1,006)
Proceeds from exercise of employee stock options	278	9,674
Acquisition of treasury stock	(442,980)	-
Cash paid to stockholders for capital reduction	(310,269)	-
Cash dividends	(320,269)	(319,911)
Cash bonus paid to employees	(80,316)	(34,644)
Cash bonus paid to directors and supervisors	(16,063)	(6,929)
Net cash used in financing activities	(1,171,919)	(552,816)
NET INCREASE IN CASH	438,843	8,054
CASH, BEGINNING OF YEAR	195,616	187,562
CASH, END OF YEAR	$ 634,459	$ 195,616
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 35	$ 461
Income tax paid	$ 32,068	$ 38,027

(Continued)

SYSTEX CORPORATION

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

	2008	**2007**
NONCASH INVESTING AND FINANCING ACTIVITIES		
Receivable from return of capital by investees (included in other receivables)	$ -	$ 111
Payable for acquisition of investments accounted for by the equity method	$ -	$ 10,940
Reclassified the investments accounted for by the equity method to other current assets	$ 19,062	$ -
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property and equipment	$ 159,795	$ 77,339
Increase in payable for equipment purchased (included in accrued expenses)	(79,794)	-
Cash paid for acquisition of property and equipment	$ 80,001	$ 77,339

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

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

(Continued)

SYSTEX CORPORATION

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

As stated in Note 2 to the financial statements, the Corporation has merged with Megatime Tech Corporation on January 1, 2008. The fair value of 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 Megatime Tech Corporation's stocks held by the Corporation	(313,251)
Cash paid by the Corporation for the acquisition of the minority interest in Megatime Tech Corporation	(41,715)
Goodwill from merger	$ (28,374)

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

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

The shares of the Corporation have been traded on the Taiwan GreTai Securities Market since January 6, 2003.

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

Megatime Tech Corporation (Megatime) was incorporated on June 24, 1991. Megatime is mainly engaged in providing computer programming services, sale of computers and related equipment, transmission of live stock market information, and providing services of type II telecommunication.

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

In order to integrate resources and to increase overall competitiveness, the Board of Directors decided to merge Megatime, 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. After the merger, the Corporation took over all the rights and obligations of Megatime. The merger had been approved by the relevant authority-in-charge on February 27, 2008.

The pro forma operating results assuming that the merger had been completed on January 1, 2007, were presented as below:

	2007
Operating revenues	$ 8,785,816
Income before income tax expense	$ 926,582
Net income	$ 898,770
Basic earnings per share	
Based on pro forma weighted average number of outstanding shares of 295,189 thousand in 2007	$3.04

As of December 31, 2008 and 2007, the Corporation had 1,931 and 1,791 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

For the convenience of readers, the accompanying 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 financial statements shall prevail. However, the accompanying 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 financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the Republic of China. In preparing financial statements in conformity with these law, guidelines and principles, the Corporation is required to make reasonable estimates and assumptions that affect the amounts of allowance for doubtful accounts; provision for loss on inventories; impairment losses on available-for-sale financial assets, financial assets carried at cost and investments accounted for by the equity method; depreciation and impairment loss on property and equipment, assets leased to others and idle assets; amortization and impairment loss on intangible assets and deferred charges; valuation of accrued pension cost; income tax; loss on breach of contracts; loss on pending or threatened litigations; bonus to employees, directors and supervisors and compensation cost of employee stock option, etc. Actual results could differ from these estimates.

Significant accounting policies are summarized as follows:

Merger

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

Since Systex was the parent company of the Corporation, the merger was considered as restructuring of entities under common control. Thus, the 18.5% and the 17.3% of the Corporation's shares held respectively by Systex and Ching Pu Investment Corporation (100% owned subsidiary of Systex) were recorded at the Corporation's 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 net assets acquired from minority interest were recorded at fair value of the net assets net of par value of the shares issued for merger and other related cost, and recorded as capital surplus.

The Corporation had merged with Megatime Tech Corporation (Megatime). Since the Corporation owned majority of Megatime shares and exercised significant influence over the investee, the merger was treated as restructuring of entities. Thus, Megatime's 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 include unrestricted cash and those assets 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 purpose or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Financial Instruments at Fair Value through Profit or Loss

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

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

Available-for-sale Financial Assets

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

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

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

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

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

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts

Revenue from sales of computer hardware, software, and mobile handsets 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 operating revenue mainly consists of rental revenue on operating leases of computer equipment and is recognized over the lease terms.

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 3 years. Rental revenue is recognized currently. Upon sale or disposal of these properties, the related cost, accumulated depreciation and impairment are removed from the accounts, and any gain or loss is credited or charged to income. At year-end, any gain generated before 2000 less applicable income tax is transferred to capital surplus.

Inventories

Inventories are stated at the lower of cost (monthly weighted average) or market value. Market value is the net realizable value of merchandise and the replacement cost of maintenance parts. Slow-moving (over 180 days without any movement), obsolete or unusable inventories are provided with allowance for losses at their net realizable values.

Financial Assets Carried at Cost

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

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

Investments Accounted for by the Equity Method

Investments in which the Corporation holds 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's 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 also records its equity in the investee's unrealized gains or losses as an adjustment to stockholders' equity.

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

When the Corporation subscribes for its investee's newly issued shares at a percentage different from its 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 records the change in its 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 or other equity adjustment is charged to current income proportionately.

When the Corporation's share in losses of an investee over which the Corporation has control exceeds its investment in the investee, unless the other stockholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Corporation has to bear all of the losses in excess of the capital contributed by stockholders of the investee. If the investee subsequently reports profits, such profits are first attributed to the Corporation to the extent of the excess losses previously borne by the Corporation.

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

If a subsidiary owns the stocks of its parent company, 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.

Any unrealized profits and losses resulting from the transactions between investee companies accounted for using the equity method are eliminated to the extent of the Corporation's interest in the investee company which generates such profits and losses, if both of the investee companies are under common control by the Corporation; otherwise, the unrealized profits and losses are eliminated to the extent of the Corporation's multiplied interest in both of the investee companies. Profits or losses from downstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee; however, if the Corporation has 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's 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 states at cost less accumulated depreciation and accumulated impairment. Major additions, replacements and betterments are capitalized, while maintenance and repairs are expensed currently.

Depreciation is provided on a straight-line basis over the estimated useful lives as follows: buildings, 19 to 60 years; computer equipment, 2 to 7 years; transportation equipment, 5 years; lease improvement, 2 to 9 years; other equipment, 2 to 5 years. When property and equipment and idle assets have reached their estimated service life but are still in use, depreciation is provided over their reestimated service lives.

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

Intangible Assets

Computer software is initially recorded at cost and is amortized using the straight-line basis over 2 to 8 years.

Goodwill arising on acquisition of the Corporation's equity in the fair value of the subsidiaries' net assets and 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. However, the reversal of impairment loss on goodwill is not allowed.

Deferred Charges

Deferred charges, mainly the costs of telephone wire installation, are amortized on the straight-line 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 by taking the consolidated financial statements as a whole.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings.

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

For long-term equity investments for which the Corporation has 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 curtails or settles 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.

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 - additional paid-in capital 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 long-term stock investment into treasury stock. The carrying value (available-for-sale financial assets) is multiplied by the Corporation's proportionate share as of the date when the Corporation acquired controlling interest in the subsidiary.

Income Tax

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

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

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

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

Foreign-currency Transactions

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

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

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

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

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

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

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

3. ACCOUNTING CHANGES

Accounting for Bonuses to Employees, Directors and Supervisors

On January 1, 2008, the Corporation 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. The adoption of this interpretation had no material impact on the Corporation's financial statements as of and 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 loss before income tax expense, and an increase of $7,988 thousand in net loss for the year ended December 31, 2008.

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

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

4. CASH

	December 31	
	2008	2007
Cash on hand	$ 425	$ 158
Checking accounts and demand deposits	139,768	195,458
Time deposits: interest 0.20%-1.75%	494,266	-
	$ 634,459	$ 195,616

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

	December 31	
	2008	2007
Financial assets held for trading		
Mutual funds	$ 1,125,128	$ 897,023
Domestic listed shares	54,318	326,403
	$ 1,179,446	$ 1,223,426

Net valuation loss on financial assets held for trading was $210,967 thousand in 2008 and $35,201 thousand in 2007.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2008		2007	
	Current	Noncurrent	Current	Noncurrent
Domestic listed shares	$ 12,988	$ -	$ 2,740	$ 9,701
Mutual funds	-	-	1,099	-
	$ 12,988	$ -	$ 3,839	$ 9,701

The Corporation assessed the recoverable amount of the available-for-sale financial assets it owned and recognized an impairment loss of $44,717 thousand for the year ended December 31, 2008.

7. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2008	2007
Notes receivable	$ 143,129	$ 214,197
Less: Allowance for doubtful accounts	267	267
	$ 142,862	$ 213,930
Accounts receivable	$ 1,643,184	$ 1,651,061
Less: Allowance for doubtful accounts	176,202	118,323
	$ 1,466,982	$ 1,532,738

8. LEASE RECEIVABLES, NET

	Current	Long-term	Total
December 31, 2008			
Lease receivables	$ 13,034	$ 18,464	$ 31,498
Less: Unearned interest income	1,423	910	2,333
	$ 11,611	$ 17,554	$ 29,165
December 31, 2007			
Lease receivables	$ 7,461	$ 9,573	$ 17,034
Less: Unearned interest income	801	685	1,486
	$ 6,660	$ 8,888	$ 15,548

9. INVENTORIES, NET

	December 31	
	2008	2007
Merchandise	$ 1,005,275	$ 961,556
Maintenance parts	51,737	56,897
	1,057,012	1,018,453
Less: Allowance for losses	109,211	105,930
	$ 947,801	$ 912,523

10. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2008	2007
Unquoted common stock	$ 496,382	$ 579,444

The above equity investments, which had no quoted prices in an active market and of which fair values could not be reliably measured, were carried at cost.

In 2007, the Corporation had purchased the newly issued common stock of Far Eastern Electronic Toll Collection Co., Ltd. (FETC) of $119,700 thousand. The related investment cost is being amortized over the contracted operating periods with the government based on the Interpretation No. 1998-150 issued by the Accounting Research and Development Foundation. The Corporation charged amortization expenses of $6,311 thousand and $2,394 thousand in 2008 and 2007, respectively, which were included in the impairment loss of the financial assets carried at cost.

In addition to the above losses, other than temporary decline of other financial assets carried at cost was determined by the Corporation and impairment losses on these assets were calculated. Thus, the Corporation recognized additional impairment losses of $37,639 thousand and $22,901 thousand in 2008 and 2007, respectively.

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2008		2007	
	Carrying Value	Ownership %	Carrying Value	Ownership %
Unlisted common stocks				
Systex Capital Group Inc. (SCGI)	$ 2,213,249	100.0	$ 3,673,967	100.0
Ching Pu Investment Corporation (Notes 2 and 17)	2,162,129	100.0	2,703,359	100.0
Kimo.com (BVI) Corporation	1,456,211	100.0	1,812,723	100.0
Hanmore Investment Corporation (Notes 2 and 17)	149,062	48.9	245,884	48.9
Concord System Management Corporation (CSMC)	83,512	24.6	50,318	15.8
Enrichment I Venture Capital Corporation (EIVCC)	36,156	37.7	152,403	37.7
Systex Infopro Co., Ltd. (Systex Infopro)	4,193	20.0	5,572	20.0
UCOM Information Ltd. (UCOM)	2,112	100.0	1,933	100.0
Wit Investment Partners Ltd. (WIPL)	2,091	20.0	2,543	20.0
Systime Technology Corp.	921	100.0	55	100.0
Megatime Tech Corporation (Note 1)	-	-	313,251	88.2
OpenPower Information Co., Ltd. (OpenPower)	-	-	29,510	100.0
Global FortuneNet Technology Corporation (GFNT)	-	-	10,851	100.0
Sysplus Corporation (Sysplus)	-	-	6,314	23.1
UCOM Technologies Inc. (UCOM USA)	-	-	886	100.0
TrustView Inc. (TVI)	-	-	377	4.2
S.H. Technology Ltd. (SHTL)	-	-	282	100.0
	$ 6,109,636		$ 9,010,228	
Credit balance of investments accounted for by the equity method				
Unlisted common stocks				
Sysplus Corporation	$ 2,816	23.1	$ -	-

The Corporation exercises significant influence on TVI in 2008 and CSMC, eTech Venture Corporation (ETVC) and TVI in 2007, respectively, although the Corporation holds equity interests of less than 20% in these entities. Thus, they are accounted for using the equity method.

SCGI had capital reduction in October 2008, and returned $971,400 thousand of cash to the Corporation.

EIVCC had capital reduction in April 2008 and June 2007, and returned $20,400 thousand and $34,000 thousand of cash to the Corporation, respectively.

CSMC had capital reduction in August 2007, and returned $33,344 thousand of cash to the Corporation.

ETVC had been dissolved and liquidation process had been completed on August 20, 2007. At the completion of liquidation, the Corporation received $2,489 thousand of cash and $813 thousand of common shares of TVI.

Systex Investment Holdings Ltd. (SIHL) had liquidated in December 2007 and the Corporation has received $300,930 thousand in cash after the completion of the liquidation process. The Corporation recognized investment income of SIHL, which included the accumulated translation adjustments amount transferred to investment income of $35,518 thousand.

UCOM USA had liquidated in December 2007 and the process has been completed in January of 2008. At the completion of liquidation, the Corporation received $853 thousand of cash.

GFNT had been dissolved and liquidation process had been completed on April 30, 2008. After the completion of liquidation, the Corporation received $10,776 thousand in cash.

SHTL had liquidated in September 2008 and the Corporation has received $183 thousand in cash after the completion of the liquidation process in December 2008.

UCOM had been dissolved in December 2008 and the liquidation process has yet to be completed before the date of auditors' report.

In January of 2007, the Corporation sold all the shares of the two companies it owned, Mindwork and Earnest, at a price of $16,444 thousand. Recognized gain on disposal of investment totaled $204 thousand, which included the unrealized gain on financial instruments of $211 thousand transferred to realized disposal profit.

The Corporation entered into a sale agreement to dispose of all the shares of OpenPower in January 2009; accordingly, the carrying amount of the investment of $19,062 thousand was reclassified into investment held for sale (included in other current assets) on December 31, 2008.

The Corporation sold all the shares of TVI, at a price of $212 thousand in September 2008 and recognized gain on disposal of investment totaled $212 thousand.

The cost of investment in SHTL and Sysplus exceeded the Corporation's equity in the investees' net assets. After the Corporation's evaluation, neither their value-in-use nor their net realizable value could cover the carrying value. Thus, the Corporation recognized impairment losses of $4,080 thousand and $531 thousand, respectively, in 2007.

The Corporation has acquired CSMC's stock, at a cost lower than fair value in 2008 and 2007, respectively. After partially allocating the excess of fair value over cost to noncurrent assets, the remaining amount of $14,169 thousand and $2,128 thousand is credited to extraordinary gain in 2008 and 2007, respectively.

To integrate resources and enhance competitiveness, the stockholders of Sysplus and Sysview Corporation resolved on March 3, 2008 to merger with CSMC, which was the surviving company. The effective date was January 1, 2009. The merger had been approved by the relevant government agencies on August 19, 2008.

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

	2008	2007
Systex Capital Group Inc.	$ 617,753	$ 198,500
Concord System Management Corporation	5,822	3,733
Systime Technology Corp.	866	231
UCOM Information Ltd.	179	380
Ching Pu Investment Corporation	(826,643)	60,257
Kimo.com (BVI) Corporation	(289,944)	(37,937)
Enrichment I Venture Capital Corporation	(82,461)	(387)
Hanmore Investment Corporation	(57,391)	55,747
OpenPower Information Co., Ltd.	(10,448)	(5,172)
Sysplus Corporation	(8,049)	(175)
Systex Infopro Co., Ltd.	(627)	(351)
TrustView Inc.	(377)	(436)
S.H. Technology Ltd.	(99)	(6,652)
Global FortuneNet Technology Corporation	(75)	(38)
Wit Investment Partners Ltd.	(34)	410
Systex Investment Holdings Ltd.	-	55,310
Megatime Tech Corporation	-	11,648
eTech Venture Corporation	-	(760)
UCOM Technologies Inc.	-	(212)
	$ (651,528)	$ 334,096

The financial statements used as bases for the carrying values of equity-method investments and the related equity in net income or net loss had all been audited except those of Systex Infopro, WIPL, SHTL, GFNT and UCOM in 2008 and WIPL in 2007, respectively. The Corporation believes that had those financial statements been audited, there would have been no material adjustments on the Corporation's financial statements.

The Corporation's consolidated financial statements included the accounts of all its subsidiaries.

12. PROPERTY AND EQUIPMENT

Accumulated depreciation consisted of:

	December 31	
	2008	2007
Buildings	$ 290,376	$ 231,546
Computer equipment	365,907	374,529
Transportation equipment	10,719	11,294
Leasehold improvements	86,664	76,111
Other equipment	91,558	84,411
	$ 845,224	$ 777,891

13. ASSETS LEASED TO OTHERS

	December 31	
	2008	2007
Cost		
Land	$ 5,109	$ 67,540
Buildings	1,915	116,569
Computer equipment	61,538	52,091
	68,562	236,200
Accumulated depreciation		
Buildings	505	49,362
Computer equipment	37,930	36,445
	38,435	85,807
Accumulated impairment loss (land and buildings)	3,030	28,450
	$ 27,097	$ 121,943

14. IDLE ASSETS, NET

Idle assets are network operation centers and buildings that are currently not in use. Their corresponding cost, accumulated depreciation and accumulated impairment loss are as follows:

	December 31	
	2008	2007
Land	$ 56,297	$ 15,175
Buildings	40,338	8,011
	96,635	23,186
Accumulated depreciation - building	11,892	2,772
Accumulated impairment loss	14,549	2,416
	$ 70,194	$ 17,998

15. PENSION PLAN

Defined Contribution Plan

Based on the defined contribution plan under the Labor Pension Act, the rate of the required monthly contributions to the employees' individual pension accounts is at 6% of salaries or wages. The Corporation recognized pension costs of $68,578 thousand and $60,030 thousand in 2008 and 2007, respectively.

Defined Benefit Plan

Based on the defined benefit plan under the Labor Standards Law, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributed amounts equal to 3.96% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee in 2008 and 2007, respectively. The pension fund is deposited in the Bank of Taiwan in the committee's name.

Information about the defined benefit plan was as follows:

a. The changes in the pension funds:

	2008	2007
Balance, beginning of year	$ 140,939	$ 52,044
Pension fund of the dissolved entity	9,199	81,152
Contributions	16,766	13,731
Payments	(3,217)	(8,629)
Interest income	9,357	2,641
Balance, end of year	$ 173,044	$ 140,939

The pension funds above at the end of 2008 and 2007 combined the amounts from the dissolved companies due to merger. At the end of 2008, the fund balance included the pension funds of $7,969 thousand from Megatime Tech Corporation (Megatime), $86,808 thousand from Systex, and $9,800 thousand from ULSTEK Co., Ltd. (ULSTEK). At the end of 2007, the fund balance included the pension funds of $83,420 thousand from Systex and $9,473 thousand from ULSTEK. Pension funds of Systex and Megatime were approved by the relevant authority-in-charge to combine with the Corporation's pension account, while the fund of ULSTEK is still not approved.

b. The changes in pension liability:

	2008	2007
Balance, beginning of the year	$ 96,853	$ 3,126
Reversal of recognized additional liability	(9,219)	-
Liability of the dissolved entity	3,839	84,061
Pension cost (gain) for the year	(7,893)	14,178
Contributions	(16,766)	(13,731)
Additional liability	-	9,219
Balance, end of the year	$ 66,814	$ 96,853

c. Pension cost (gain):

	2008		2007	
Net periodic pension cost				
Service cost		$ 4,627		$ 4,155
Interest cost		9,803		9,219
Actual return on plan assets	$ 9,357		$ 2,641	
Loss (gain) on plan assets	(5,046)		1,189	
Projected return on plan assets		(4,311)		(3,830)
Amortization		4,134		4,634
Gain on curtailment		(22,146)		-
		$ (7,893)		$ 14,178

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

	December 31 2008	December 31 2007
Benefit obligation		
Vested benefit obligation	$ 4,664	$ 21,656
Nonvested benefit obligation	234,637	216,136
Accumulated benefit obligation	239,301	237,792
Additional benefits based on future salaries	137,257	108,848
Projected benefit obligation	376,558	346,640
Fair value of plan assets	(173,044)	(140,939)
Funded status	203,514	205,701
Unrecognized net transition obligation	(8,508)	(10,344)
Unrecognized past service cost	18,626	-
Unrecognized net actuarial loss	(146,818)	(107,723)
Additional pension liability	-	9,219
Accrued pension cost	$ 66,814	$ 96,853
Vested benefits obligations	$ 5,645	$ 25,047

e. Actuarial assumptions

	2008	2007
Discount rate used in determining present value	2.25%	2.75%
Future salary increase rate	2.50%	2.50%
Expected rate of return on plan assets	2.25%	2.75%

16. STOCKHOLDERS' EQUITY

Capital Stock

On March 20, 2008, the Board of Directors resolved to reduce capital by 10% and distributed cash to its stockholders. The capital reduction plan had been resolved by the stockholders on June 13, 2008 and approved by the relevant authority-in-charge on August 7, 2008. The Corporation decided August 12, 2008 and October 15, 2008 as the record date and stock transfer date of capital reduction, respectively. The capital reduction amounted to $320,269 thousand at NT$1 per share (a total of $310,269 thousand in cash which is net of $10,000 thousand for treasury stock).

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

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

Stock-based Compensation Plan

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

The Corporation issued 425 units, 4,440 units, 4,635 units, 1,500 units and 1,500 units on June 12, 2008, January 16, 2008, September 19, 2007, May 16, 2006 and August 30, 2005, respectively. The option rights were granted to qualified employees of the Corporation and its subsidiaries. The option rights are valid for 5 years and exercisable at certain percentages after the second anniversary of the grant date. The exercise price of the stock option right is equal to the closing price of the Corporation's common shares listed on the Taiwan Gre Tai Securities Market on the date of the grant. If the number of the Corporation's common shares changes after the granting of the stock option, the exercise price will be revised in accordance with the terms of the Plans.

The outstanding employee stock options in 2008 and 2007 were as follows:

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

As of December 31, 2008, outstanding employee stock options were as follows:

Range of Exercise Price (NT$)	Number of Outstanding Options	Weighted-average Remaining Life (Years)	Weighted-average Exercise Price of Outstanding Options (NT$)	Number of Exercisable Options	Weighted-average Exercise Price (NT$)
$ 29.80	826.2	1.66	$ 29.80	826.2	$ 29.80
$ 29.00	1,080.0	2.37	$ 29.00	648.0	$ 29.00
$ 45.20	3,897.0	3.72	$ 45.20	-	$ -
$ 33.10	3,744.0	4.04	$ 33.10	-	$ -
$ 30.00	382.5	4.45	$ 30.00	-	$ -

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

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

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

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

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

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

Capital Surplus

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

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

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

Appropriation of Earnings and Dividend Policy

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

a. 10% as bonus to employees;

b. 2% as remuneration to directors and supervisors;

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

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

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

a. Determine the appropriate capital budget.

b. Determine the funds needed for the capital budget.

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

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

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

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

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

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

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

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

As of March 5, 2009, the board of directors has not resolved the loss off-setting of 2008 net loss. Information about the loss off-setting of 2008 net loss is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Unrealized Gain or Loss on Financial Instruments

For the years ended December 31, 2008 and 2007, movements of unrealized gain or loss on financial instruments were as follows:

	Available-for-sale Financial Assets	Equity Method Investments	Total
Year ended December 31, 2008			
Balance, beginning of the year	$ (10,352)	$ 1,028,261	$ 1,017,909
Recognized in stockholders' equity	(34,365)	(1,014,618)	(1,048,983)
Transferred to profit or loss	44,717	-	44,717
Balance, end of the year	$ -	$ 13,643	$ 13,643
Year ended December 31, 2007			
Balance, beginning of the year	$ 85,191	$ 279,261	$ 364,452
Transferred from the dissolved entity	(85,837)	(196,487)	(282,324)
Recognized in stockholders' equity	(9,277)	945,698	936,421
Transferred to profit or loss	(429)	(211)	(640)
Balance, end of the year	$ (10,352)	$ 1,028,261	$ 1,017,909

17. TREASURY STOCK

(In Thousand Shares)

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

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

(In Thousand Shares)

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

After the merger with Systex Corporation (Systex), Ching Pu Investment Corporation (Ching Pu) and Hanmore Investment Corporation (Hanmore) which are the subsidiaries of Systex also merged as the Corporation's subsidiaries. For this merger, every 3.0105 shares of Systex were swapped for one share of the Corporation. Therefore, Hanmore held 21,206 thousand shares of the Corporation after swapping 63,842 thousand shares of Systex. The carrying value of Hanmore's investment in the Corporation's shares, which were treated as available-for-sale financial assets, was $678,636 thousand, which represents the investment cost of $1,054,339 thousand net of the market value decline of $375,703 thousand. The Corporation reclassified its 48.9% ownership of Hanmore, with a carrying amount of $331,989 thousand (10,370 thousand shares), into treasury stock. Hanmore acquired 5,000 thousand shares of the Corporation at the investment cost of $127,715 thousand in 2008. The Corporation reclassified its 48.9% ownership of Hanmore, with a carrying amount of $62,492 thousand (2,450 thousand shares), into treasury stock. The carrying amount reclassified into treasury stock totaled $394,481 thousand and reduced to $381,661 thousand (11,538 thousand shares) due to the capital reduction of the Corporation in 2008.

Based on the closing price as of December 31, 2008, the market value of the Corporation's shares held by Hanmore of 23,586 thousand shares (included 5,000 thousand shares acquired net of 2,620 thousand shares decreased resulted from capital reduction in 2008) was $421,004 thousand.

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

Starting from January 1, 2007, the Corporation reclassified its 100% ownership of Ching Pu, with the carrying value of Ching Pu's investment in the Corporation's share, which were treated as available-for-sale financial assets - noncurrent, of $502,435 thousand (14,424 thousand shares), into treasury stock. The carrying value of the investment reclassified into treasury stock was reduced to $488,011 thousand (12,982 thousand shares) due to capital reduction of the Corporation.

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

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

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

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

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

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

18. INCOME TAX

a. Income tax expense was as follows:

	2008	2007
Currently payable	$ 6,829	$ 72,722
Additional income tax on unappropriated earnings (10%)	1,802	-
Investment tax credits generated during the year	(103,104)	(69,545)
Deferred income tax	121,541	7,074
Prior years' tax adjustment	(2,020)	12,315
Income tax expense	$ 25,048	$ 22,566

Income tax payable as of December 31, 2008 and 2007 were net of prepaid income taxes of $3,076 thousand and $14,907 thousand, respectively.

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

	2008	2007
Tax on pretax income (loss) at 25% statutory rate	$ (176,557)	$ 228,732
Add (deduct) tax effects of:		
Impairment loss on financial assets carried at cost	10,988	6,323
Equity in the net loss (income) of domestic investees	241,136	(30,229)
Equity in the net income of foreign investees	(81,795)	(53,827)
Allowance (reversal of allowance) for doubtful accounts	14,551	(24,492)
Tax-exempt income from sale of securities	(15,427)	(22,053)
Increase in (reversal of) unrealized cost of sales	34,119	(14,788)
Realized sales allowance	(9,931)	(2,309)
Reversal of unrealized loss on endorsements	-	(6,750)
Gain (loss) from liquidation of investees, net	(59,386)	3,528
Unrealized loss on valuation of financial instruments	52,742	8,800
Dividend income	(7,935)	(4,928)
Realized deferred charges	(436)	(4,319)
Reversal of unrealized loss on breach of contracts	-	(6,385)
Tax-exempt income from sales of land	(213)	(2,251)
Amortization of goodwill resulted from merger	(4,058)	(2,639)
Impairment loss on available-for-sale financial assets	11,179	-
Expenses over tax limit	(3,774)	-
Others	(3,068)	309
Additional income tax under the Alternative Minimum Tax Act	4,694	-
Currently payable	$ 6,829	$ 72,722

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

	December 31	
	2008	2007
Deferred income tax assets (liabilities) - current		
Unused investment tax credits	$ 56,294	$ 25,305
Unrealized cost of sales	42,818	8,699
Allowance for doubtful accounts	41,295	27,376
Allowance for losses on inventories	27,303	26,483
Unrealized sales allowances	25,265	35,196
Others	(2,988)	550
	189,987	123,609
Less: Valuation allowance	69,716	25,305
	$ 120,271	$ 98,304
Deferred income tax assets (liabilities) - noncurrent		
Unused investment tax credits	$ 207,861	$ 163,054
Impairment loss on financial assets carried at cost	130,271	117,557
Accrued pension cost	16,704	21,908
Cumulative investment loss on foreign investees under equity method	5,620	49,533
Unrealized royalty fees	4,008	5,279
Cumulative investment loss on domestic investees under equity method	3,919	13,769
Unused loss carryforwards	3,391	3,486

(Continued)

	December 31	
	2008	2007
Impairment loss on idle assets and assets leased to others	$ 3,124	$ 3,269
Goodwill resulted from merger	(9,239)	(5,181)
Others	26	555
	365,685	373,229
Less: Valuation allowance	226,966	193,205
	$ 138,719	$ 180,024

(Concluded)

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

d. As of December 31, 2008, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenses	$ 57,235	$ 54,793	2009
Statute for Upgrading Industries	Employee training	1,501	1,501	2009
Statute for Upgrading Industries	Employee training	1,701	1,701	2010
Statute for Upgrading Industries	Research and development expenses	36,038	36,038	2010
Statute for Upgrading Industries	Research and development expenses	70,243	67,009	2011
Statute for Upgrading Industries	Employee training	9	9	2011
Statute for Upgrading Industries	Research and development expenses	68,893	68,893	2012
Statute for Upgrading Industries	Employee training	2,878	2,878	2012
Act for promotion of private participation in infrastructure project	Investments in the private participation in infrastructure projects	31,333	31,333	2012
		$ 269,831	$ 264,155	

e. Loss carryforwards as of December 31, 2008 were as follows:

Company	Year of Loss	Total Credit Available	Unused Credit	Expiry Year
Systex (before the merger)	2005	$ 10,258	$ 10,258	2015
Systex (before the merger)	2006	3,304	3,304	2016
		$ 13,562	$ 13,562	

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

f. The integrated income tax was as follows:

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

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

The unappropriated earnings, as of December 31, 2008 and 2007, do not include unappropriated earnings before 1998.

g. Income tax returns through 2005 and undistributed earnings returns through 2004 of the Corporation have been assessed by the tax authorities.

Income tax returns through 2006 and undistributed earnings returns through 2005 of Systex (before the merger) have been assessed by the tax authorities.

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

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2008		
	Cost of Sales	Operating Expenses	Total
Personnel			
Payroll	$ -	$ 1,638,555	$ 1,638,555
Insurance	-	97,841	97,841
Pension	-	60,685	60,685
Others	-	56,079	56,079
	$ -	$ 1,853,160	$ 1,853,160
Depreciation	$ 38,242	$ 67,589	$ 105,831
Amortization	$ 6,576	$ 20,302	$ 26,878

	2007		
	Cost of Sales	Operating Expenses	Total
Personnel			
Payroll	$ -	$ 1,408,195	$ 1,408,195
Insurance	-	86,815	86,815
Pension	-	74,208	74,208
Others	-	51,233	51,233
	$ -	$ 1,620,451	$ 1,620,451
Depreciation	$ 29,037	$ 70,718	$ 99,755
Amortization	$ 8,844	$ 14,714	$ 23,558

20. REVERSAL OF ALLOWANCE FOR DOUBTFUL ACCOUNTS AND OTHER NON-OPERATING INCOME

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

TANFB had reapplied for the selection process in 2007 and had written a new agreement with FETC on August 7, 2007. After approval from Ministry of Transportation and Communication, on August 22, 2007, TANFB signed a new contract with FETC, which would last a total of eighteen years and four months.

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

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

21. EARNINGS (LOSS) PER SHARE

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

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

(Continued)

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

(Concluded)

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) Pretax	Amount (Numerator) After-tax	Shares in Thousands (Denominator)	Earnings (Loss) Per Share (NT$) Pretax	Earnings (Loss) Per Share (NT$) After-tax
2008					
Pro forma basic earnings (loss) per share					
Net income (loss) before extraordinary gains	$ (694,651)	$ (719,699)	303,216	$ (2.29)	$ (2.38)
Extraordinary gains	14,169	14,169	303,216	0.05	0.05
	$ (680,482)	$ (705,530)		$ (2.24)	$ (2.33)
Pro forma dilute earnings (loss) per share					
Net income (loss) before extraordinary gains	$ (694,651)	$ (719,699)	303,216	$ (2.29)	$ (2.38)
Extraordinary gains	14,169	14,169	303,216	0.05	0.05
	$ (680,482)	$ (705,530)		$ (2.24)	$ (2.33)
2007					
Pro forma basic earnings per share					
Net income before extraordinary gains	$ 937,637	$ 915,071	319,987	$ 2.93	$ 2.86
Extraordinary gains	2,128	2,128	319,987	0.01	0.01
	$ 939,765	$ 917,199		$ 2.94	$ 2.87

22. FINANCIAL INSTRUMENTS

The Corporation did not engage in transactions involving derivative instruments for the years ended December 31, 2008 and 2007.

a. Fair values of financial instruments

	December 31			
	2008		2007	
Non-derivative Instruments	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets				
Financial assets at fair value through profit or loss - current	$ 1,179,446	$ 1,179,446	$ 1,223,426	$ 1,223,426
Available-for-sale financial assets - current	12,988	12,988	3,839	3,839
Available-for-sale financial assets - noncurrent	-	-	9,701	9,701
Financial asset carried at cost	496,382	-	579,444	-
Investments accounted for by the equity method	6,109,636	-	9,010,228	-
Refundable deposits - noncurrent	60,937	60,937	45,603	45,603
Pledged time deposits - noncurrent	58,291	58,291	96,550	96,550
Long-term lease receivables, net	17,554	17,554	8,888	8,888
Liabilities				
Guarantee deposits received	7,513	7,513	8,602	8,602
Credit balance of investments accounted for by the equity method	2,816	-	-	-

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

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

2) For financial instruments at fair value through profit or loss and available-for-sale financial assets with active market, the fair value is based on quoted market price.

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

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

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

c. Financial risks

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

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

3) Liquidity risk. The Corporation has sufficient working capital to meet the cash needs for its operations. Thus, no material liquidity risk is anticipated. In addition, the Corporation's financial instruments at fair value through profit or loss and available-for-sale financial assets are publicly-traded in an active market and can readily be sold in the market at their approximate fair values. However, it has 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.

23. RELATED PARTY TRANSACTIONS

a. Related parties

Related Parties	Relationship with the Corporation
Systime Technology Corp. (Systime)	Investee accounted for by the equity method
Kimo.com (BVI) Corporation (Kimo BVI)	Investee accounted for by the equity method
UCOM Information Ltd. (UCOM)	Investee accounted for by the equity method
OpenPower Information Co., Ltd. (OpenPower)	Investee accounted for by the equity method
S.H. Technology Ltd. (S.H.)	Investee accounted for by the equity method (liquidation completed in December 2008)
Concord System Management Corporation (CSMC)	Investee accounted for by the equity method
Hanmore Investment Corporation (Hanmore)	Investee accounted for by the equity method
Ching Pu Investment Corporation (Ching Pu)	Investee accounted for by the equity method
Wit Investment Partners Ltd. (WIPL)	Investee accounted for by the equity method
Enrichment I Venture Capital Corporation (EIVCC)	Investee accounted for by the equity method
Investment Media Ltd. (I-Media)	Investee's investment accounted for by the equity method (after Ching Pu acquired 40% equity in August 2008)
Sysplus Corporation (Sysplus)	Investee accounted for by the equity method
Taiwan Electronic Data Processing Corp. (TEDP)	Investee's subsidiary (under controlling interest)
TrustView Inc. (TrustView)	Investee accounted for by the equity method (sold in September 2008)
Megatime Tech Corp. (Megatime)	Investee accounted for by the equity method (merged and dissolved with the Corporation on January 1, 2008)
Sysware Singapore Pte. Ltd. (Sysware Singapore)	Investee's subsidiary (under controlling interest)
UCOM Information Ltd. (Shanghai) (UCOM Shanghai)	Investee's subsidiary (under controlling interest)

(Continued)

Related Parties	Relationship with the Corporation
Systex Information (H.K.) Ltd. (Systex Info)	Investee’s subsidiary (under controlling interest)
AFE Solutions Limited (AFE)	Investee’s investment accounted for by the equity method
Systex SDC China Ltd. (SSC)	Investee’s subsidiary (under controlling interest)
Taifon Computer Co., Ltd. (Taifon)	Investee’s investment accounted for by the equity method
SysView Corporation (SysView)	Investee’s subsidiary (under controlling interest)
Syscape Technology Corporation (Syscape)	Investee’s subsidiary (under controlling interest, liquidation completed in October 2007)
Systek Information (Shanghai) Ltd. (Systek)	Investee’s subsidiary (under controlling interest)
Systex South Asia Pte. Ltd. (SSAP)	Investee’s subsidiary (under controlling interest)
TaiwanPay Corporation (Taiwan Pay) (formerly Mondex Taiwan Inc.)	Investee’s subsidiary (under controlling interest)
Sysware (Thailand) Co., Ltd. (Sysware Thailand)	Investee’s subsidiary (under controlling interest)

(Concluded)

b. Significant related party transactions (in addition to those disclosed in Note 25)

	2008		2007	
	Amount	**% to Total**	**Amount**	**% to Total**
For the year				
Sales				
TEDP	$ 43,335	1	$ 1,613	-
Taifon	30,155	-	16,288	1
CSMC	27,871	-	12,113	-
OpenPower	3,488	-	14,596	-
Sysware Singapore	3,079	-	2,569	-
SysView	2,822	-	4,967	-
SSAP	2,011	-	-	-
Systex Info	1,565	-	2,424	-
Sysplus	1,094	-	1,433	-
Taiwan Pay	910	-	1,389	-
AFE	831	-	1,309	-
Systime	282	-	1,667	-
SSC	-	-	2,513	-
Others	345	-	1,761	-
	$ 117,788	1	$ 64,642	1
Purchases				
CSMC	$ 13,880	1	$ 2,566	-
Taifon	12,949	-	3,540	-
OpenPower	3,107	-	12,961	-
TEDP	2,177	-	-	-
Systex Info	1,139	-	-	-
TrustView	385	-	2,624	-
Others	996	-	1,234	-
	$ 34,633	1	$ 22,925	-

	2008		2007	
	Amount	% to Total	Amount	% to Total
Cost of services				
I-Media	$ 21,402	2	$ -	-
SSC	9,329	1	1,867	-
Systime	6,981	-	3,415	-
SysView	1,112	-	16,914	1
TEDP	705	-	-	-
OpenPower	303	-	1,710	-
Others	210	-	38	-
	$ 40,042	3	$ 23,944	1
Other nonoperating income				
SysView	$ 2,700	8	$ 3,600	4
OpenPower	640	2	3,852	4
Others	1,351	4	153	-
	$ 4,691	14	$ 7,605	8
Interest income				
Sysplus	$ 84	1	$ -	-
Operating expenses				
Sysplus	$ 219	-	$ -	-
At the end of the year				
Receivables				
Accounts receivable				
TEDP	$ 32,426	21	$ 1,613	2
CSMC	15,626	9	6,224	8
Taifon	4,239	3	7,380	9
SSAP	2,011	1	-	-
OpenPower	1,995	1	8,433	11
Sysware Singapore	853	-	2,569	3
Others	1,094	-	4,154	5
	58,244	35	30,373	38
Other receivables				
SSAP	58,596	36	17,361	22
Sysware Thailand	23,704	14	15,246	19
Sysware Singapore	9,482	6	-	-
Kimo BVI	4,761	3	10,031	13
Others	288	-	6,862	8
	96,831	59	49,500	62
Loan to related party				
Sysplus (Interest: 3%)	10,000	6	-	-
	$ 165,075	100	$ 79,873	100

	2008		2007	
	Amount	**% to Total**	**Amount**	**% to Total**
Payables				
Accounts payable				
Taifon	$ 8,346	50	$ 3,039	13
TEDP	2,136	13	-	-
I-Media	2,100	13	-	-
CSMC	1,859	11	2,590	11
OpenPower	781	5	6,025	25
SSC	260	2	1,867	8
SysView	187	1	1,823	7
Others	768	4	2,617	10
	16,437	99	17,961	74
Other payables				
Sysplus	136	1	-	-
UCOM	-	-	4,913	20
Others	-	-	1,364	6
	136	1	6,277	26
	$ 16,573	100	$ 24,238	100

The product/service sales and purchase transactions with related parties were conducted under pricing terms similar to those for third parties, for purchases or sales of similar products/services, except those transactions on products/services with special specifications. Settlement terms for other related-party transactions were similar to those for third parties.

c. Compensation of directors, supervisors and management personnel:

	2008	2007
Salaries	$ 75,317	$ 91,191
Incentives	54,467	43,102
Special compensation	1,482	1,452
Bonus	-	18,846
	$ 131,266	$ 154,591

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

24 ASSETS PLEDGED

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

	December 31	
	2008	2007
Pledged time deposits - current	$ 126,570	$ 182,823
Pledged time deposits - noncurrent	58,291	96,550
	$ 184,861	$ 279,373

25 SIGNIFICANT CONTINGENT LIABILITIES AND COMMITMENTS AS OF DECEMBER 31, 2008

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

b. Outstanding sales contracts amounted to about $2,991,133 thousand.

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

d. There were lease contracts for office premises and warehouse, expiring between January 2009 and April 2013, with refundable deposits of $21,007 thousand. Future rentals due are as follows:

Year	**Amount**
2009	48,856
2010	24,470
2011	16,534
2012	4,214
2013	8

26 SEGMENT INFORMATION

Segment information is presented in the accompanying Table 1.

TABLE 1

SYSTEX CORPORATION

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

A. Industry information

	2008				2007			
	Sale of Computer Hardware and Software, and Handsets	**Services (Note 1)**	**Others (Note 1)**	**Total**	**Sale of Computer Hardware and Software, and Handsets**	**Services (Note 1)**	**Others (Note 1)**	**Total**
Sales to customers	$ 6,671,193	$ 3,043,695	$ 73,649	$ 9,788,537	$ 5,617,490	$ 2,987,550	$ 72,194	$ 8,677,234
Sales to other segments	-	-	-	-	-	-	-	-
Total sales	$ 6,671,193	$ 3,043,695	$ 73,649	$ 9,788,537	$ 5,617,490	$ 2,987,550	$ 72,194	$ 8,677,234
Segment operating income (Note 2)	$ 138,644	$ 287,327	$ 51,460	$ 477,431	$ 176,853	$ 454,056	$ 59,027	$ 689,936
Investment income (loss), net (Note 3)				(857,716)				381,523
Other corporate income				31,862				177,045
Corporate general expenses				(371,940)				(335,088)
Interest expense				(35)				(577)
Income (loss) before income tax				$ (720,398)				$ 912,839
Identifiable assets (Note 4)	$ 3,114,213	$ 862,980	$ 69,308	$ 4,046,501	$ 3,275,544	$ 919,367	$ 35,219	$ 4,230,130
Corporate general assets				3,751,368				3,308,040
Long-term investments				6,625,080				9,599,373
Total assets				$ 14,422,949				$ 17,137,543
Depreciation and amortization expense	$ 95,255	$ 20,455	$ 16,999		$ 61,392	$ 42,693	$ 19,228	
Capital expenditures	$ 8,347	$ 82,226	$ 11,862		$ 49,869	$ 56,712	$ 31,139	

Notes:

1. The Corporation's 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

For 2008 and 2007, no overseas revenue accounted for 10% of the Corporation's total operating revenues.

C. Export sales

For 2008 and 2007, the Corporation's export sales revenue did not reach 10% of the total revenues as reported in the Corporation's income statement.

D. Major customers

For 2008 and 2007, no customer accounted for 10% of the Corporation's total operating revenues.

(Concluded)