

Systemx Corporation

**Financial Statements for the
Years Ended December 31, 2009 and 2008 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Systex Corporation

We have audited the accompanying balance sheets of Systex Corporation (the "Corporation") as of December 31, 2009 and 2008, 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 statement as of and for the year ended December 31, 2009 of Enrichment I Venture Capital Corporation; Hanmore Investment Corporation's investee company accounted for using the equity method: Enrichment I Venture Capital Corporation; 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 company using the equity method: AFE Solutions Limited, and 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. The aggregate carrying values of these equity-method investments as of December 31, 2009 and 2008, were NT\$528,635 thousand and NT\$471,369 thousand, respectively or about 3.50% and 3.27% of the Corporation's respective total assets, and the equity amounting to NT\$112,235 thousand in their net income and equity amounting to NT\$53,798 thousand in their net loss for the years ended December 31, 2009 and 2008, respectively, were about 7.24% and (7.47)% of the Corporation's income (loss) 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, 2009 and 2008, 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.

We have also audited the consolidated financial statements of Systex Corporation and its subsidiaries as of and for the years ended December 31, 2009 and 2008, and have expressed a modified unqualified opinion thereon in our report (not presented herewith) dated March 3, 2010.

March 3, 2010

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, 2009 AND 2008

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

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Note 4)	\$ 338,207	2	\$ 634,459	4	Notes payable	\$ 3,593	-	\$ 3,445	-
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	2,072,589	14	1,179,446	8	Accounts payable	1,283,291	9	1,647,200	11
Available-for-sale financial assets - current (Notes 2 and 6)	24,936	-	12,988	-	Payables to related parties (Note 22)	14,274	-	16,573	-
Notes receivable, net (Notes 2 and 7)	136,822	1	142,862	1	Income tax payable (Notes 2 and 18)	14,611	-	12,788	-
Accounts receivable, net (Notes 2 and 7)	1,193,720	8	1,466,982	10	Accrued expenses (Note 16)	433,167	3	515,864	4
Lease receivables, net (Notes 2 and 8)	16,367	-	11,611	-	Other payables	13,305	-	123,355	1
Receivables from related parties (Note 22)	55,774	-	165,075	1	Receipts in advance	143,818	1	183,569	1
Other receivables	24,304	-	167,087	1	Other current liabilities	67,972	-	68,056	1
Inventories (Notes 2, 3 and 9)	830,551	6	947,801	7					
Prepayments	89,451	1	88,228	1	Total current liabilities	1,974,031	13	2,570,850	18
Deferred income tax assets - current (Notes 2 and 18)	50,517	-	120,271	1					
Pledged time deposits - current (Note 23)	147,844	1	126,570	1	OTHER LIABILITIES				
Refundable deposits - current (Note 24)	84,981	1	89,061	1	Accrued pension cost (Notes 2 and 15)	65,754	1	66,814	-
Other current assets	15,959	-	26,684	-	Others (Notes 2 and 11)	6,140	-	10,329	-
Total current assets	5,082,022	34	5,179,125	36	Total other liabilities	71,894	1	77,143	-
					Total liabilities	2,045,925	14	2,647,993	18
LONG-TERM INVESTMENTS									
Financial assets carried at cost - noncurrent (Notes 2 and 10)	559,935	4	496,382	4	STOCKHOLDERS' EQUITY (Notes 2, 3, 16 and 17)				
Investments accounted for by the equity method (Notes 2 and 11)	7,011,317	46	6,109,636	42	Capital stock - par value NT\$10, authorized - 400,000 thousand shares; issued - 265,320 thousand shares in 2009 and 288,242 thousand shares in 2008	2,653,194	17	2,882,419	20
Total long-term investments	7,571,252	50	6,606,018	46	Advance receipts for common stock - 151 thousand shares	1,512	-	-	-
					Total capital stock	2,654,706	17	2,882,419	20
PROPERTY AND EQUIPMENT (Notes 2 and 12)					Capital surplus				
Cost					Additional paid-in capital	8,570,993	57	9,317,718	65
Land	940,820	6	929,798	6	Treasury stock transactions	772,738	5	263,881	2
Buildings	1,234,976	8	1,229,659	8	Gain on sale of property and equipment	4,493	-	4,493	-
Computer equipment	518,883	3	540,621	4	Donations	544	-	544	-
Transportation equipment	16,489	-	21,351	-	Long-term investments	6,216	-	-	-
Leasehold improvements	106,151	1	120,044	1	Employee stock options	14,364	-	10,651	-
Other equipment	95,550	1	120,969	1	Total capital surplus	9,369,348	62	9,597,287	67
Total cost	2,912,869	19	2,962,442	20	Retained earnings				
Less: Accumulated depreciation	(863,521)	(6)	(845,224)	(6)	Legal reserve	283,073	2	283,073	2
Less: Accumulated impairment	(11,912)	-	(11,912)	-	Special reserve	233,051	2	-	-
Prepayment for equipment	16,345	-	10,409	-	Unappropriated earnings	1,404,394	9	233,051	2
Net property and equipment	2,053,781	13	2,115,715	14	Total retained earnings	1,920,518	13	516,124	4
					Other equity				
INTANGIBLE ASSETS					Cumulative translation adjustments	(37,223)	-	68,079	-
Computer software (Note 2)	50,464	-	65,987	-	Unrealized gain on financial instruments	13,076	-	13,643	-
Goodwill (Note 2)	67,481	1	67,481	1	Unrealized revaluation increment	56	-	56	-
Total intangible assets	117,945	1	133,468	1	Treasury stock - 24,520 thousand shares in 2009 and 45,080 thousand shares in 2008	(869,672)	(6)	(1,302,652)	(9)
					Total other equity	(893,763)	(6)	(1,220,874)	(9)
OTHER ASSETS					Total stockholders' equity	13,050,809	86	11,774,956	82
Assets leased to others (Notes 2 and 13)	19,568	-	27,097	-					
Idle assets, net (Notes 2 and 14)	45,017	-	70,194	1					
Refundable deposits - noncurrent (Note 24)	53,315	-	60,937	1					
Deferred charges, net (Note 2)	11,933	-	15,831	-					
Long-term lease receivables, net (Notes 2 and 8)	12,696	-	17,554	-					
Deferred income tax assets - noncurrent (Notes 2 and 18)	72,489	1	138,719	1					
Pledged time deposits - noncurrent (Note 23)	56,716	1	58,291	-					
Total other assets	271,734	2	388,623	3					
TOTAL	\$ 15,096,734	100	\$ 14,422,949	100	TOTAL	\$ 15,096,734	100	\$ 14,422,949	100

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

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

SYSTEX CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 22)				
Sales	\$ 5,628,498	66	\$ 6,698,674	68
Less: Sales returns and allowances	<u>11,393</u>	<u>-</u>	<u>27,481</u>	<u>-</u>
Net sales	5,617,105	66	6,671,193	68
Service income	2,789,721	33	3,043,695	31
Others	<u>43,520</u>	<u>1</u>	<u>73,649</u>	<u>1</u>
Total operating revenues	<u>8,450,346</u>	<u>100</u>	<u>9,788,537</u>	<u>100</u>
OPERATING COSTS (Notes 2, 3, 9, 19 and 22)				
Cost of goods sold	4,637,798	55	5,885,688	60
Service cost	1,323,590	16	1,378,156	14
Others	<u>23,072</u>	<u>-</u>	<u>22,189</u>	<u>-</u>
Total operating costs	<u>5,984,460</u>	<u>71</u>	<u>7,286,033</u>	<u>74</u>
GROSS PROFIT	<u>2,465,886</u>	<u>29</u>	<u>2,502,504</u>	<u>26</u>
OPERATING EXPENSES (Notes 3, 16, 19 and 22)				
Selling expenses	1,532,948	18	1,771,206	18
General and administrative expenses	310,076	4	371,940	4
Research and development expenses	<u>262,432</u>	<u>3</u>	<u>272,036</u>	<u>3</u>
Total operating expenses	<u>2,105,456</u>	<u>25</u>	<u>2,415,182</u>	<u>25</u>
OPERATING INCOME	<u>360,430</u>	<u>4</u>	<u>87,322</u>	<u>1</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 22)	3,319	-	9,482	-
Investment income recognized under the equity method, net (Notes 2 and 11)	970,201	12	-	-
Dividend income	15,685	-	31,739	-
Gain on sale of investments, net (Note 2)	-	-	61,707	1
Exchange gains, net (Note 2)	12,011	-	11,975	-
Reversal of allowance for doubtful accounts	45,972	1	-	-
Valuation gain on financial assets, net (Notes 2 and 5)	146,887	2	-	-
Others (Note 22)	<u>29,482</u>	<u>-</u>	<u>32,403</u>	<u>1</u>
Total non-operating income and gains	<u>1,223,557</u>	<u>15</u>	<u>147,306</u>	<u>2</u>

(Continued)

SYSTEX CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2009		2008	
	Amount	%	Amount	%
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	\$ 21	-	\$ 35	-
Investment loss recognized under the equity method, net (Notes 2 and 11)	-	-	651,528	7
Loss on sale of investments, net (Notes 2 and 11)	15,261	-	-	-
Impairment loss on financial assets carried at cost (Notes 2 and 10)	8,402	-	43,950	-
Valuation loss on financial assets, net (Notes 2 and 5)	-	-	210,967	2
Impairment loss on available-for-sale financial assets (Notes 2 and 6)	-	-	44,717	1
Others	<u>9,848</u>	<u>-</u>	<u>3,829</u>	<u>-</u>
Total non-operating expenses and losses	<u>33,532</u>	<u>-</u>	<u>955,026</u>	<u>10</u>
INCOME (LOSS) BEFORE INCOME TAX EXPENSE				
	1,550,455	19	(720,398)	(7)
INCOME TAX EXPENSE (Notes 2 and 18)	<u>(146,061)</u>	<u>(2)</u>	<u>(25,048)</u>	<u>-</u>
NET INCOME (LOSS) BEFORE EXTRAORDINARY GAINS				
	1,404,394	17	(745,446)	(7)
EXTRAORDINARY GAINS, NET OF TAX EXPENSE (Notes 2 and 11)				
	<u>-</u>	<u>-</u>	<u>14,169</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ 1,404,394</u>	<u>17</u>	<u>\$ (731,277)</u>	<u>(7)</u>
	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS (LOSS) PER SHARE (Note 20)				
Net income (loss) before extraordinary gains	\$ 6.44	\$ 5.83	\$ (2.59)	\$ (2.68)
Extraordinary gains, net of tax	<u>-</u>	<u>-</u>	<u>0.05</u>	<u>0.05</u>
	<u>\$ 6.44</u>	<u>\$ 5.83</u>	<u>\$ (2.54)</u>	<u>\$ (2.63)</u>
DILUTED EARNING (LOSS) PER SHARE (Note 20)				
Net income (loss) before extraordinary gains	\$ 6.37	\$ 5.77	\$ (2.59)	\$ (2.68)
Extraordinary gains, net of tax	<u>-</u>	<u>-</u>	<u>0.05</u>	<u>0.05</u>
	<u>\$ 6.37</u>	<u>\$ 5.77</u>	<u>\$ (2.54)</u>	<u>\$ (2.63)</u>

(Continued)

SYSTEX CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

(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 20):

	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS (LOSS) PER SHARE				
Net income (loss) before extraordinary gains	\$ 5.85	\$ 5.30	\$ (2.29)	\$ (2.38)
Extraordinary gains, net of tax	<u>-</u>	<u>-</u>	<u>0.05</u>	<u>0.05</u>
	<u>\$ 5.85</u>	<u>\$ 5.30</u>	<u>\$ (2.24)</u>	<u>\$ (2.33)</u>
DILUTED EARNINGS (LOSS) PER SHARE				
Net income (loss) before extraordinary gains	\$ 5.79	\$ 5.24	\$ (2.29)	\$ (2.38)
Extraordinary gains, net of tax	<u>-</u>	<u>-</u>	<u>0.05</u>	<u>0.05</u>
	<u>\$ 5.79</u>	<u>\$ 5.24</u>	<u>\$ (2.24)</u>	<u>\$ (2.33)</u>

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

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

(Concluded)

SYSTEX CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	Capital Stock Issued and Outstanding		Advance Receipts for Common Stock (Note 16)	Capital Surplus (Notes 2, 3 and 16)	Retained Earnings (Notes 2 and 16)				Other Equity				Total Stockholders' Equity
	Shares (Thousands)	Amount			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments (Note 2)	Unrealized Gain (Loss) on Financial Instruments (Notes 2 and 16)	Unrealized Revaluation Increment	Treasury Stock (Notes 2 and 17)	
BALANCE, JANUARY 1, 2008	320,178	\$ 3,201,778	\$ 810	\$ 9,560,711	\$ 193,833	\$ -	\$ 1,500,116	\$ 1,693,949	\$ (48,480)	\$ 1,017,909	\$ 56	\$ (834,424)	\$ 14,592,309
Appropriations of earnings	-	-	-	-	89,240	-	(89,240)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	(80,316)	(80,316)	-	-	-	-	(80,316)
Bonus to employees	-	-	-	-	-	-	(16,063)	(16,063)	-	-	-	-	(16,063)
Remuneration to directors	-	-	-	-	-	-	(320,269)	(320,269)	-	-	-	-	(320,269)
Cash dividends - NTS\$1 per share	-	-	-	-	-	-	-	-	-	-	-	-	-
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
Appropriations of earnings	-	-	-	-	-	233,051	(233,051)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of stock from exercising employee stock options	667	6,665	1,512	15,814	-	-	-	-	-	-	-	-	23,991
Compensation recognized for employee stock options	-	-	-	3,713	-	-	-	-	-	-	-	-	3,713
Adjustments arising from changes in percentage of ownership in investees	-	-	-	6,216	-	-	-	-	-	-	-	-	6,216
Net income for the year ended December 31, 2009	-	-	-	-	-	-	1,404,394	1,404,394	-	-	-	-	1,404,394
Change in translation adjustments on investments accounted for by the equity method	-	-	-	-	-	-	-	-	(105,302)	-	-	-	(105,302)
Equity in changes in investees' unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	(12,940)	-	-	(12,940)
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	12,373	-	-	12,373
Acquisition of treasury stock - 3,029 thousand shares	-	-	-	-	-	-	-	-	-	-	-	(56,592)	(56,592)
Retirement of treasury stock - 23,589 thousand shares	(23,589)	(235,890)	-	(253,682)	-	-	-	-	-	-	-	489,572	-
BALANCE, DECEMBER 31, 2009	265,320	\$ 2,653,194	\$ 1,512	\$ 9,369,348	\$ 283,073	\$ 233,051	\$ 1,404,394	\$ 1,920,518	\$ (37,223)	\$ 13,076	\$ 56	\$ (869,672)	\$ 13,050,809

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

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

SYSTEX CORPORATION

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

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 1,404,394	\$ (731,277)
Extraordinary gains, net of tax	-	(14,169)
Net income (loss) before extraordinary gains	1,404,394	(745,446)
Depreciation and amortization	142,292	132,709
Provision for (reversal of) allowance for doubtful accounts	(45,972)	60,394
Compensation cost of employee stock options	3,713	10,651
Provision for (reversal of) loss on inventories	(7,846)	18,169
Valuation loss (gain) on financial assets, net	(146,887)	210,967
Gain on sale of available-for-sale-financial assets, net	-	(163)
Loss on sale of investments classified as held for sale	607	-
Gain on sale of investments accounted for by the equity method, net	-	(212)
Investment loss (income) recognized under the equity method, net of cash dividends received	(970,201)	651,946
Gain on liquidation of investee	(3,703)	-
Change in cumulative translation adjustments due to capital reduction and liquidation of investee	(2,702)	5,946
Impairment loss on available-for-sale financial assets	-	44,717
Impairment loss on financial assets carried at cost	8,402	43,950
Loss (gain) on sale of property and equipment, assets leased to others, computer software and idle assets, net	1,214	(553)
Deferred income tax	135,984	19,338
Net changes in operating assets and liabilities		
Notes receivable	6,040	74,892
Accounts receivable	330,659	10,069
Lease receivables (current and noncurrent)	102	(13,617)
Receivables from related parties	38,694	(75,240)
Other receivables	142,783	77,662
Inventories	125,105	(53,116)
Prepayments	(1,223)	143,912
Other current assets	(8,337)	5,300
Notes payable	148	(4,663)
Accounts payable	(363,909)	23,178
Payables to related parties	(2,299)	(7,606)
Income tax payable	1,823	(26,359)
Accrued expenses	(2,903)	50,338
Other payables	(110,050)	(28,369)
Receipts in advance	(39,751)	5,754
Other current liabilities	(84)	2,367
Accrued pension cost	(1,060)	(24,659)
Net cash provided by operating activities	<u>635,033</u>	<u>612,256</u>

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SYSTEX CORPORATION

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

	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets at fair value through profit or loss	\$ (746,256)	\$ (166,987)
Proceeds from sale of available-for-sale financial assets	-	1,142
Acquisition of financial assets carried at cost	(71,955)	-
Acquisition of investments accounted for by the equity method	-	(13,700)
Proceeds from sale of investments accounted for by the equity method	-	212
Proceeds from sale of investments classified as held for sale	18,455	-
Proceeds from return of capital by investees or liquidation of investees	9,690	1,007,932
Acquisition of property and equipment, assets leased to others and idle assets	(115,054)	(80,001)
Proceeds from sale of property and equipment, assets leased to others, computer software and idle assets	13,612	12,379
Acquisition of computer software	(7,406)	(21,422)
Increase in deferred charges	(400)	(1,012)
Decrease (increase) in pledged time deposits	(19,699)	94,512
Decrease in refundable deposits	11,702	51,703
Decrease (increase) in loan to related party	10,000	(10,000)
Net cash received from merger	<u>-</u>	<u>123,748</u>
Net cash (used in) provided by investing activities	<u>(897,311)</u>	<u>998,506</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in guarantee deposits received	(1,373)	(2,300)
Proceeds from exercise of employee stock options	23,991	278
Cash paid to stockholders for capital reduction	-	(310,269)
Acquisition of treasury stock	(56,592)	(442,980)
Cash dividends	-	(320,269)
Cash bonus paid to employees	-	(80,316)
Cash remuneration paid to directors	<u>-</u>	<u>(16,063)</u>
Net cash used in financing activities	<u>(33,974)</u>	<u>(1,171,919)</u>
NET INCREASE (DECREASE) IN CASH	(296,252)	438,843
CASH, BEGINNING OF YEAR	<u>634,459</u>	<u>195,616</u>
CASH, END OF YEAR	<u>\$ 338,207</u>	<u>\$ 634,459</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 21</u>	<u>\$ 35</u>
Income tax paid	<u>\$ 8,255</u>	<u>\$ 32,068</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Reclassified the investments accounted for by the equity method to other current assets	<u>\$ -</u>	<u>\$ 19,062</u>

(Continued)

SYSTEX CORPORATION

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

	2009	2008
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property and equipment, assets leased to others and idle assets	\$ 35,260	\$ 159,795
Decrease (increase) in payable for equipment purchased (included in accrued expenses)	<u>79,794</u>	<u>(79,794)</u>
Cash paid for acquisition of property and equipment, assets leased to others and idle assets	<u>\$ 115,054</u>	<u>\$ 80,001</u>

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)	<u>(5,050)</u>
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 of Megatime Tech Corporation	<u>(41,715)</u>
Goodwill from merger	<u>\$ (28,374)</u>

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

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

(Concluded)

SYSTEX CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

1. ORGANIZATION AND OPERATIONS

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

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

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 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.

As of December 31, 2009 and 2008, the Corporation had 1,652 and 1,931 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 guidelines, law 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; 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, remuneration to directors and compensation cost of employee stock options, etc. Actual results could differ from these estimates.

Significant accounting policies are summarized as follows:

Merger

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

Current and Noncurrent Assets and Liabilities

Current assets 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 the same with those of financial assets at FVTPL.

On the balance sheet date, the fair values of listed securities are measured at their closing prices.

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

Before January 1, 2009, inventories were stated at the lower of cost (monthly weighted average) or market value. Market value is the net realizable value of merchandise and the replacement cost of maintenance parts. Slow-moving (over 180 days without any movement), obsolete or unusable inventories are provided with allowance for losses at their net realizable values.

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

Financial Assets Carried at Cost

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

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

Investments Accounted for by the Equity Method

Investments in which the Corporation 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.

The acquisition cost is allocated to the assets acquired and liabilities assumed based on their fair values at the date of acquisition, and the excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized. The excess of the fair value of the net identifiable assets acquired over the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefits) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

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

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

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

Computer Software

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

Goodwill

Goodwill arising on acquisition of the Corporation's equity in the fair value of the subsidiaries' net assets is tested for impairment annually. If an event indicates that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. Reversal of impairment loss on goodwill is not allowed.

Deferred Charges

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

Impairment of Assets

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

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

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

For long-term equity investments in which the Corporation 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 allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred income tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

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

Foreign-currency Transactions

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

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

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

- a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

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

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

3. ACCOUNTING CHANGES

Accounting for Inventories

On January 1, 2009, the Corporation adopted the newly revised SFAS No. 10, "Accounting for Inventories". Accordingly, inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate, and write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption had no material impact on the Corporation's financial statements as of and for the year ended December 31, 2009. The Corporation reclassified \$18,169 thousand from non-operating losses to cost of goods sold for the year ended December 31, 2008.

Accounting for Bonuses to Employees, Directors and Supervisors

On January 1, 2008, the Corporation 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 effect on the Corporation's financial statements 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.

4. CASH

	<u>December 31</u>	
	2009	2008
Cash on hand	\$ 355	\$ 425
Checking accounts and demand deposits	175,878	139,768
Time deposits: Interest 0.18%-0.355% in 2009; 0.20%-1.75% in 2008	<u>161,974</u>	<u>494,266</u>
	<u>\$ 338,207</u>	<u>\$ 634,459</u>

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

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
<u>Financial assets held for trading</u>		
Mutual funds	\$ 1,942,424	\$ 1,125,128
Domestic listed shares	<u>130,165</u>	<u>54,318</u>
	<u>\$ 2,072,589</u>	<u>\$ 1,179,446</u>

Net valuation gain (loss) on financial assets held for trading was \$146,887 thousand in 2009 and \$(210,967) thousand in 2008, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Domestic listed shares	<u>\$ 24,936</u>	<u>\$ 12,988</u>

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

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Notes receivable	\$ 136,994	\$ 143,129
Less: Allowance for doubtful accounts	<u>172</u>	<u>267</u>
	<u>\$ 136,822</u>	<u>\$ 142,862</u>
Accounts receivable	\$ 1,346,386	\$ 1,643,184
Less: Allowance for doubtful accounts	<u>152,666</u>	<u>176,202</u>
	<u>\$ 1,193,720</u>	<u>\$ 1,466,982</u>

8. LEASE RECEIVABLES, NET

<u>December 31, 2009</u>	Current	Long-term	Total
Lease receivables	\$ 17,569	\$ 13,051	\$ 30,620
Less: Unearned interest income	<u>1,202</u>	<u>355</u>	<u>1,557</u>
	<u>\$ 16,367</u>	<u>\$ 12,696</u>	<u>\$ 29,063</u>

(Continued)

	Current	Long-term	Total
<u>December 31, 2008</u>			
Lease receivables	\$ 13,034	\$ 18,464	\$ 31,498
Less: Unearned interest income	<u>1,423</u>	<u>910</u>	<u>2,333</u>
	<u>\$ 11,611</u>	<u>\$ 17,554</u>	<u>\$ 29,165</u> (Concluded)

9. INVENTORIES

	<u>December 31</u>	
	2009	2008
Merchandise	\$ 801,992	\$ 911,283
Maintenance parts	<u>28,559</u>	<u>36,518</u>
	<u>\$ 830,551</u>	<u>\$ 947,801</u>

As of December 31, 2009 and 2008, the allowance for inventory devaluation was \$96,900 thousand and \$109,211 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2009 and 2008 was \$4,637,798 thousand and \$5,885,688 thousand, respectively, which included \$7,846 thousand gain on reversal of write-downs of inventories, and \$18,169 thousand loss on written downs of inventories.

10. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	<u>December 31</u>	
	2009	2008
Unquoted common stock	<u>\$ 559,935</u>	<u>\$ 496,382</u>

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

In 2007, the Corporation had purchased newly issued common stock of Far Eastern Electronic Toll Collection Co., Ltd. (FETC) for \$119,700 thousand. The related investment cost is being amortized over the contracted operating periods with the government based on Interpretation No. 1998-150 issued by the Accounting Research and Development Foundation. The Corporation charged amortization expenses of \$6,529 thousand and \$6,311 thousand in 2009 and 2008, respectively, which were included in the impairment loss of the financial assets carried at cost.

In addition to the above losses, the Corporation determined other than temporary decline of other financial assets carried at cost and calculated impairment losses on these assets. The Corporation recognized additional impairment losses of \$1,873 thousand and \$37,639 thousand in 2009 and 2008, respectively.

11. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2009		2008	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Unlisted common stocks				
Ching Pu Investment Corporation (Notes 2 and 17)	\$ 2,670,118	100.0	\$ 2,162,129	100.0
System Capital Group Inc. (SCGI)	2,594,334	100.0	2,213,249	100.0
Kimo.com (BVI) Corporation	1,407,014	100.0	1,456,211	100.0
Hanmore Investment Corporation (Notes 2 and 17)	162,313	48.9	149,062	48.9
Enrichment I Venture Capital Corporation (EIVCC)	95,541	37.7	36,156	37.7
Concord System Management Corporation (CSMC)	79,105	17.5	83,512	24.6
System Infopro Co., Ltd. (System Infopro)	2,892	20.0	4,193	20.0
UCOM Information Ltd. (UCOM)	-	-	2,112	100.0
Wit Investment Partners Ltd. (WIPL)	-	-	2,091	20.0
Systime Technology Corp. (Systime)	-	-	921	100.0
	<u>\$ 7,011,317</u>		<u>\$ 6,109,636</u>	
Credit balance of investments accounted for by the equity method				
Unlisted common stocks				
Sysplus Corporation (Sysplus)	<u>\$ -</u>	-	<u>\$ 2,816</u>	23.1

The Corporation exercises significant influence on CSMC in 2009 and TrustView Inc. (TVI) in 2008, 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 returned \$20,400 thousand of cash to the Corporation.

Systime went into liquidation in October 2009. The liquidation process was completed in December 2009. At the completion of liquidation, the Corporation received \$1,500 thousand of cash.

The Corporation entered into a sale agreement to dispose of all the shares of OpenPower Information Co., Ltd. (OpenPower) in January 2009, at the price of \$18,510 thousand and recognized loss on disposal of investment of \$607 thousand.

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

UCOM went into liquidation in December 2008. The liquidation process was completed in February 2009. At the completion of liquidation, the Corporation received \$2,113 thousand of cash.

S.H. Technology Ltd. (SHTL) went into liquidation in September 2008. The liquidation process was completed in December 2008. At the completion of liquidation, the Corporation received \$183 thousand of cash.

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

To integrate resources and enhance competitiveness, the stockholders of Sysplus and Sysview Corporation resolved on March 3, 2008 to merge 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:

	2009	2008
System Capital Group Inc.	\$ 513,192	\$ 617,753
Ching Pu Investment Corporation	422,884	(826,643)
Enrichment I Venture Capital Corporation	33,294	(82,461)
Hanmore Investment Corporation	10,873	(57,391)
Concord System Management Corporation	5,474	5,822
System Technology Corp.	579	866
Kimo.com (BVI) Corporation	(14,253)	(289,944)
System Infopro Co., Ltd.	(1,701)	(627)
Wit Investment Partners Ltd.	(141)	(34)
OpenPower Information Co., Ltd.	-	(10,448)
Sysplus Corporation	-	(8,049)
Others	<u>-</u>	<u>(372)</u>
	<u>\$ 970,201</u>	<u>\$ (651,528)</u>

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 System Infopro and WIPL for 2009 and of System Infopro, WIPL, SHTL, Global FortuneNet Technology Corporation (GFNT), TVI and UCOM for 2008. The Corporation believes that any adjustment that might have resulted had the financial statements of such investees been audited would not be material to the Corporation's financial statements taken as a whole.

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

12. PROPERTY AND EQUIPMENT

Accumulated depreciation consisted of:

	December 31	
	2009	2008
Buildings	\$ 310,540	\$ 290,376
Computer equipment	386,623	365,907
Transportation equipment	11,734	10,719
Leasehold improvements	81,220	86,664
Other equipment	<u>73,404</u>	<u>91,558</u>
	<u>\$ 863,521</u>	<u>\$ 845,224</u>

13. ASSETS LEASED TO OTHERS

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Cost		
Land	\$ 5,109	\$ 5,109
Buildings	1,915	1,915
Computer equipment	<u>60,419</u>	<u>61,538</u>
	<u>67,443</u>	<u>68,562</u>
Accumulated depreciation		
Buildings	519	505
Computer equipment	<u>44,326</u>	<u>37,930</u>
	<u>44,845</u>	<u>38,435</u>
Accumulated impairment loss (land and buildings)	<u>3,030</u>	<u>3,030</u>
	<u>\$ 19,568</u>	<u>\$ 27,097</u>

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:

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 36,912	\$ 56,297
Buildings	<u>31,413</u>	<u>40,338</u>
	68,325	96,635
Accumulated depreciation - building	9,800	11,892
Accumulated impairment loss	<u>13,508</u>	<u>14,549</u>
	<u>\$ 45,017</u>	<u>\$ 70,194</u>

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 \$65,346 thousand and \$68,578 thousand in 2009 and 2008, 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 2009 and 2008. 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:

	2009	2008
Balance, beginning of year	\$ 173,044	\$ 140,939
Pension fund of the dissolved entity	-	9,199
Contributions	14,837	16,766
Payments	(5,645)	(3,217)
Interest income	<u>1,160</u>	<u>9,357</u>
Balance, end of year	<u>\$ 183,396</u>	<u>\$ 173,044</u>

The pension funds above at the end of 2009 and 2008 combined the amounts from the dissolved companies due to merger. At the end of 2009, the fund balance included the pension funds of \$10,089 thousand from ULSTEK Co., Ltd. (ULSTEK). 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. 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:

	2009	2008
Balance, beginning of the year	\$ 66,814	\$ 96,853
Reversal of recognized additional liability	-	(9,219)
Liability of the dissolved entity	-	3,839
Pension cost (gain) for the year	13,777	(7,893)
Contributions	<u>(14,837)</u>	<u>(16,766)</u>
Balance, end of the year	<u>\$ 65,754</u>	<u>\$ 66,814</u>

c. Pension cost (gain):

	2009	2008
Net periodic pension cost (gain)		
Service cost	\$ 4,312	\$ 4,627
Interest cost	8,468	9,803
Actual return on plan assets	\$ 1,160	\$ 9,357
Loss (gain) on plan assets	<u>2,892</u>	<u>(5,046)</u>
Projected return on plan assets	(4,052)	(4,311)
Amortization	5,049	4,134
Gain on curtailment	<u>-</u>	<u>(22,146)</u>
	<u>\$ 13,777</u>	<u>\$ (7,893)</u>

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

	December 31	
	2009	2008
Benefit obligation		
Vested benefit obligation	\$ 1,072	\$ 4,664
Nonvested benefit obligation	239,831	234,637
Accumulated benefit obligation	240,903	239,301
Additional benefits based on future salaries	46,467	137,257
Projected benefit obligation	287,370	376,558
Fair value of plan assets	<u>(183,396)</u>	<u>(173,044)</u>
Funded status	103,974	203,514
Unrecognized net transition obligation	(7,549)	(8,508)
Unrecognized past service cost	17,754	18,626
Unrecognized net actuarial loss	<u>(48,425)</u>	<u>(146,818)</u>
Accrued pension cost	<u>\$ 65,754</u>	<u>\$ 66,814</u>
Vested benefit	<u>\$ 1,385</u>	<u>\$ 5,645</u>

e. Actuarial assumptions

	December 31	
	2009	2008
Discount rate used in determining present value	2.25%	2.25%
Future salary increase rate	1.00%	2.50%
Expected rate of return on plan assets	1.50%	2.25%

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).

Stock-based Compensation Plan

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

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

The outstanding employee stock options in 2009 and 2008 were as follows:

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

As of December 31, 2009, outstanding employee stock options were as follows:

Range of Exercise Price (NT\$)	Number of Outstanding Options	Weighted-average Remaining Life (Years)	Weighted-average Exercise Price of Outstanding Options (NT\$)	Number of Exercisable Options	Weighted-average Exercise Price (NT\$)
<u>\$ 29.80</u>	<u>380.9</u>	0.66	<u>\$ 29.80</u>	<u>380.9</u>	<u>\$ 29.80</u>
<u>\$ 29.00</u>	<u>492.5</u>	1.37	<u>\$ 29.00</u>	<u>492.5</u>	<u>\$ 29.00</u>
<u>\$ 45.20</u>	<u>2,567.7</u>	2.72	<u>\$ 45.20</u>	<u>1540.6</u>	<u>\$ 45.20</u>
<u>\$ 33.10</u>	<u>2,106.0</u>	3.04	<u>\$ 33.10</u>	<u>-</u>	<u>\$ -</u>
<u>\$ 30.00</u>	<u>328.5</u>	3.45	<u>\$ 30.00</u>	<u>-</u>	<u>\$ -</u>

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\$)	<u>\$28.00</u>	<u>\$30.80</u>
Exercise price (NT\$)	<u>\$28.00</u>	<u>\$30.80</u>
Expected volatility	32.80%-32.96%	32.29%-32.51%
Expected life (years)	2.25-3.25 years	2.25-3.25 years
Expected dividend yield	-	-
Risk-free interest rate	2.59%	2.46%
Estimated % of forfeiture due to termination of employment over the remaining vesting period	-	-

The compensation cost of employee stock option was \$3,713 thousand and \$10,651 thousand in 2009 and 2008, respectively.

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

	Issued on September 19, 2007	Issued on May 16, 2006	Issued on August 30, 2005
Method:	Black-Scholes Model		
Assumptions:	Risk-free interest rate	2.45%	2.15%
	Expected life	5 years	5 years
	Expected volatility	38.13%	30.00%
	Expected dividend yield	-	-
		2009	2008
Net income (loss) of the Corporation:	Net income (loss) as reported	\$ 1,404,394	\$ (731,277)
	Pro forma net income (loss)	1,402,627	(754,448)
Earnings (loss) per share (EPS) of the Corporation:	Basic EPS as reported (NT\$)	5.83	(2.63)
	Pro forma basic EPS (NT\$)	5.83	(2.71)

Capital Surplus

Under relevant regulations, capital surplus from equity-method investments cannot be used for any purpose. Capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares and treasury stock transaction) and donation received can only be used to offset deficit or transferred to capital, and the amount transferred per year should not exceed a certain percentage of the capital. Other capital surplus can only be used to offset deficit.

Appropriation of Earnings and Dividend Policy

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

- a. 10% as bonus to employees;
- b. 2% as remuneration to directors;

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

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

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

- a. Determine the appropriate capital budget.
- b. Determine the funds needed for the capital budget.
- c. Determine the amount to be funded by unappropriated earnings (the remaining may be funded through capital increase by cash or through issuance of bonds).
- d. The remaining retained earnings, less an appropriate portion for the operational needs, may be distributed to stockholders.

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

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

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

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

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

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

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

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

Unrealized Gain or Loss on Financial Instruments

For the years ended December 31, 2009 and 2008, movements of unrealized gain or loss on financial instruments were as follows:

	Available-for- sale Financial Assets	Equity Method Investments	Total
<u>Year ended December 31, 2009</u>			
Balance, beginning of the year	\$ -	\$ 13,643	\$ 13,643
Recognized in stockholders' equity	12,373	(12,940)	(567)
Balance, end of the year	<u>\$ 12,373</u>	<u>\$ 703</u>	<u>\$ 13,076</u>
<u>Year ended December 31, 2008</u>			
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	<u>\$ -</u>	<u>\$ 13,643</u>	<u>\$ 13,643</u>

17. TREASURY STOCK

(In Thousand Shares)

Purpose of Treasury Stock	Beginning	Increase	Decrease	Ending
<u>2009</u>				
To maintain the Corporation's credibility and stockholders' interest	20,560	3,029	23,589	-
Reclassification of parent company stock held by subsidiaries from equity-method investments into treasury stock	<u>24,520</u>	<u>-</u>	<u>-</u>	<u>24,520</u>
	<u>45,080</u>	<u>3,029</u>	<u>23,589</u>	<u>24,520</u>
<u>2008</u>				
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	<u>24,794</u>	<u>2,450</u>	<u>2,724</u>	<u>24,520</u>
	<u>24,794</u>	<u>24,010</u>	<u>3,724</u>	<u>45,080</u>

The Corporation's shares held by subsidiaries as of December 31, 2009 and 2008 were as follows:

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

The carrying value of Hanmore's investment in the Corporation's shares, represents the investment cost of \$1,155,848 thousand net of the market value decline of \$375,703 thousand. The Corporation reclassified its 48.9% ownership of Hanmore, with a carrying amount of \$381,661 thousand (11,538 thousand shares), into treasury stock in 2009 and 2008.

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

The Corporation executed the following share buyback plans in accordance with Article 28-2 of Securities and Exchange Act. The Corporation acquired 9,000 thousand shares of its common stock (net of 1,000 thousand shares decreased due to capital reduction) between August 25, 2008, and October 24, 2008 and 11,560 thousand shares between October 22, 2008 and December 21, 2008. These treasury shares were canceled on January 21, 2009, and the share acquisition costs were \$222,784 thousand (net of \$10,000 thousand decreased due to capital reduction) and \$210,196 thousand, respectively, totaling \$432,980 thousand. Of the total acquisition cost, \$205,600 thousand was charged to capital stock; \$664,623 thousand was charged to additional paid-in capital; and \$437,243 thousand was credited to treasury stock capital surplus. The Corporation acquired 3,029 thousand shares of its common stock between February 9, 2009 and April 8, 2009. These treasury shares were canceled on August 28, 2009, and the share acquisition cost was \$56,592 thousand. Of the total acquisition cost, \$30,290 thousand was charged to capital stock; \$97,916 thousand was charged to additional paid-in capital; and \$71,614 thousand was credited to treasury stock capital surplus.

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

18. INCOME TAX

a. Income tax expense was as follows:

	2009	2008
Currently payable	\$ 19,629	\$ 6,829
Additional income tax on unappropriated earnings (10%)	-	1,802
Investment tax credits generated during the year	(67,290)	(103,104)
Deferred income tax		
Temporary differences and investment tax credits	181,071	121,541
Effect of tax law changes on deferred income tax	43,280	-
Effect of tax law changes on valuation allowance	(30,892)	-
Prior years' tax adjustment	<u>263</u>	<u>(2,020)</u>
Income tax expense	<u>\$ 146,061</u>	<u>\$ 25,048</u>

Income tax payable as of December 31, 2009 and 2008 was net of prepaid income taxes of \$2,118 thousand and \$3,076 thousand, respectively.

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

	2009	2008
Tax on pretax income (loss) at 25% statutory rate	\$ 387,604	\$ (176,557)
Add (deduct) tax effects of:		
Impairment loss on financial assets carried at cost	2,100	10,988
Equity in the net loss (income) of domestic investees	(118,241)	241,136
Equity in the net income of foreign investees	(124,309)	(81,795)
Loss (income) on sale of securities	3,815	(15,427)
Increase in (reversal of) unrealized cost of sales	(6,221)	34,119
Realized sales allowance	(24,856)	(9,931)
Loss from liquidation and capital reduction of investees, net	(49,388)	(59,386)
Unrealized loss (gain) on valuation of financial instruments	(36,722)	52,742

(Continued)

	2009	2008
Dividend income	\$ (3,921)	\$ (7,935)
Amortization of goodwill resulted from merger	(3,182)	(4,058)
Impairment loss on available-for-sale financial assets	-	11,179
Others	(7,050)	7,060
Additional income tax under the Alternative Minimum Tax Act	<u>-</u>	<u>4,694</u>
Currently payable	<u>\$ 19,629</u>	<u>\$ 6,829</u>

(Concluded)

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

	December 31	
	2009	2008
Deferred income tax assets (liabilities) - current		
Unused investment tax credits	\$ 34,955	\$ 56,294
Unrealized cost of sales	28,949	42,818
Allowance for doubtful accounts	28,919	41,295
Allowance for losses on inventories	19,380	27,303
Unused loss carryforwards	2,052	-
Unrealized sales allowances	327	25,265
Others	<u>(815)</u>	<u>(2,988)</u>
	113,767	189,987
Less: Valuation allowance	<u>63,250</u>	<u>69,716</u>
	<u>\$ 50,517</u>	<u>\$ 120,271</u>
Deferred income tax assets (liabilities) - noncurrent		
Unused investment tax credits	\$ 246,440	\$ 207,861
Impairment loss on financial assets carried at cost	80,283	130,271
Accrued pension cost	13,151	16,704
Cumulative investment loss on foreign investees under equity method	4,908	5,620
Unrealized royalty fees	2,857	4,008
Impairment loss on idle assets and assets leased to others	2,398	3,124
Unused loss carryforwards	661	3,391
Goodwill resulted from merger	(9,937)	(9,239)
Cumulative investment loss on domestic investees under equity method	-	3,919
Others	<u>-</u>	<u>26</u>
	340,761	365,685
Less: Valuation allowance	<u>268,272</u>	<u>226,966</u>
	<u>\$ 72,489</u>	<u>\$ 138,719</u>

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

d. As of December 31, 2009, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	\$ 36,038	\$ 33,291	2010
Statute for Upgrading Industries	Employee training expenditures	1,701	1,664	2010
Statute for Upgrading Industries	Research and development expenditures	70,243	67,009	2011
Statute for Upgrading Industries	Employee training expenditures	9	9	2011
Statute for Upgrading Industries	Research and development expenditures	80,528	80,528	2012
Statute for Upgrading Industries	Employee training expenditures	1,290	1,290	2012
Act for promotion of private participation in infrastructure project	Investments in private participation in infrastructure projects	31,333	25,247	2012
Statute for Upgrading Industries	Purchase of machinery and equipment	5,067	5,067	2012
Statute for Upgrading Industries	Research and development expenditures	65,167	65,167	2013
Statute for Upgrading Industries	Employee training expenditures	1,457	1,457	2013
Statute for Upgrading Industries	Employee training expenditures	<u>666</u>	<u>666</u>	2013
		<u>\$ 293,499</u>	<u>\$ 281,395</u>	

e. Loss carryforwards as of December 31, 2009 were as follows:

Company	Year of Loss	Total Credit Available	Unused Credit	Expiry Year
System (before the merger)	2005	\$ 10,258	\$ 10,258	2010
System (before the merger)	2006	<u>3,304</u>	<u>3,304</u>	2011
		<u>\$ 13,562</u>	<u>\$ 13,562</u>	

f. The integrated income tax was as follows:

	December 31	
	2009	2008
Imputation credit account balance	<u>\$ 195,029</u>	<u>\$ 226,761</u>

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

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

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

g. Income tax returns through 2005 and undistributed earnings returns through 2004 and income tax returns of 2007 and undistributed earnings return of 2006 of the Corporation have been assessed by the tax authorities. The tax authorities assessed additional tax of \$31,974 thousand and disallowed tax credit of \$66,545 thousand (claimed under Statute for Upgrading Industries) on its 2007 income tax return. The Corporation disagreed with the tax authorities and had applied for a re-examination. The Corporation believes the result of the re-examination will be in its favor; accordingly, it did not provide for income tax.

Income tax returns through 2006 and undistributed earnings returns through 2005 of System (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

	2009		
	Operating Costs	Operating Expenses	Total
Personnel			
Payroll	\$ -	\$ 1,473,009	\$ 1,473,009
Insurance	-	97,481	97,481
Pension	-	79,123	79,123
Others	-	49,674	49,674
	<u>\$ -</u>	<u>\$ 1,699,287</u>	<u>\$ 1,699,287</u>
Depreciation	<u>\$ 42,118</u>	<u>\$ 73,036</u>	<u>\$ 115,154</u>
Amortization	<u>\$ 6,109</u>	<u>\$ 21,029</u>	<u>\$ 27,138</u>
	2008		
	Operating Costs	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
	<u>\$ -</u>	<u>\$ 1,853,160</u>	<u>\$ 1,853,160</u>
Depreciation	<u>\$ 38,242</u>	<u>\$ 67,589</u>	<u>\$ 105,831</u>
Amortization	<u>\$ 6,576</u>	<u>\$ 20,302</u>	<u>\$ 26,878</u>

20. EARNINGS (LOSS) PER SHARE

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

	Amount (Numerator)		Shares in Thousands (Denominator)	Earnings (Loss) Per Share (NT\$)	
	Pretax	After-tax		Pretax	After-tax
<u>2009</u>					
Basic earnings per share					
Net income attributable to common stock	<u>\$ 1,550,455</u>	<u>\$ 1,404,394</u>	240,691	<u>\$ 6.44</u>	<u>\$ 5.83</u>
Diluted earnings per share					
Net income attributable to common stock	<u>\$ 1,550,455</u>	<u>\$ 1,404,394</u>	243,241	<u>\$ 6.37</u>	<u>\$ 5.77</u>

(Continued)

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

(Concluded)

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

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

	Amount (Numerator)		Shares in Thousands (Denominator)	Earnings (Loss) Per Share (NT\$)	
	Pretax	After-tax		Pretax	After-tax
<u>2009</u>					
Pro forma basic earnings per share					
Net income attributable to common stock	<u>\$ 1,550,455</u>	<u>\$ 1,404,394</u>	265,211	<u>\$ 5.85</u>	<u>\$ 5.30</u>
Pro forma diluted earnings per share					
Net income attributable to common stock	<u>\$ 1,550,455</u>	<u>\$ 1,404,394</u>	267,761	<u>\$ 5.79</u>	<u>\$ 5.24</u>
<u>2008</u>					
Pro forma basic earnings (loss) per share					
Net loss before extraordinary gains	\$ (694,651)	\$ (719,699)	303,216	\$ (2.29)	\$ (2.38)
Extraordinary gains	<u>14,169</u>	<u>14,169</u>	303,216	<u>0.05</u>	<u>0.05</u>
	<u>\$ (680,482)</u>	<u>\$ (705,530)</u>		<u>\$ (2.24)</u>	<u>\$ (2.33)</u>
Pro forma diluted earnings (loss) per share					
Net loss before extraordinary gains	\$ (694,651)	\$ (719,699)	303,216	\$ (2.29)	\$ (2.38)
Extraordinary gains	<u>14,169</u>	<u>14,169</u>	303,216	<u>0.05</u>	<u>0.05</u>
	<u>\$ (680,482)</u>	<u>\$ (705,530)</u>		<u>\$ (2.24)</u>	<u>\$ (2.33)</u>

21. FINANCIAL INSTRUMENTS

The Corporation did not engage in transactions involving derivative instruments for the years ended December 31, 2009 and 2008.

a. Fair values of financial instruments

Non-derivative Instruments	December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 2,072,589	\$ 2,072,589	\$ 1,179,446	\$ 1,179,446
Available-for-sale financial assets - current	24,936	24,936	12,988	12,988
Financial asset carried at cost	559,935	-	496,382	-
Investments accounted for by the equity method	7,011,317	-	6,109,636	-
Refundable deposits - noncurrent	53,315	53,315	60,937	60,937
Pledged time deposits - noncurrent	56,716	56,716	58,291	58,291
Long-term lease receivables, net	12,696	12,696	17,554	17,554
<u>Liabilities</u>				
Guarantee deposits received	6,140	6,140	7,513	7,513
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 and liabilities mentioned above, approximate fair value because of their short maturities.
- 2) For financial assets at fair value through profit or loss and available-for-sale financial assets with active market, the fair value is based on quoted market price.
- 3) For financial assets carried at cost and investments in unlisted stocks accounted for by the equity method, the fair value cannot be estimated because related stocks have no active market and a reliable determination of their fair value entails an unreasonably high cost; therefore, fair value is not presented.
- 4) For refundable deposits - noncurrent, pledged time deposits - noncurrent and guarantee deposits received, their future receipt, settlement or payment terms are uncertain; thus, their fair value are their book value.
- 5) For long-term lease receivables, their fair value is estimated using discounted cash flow analysis, based on the Corporation'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. Credit risk represents the potential loss that would be incurred by the Corporation if the counter-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties to the foregoing financial instruments are reputable financial institutions, business organizations and individuals. Management does not anticipate the Corporation's exposure to default by those parties to be material.
- 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 assets at fair value through profit or loss and available-for-sale financial assets are publicly-traded in an active market and can readily be sold in the market at their approximate fair values. However, 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.

22. RELATED PARTY TRANSACTIONS

a. Related parties

<u>Related Parties</u>	<u>Relationship with the Corporation</u>
Systeme Technology Corp. (Systeme)	Investee accounted for by the equity method (liquidation completed in December 2009)
Kimo.com (BVI) Corporation (Kimo BVI)	Investee accounted for by the equity method
UCOM Information Ltd. (UCOM)	Investee accounted for by the equity method (liquidation completed in February 2009)
OpenPower Information Co., Ltd. (OpenPower)	Investee accounted for by the equity method (sold in January 2009)
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 (liquidation completed in July 2009)
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% of equity in July 2008)
Sysplus Corporation (Sysplus)	Investee accounted for by the equity method (merged with CSMC and dissolved on January 1, 2009)
TrustView Inc. (TrustView)	Investee accounted for by the equity method (sold in September 2008)
Taiwan Electronic Data Processing Corp. (TEDP)	Investee's subsidiary (under controlling interest)
Sysware Singapore Pte. Ltd. (Sysware Singapore)	Investee's subsidiary (under controlling interest)
System South Asia Pte. Ltd. (SSAP)	Investee's subsidiary (under controlling interest, sold in May 2009)
Sysware (Thailand) Co., Ltd. (Sysware Thailand)	Investee's subsidiary (under controlling interest)
UCOM Information Ltd. (Shanghai) (UCOM Shanghai)	Investee's subsidiary (under controlling interest)
System Information (H.K.) Ltd. (System Info)	Investee's subsidiary (under controlling interest)

(Continued)

Related Parties	Relationship with the Corporation
System SDC China Ltd. (SSC)	Investee's subsidiary (under controlling interest)
SysView Corporation (SysView)	Investee's subsidiary (merged with CSMC and dissolved on January 1, 2009)
System Information (Shanghai) Ltd. (System)	Investee's subsidiary (under controlling interest)
Optima Financial Software Company (Optima)	Investee's subsidiary (under controlling interest)
TaiwanPay Corporation (Taiwan Pay)	Investee's subsidiary (under controlling interest)
Medincom Technology Corp. (Medincom)	Investee's subsidiary (under controlling interest)
AFE Solutions Limited (AFE)	Investee's investment accounted for by the equity method
Taifon Computer Co., Ltd. (Taifon)	Investee's investment accounted for by the equity method
System Data Management & Integration Service Corporation, Shanghai (System DMIS)	Investee's investment accounted for by the equity method

(Concluded)

b. Significant related party transactions (in addition to those disclosed in Note 24)

	2009		2008	
	Amount	% to Total	Amount	% to Total
<u>For the year</u>				
Sales				
UCOM Shanghai	\$ 23,762	1	\$ -	-
TEDP	19,352	-	43,335	1
CSMC	14,841	-	27,871	-
Medincom	11,865	-	-	-
Taifon	7,662	-	30,155	-
System	7,341	-	-	-
Sysware Singapore	4,008	-	3,079	-
System DMIS	2,817	-	-	-
Optima	1,795	-	-	-
System Info	1,270	-	1,565	-
OpenPower	-	-	3,488	-
SysView	-	-	2,822	-
SSAP	-	-	2,011	-
Sysplus	-	-	1,094	-
Others	<u>2,707</u>	<u>-</u>	<u>2,368</u>	<u>-</u>
	<u>\$ 97,420</u>	<u>1</u>	<u>\$ 117,788</u>	<u>1</u>
Purchases				
CSMC	\$ 34,149	1	\$ 13,880	1
Taifon	4,349	-	12,949	-
TEDP	379	-	2,177	-
OpenPower	-	-	3,107	-
System Info	-	-	1,139	-
Others	<u>794</u>	<u>-</u>	<u>1,381</u>	<u>-</u>
	<u>\$ 39,671</u>	<u>1</u>	<u>\$ 34,633</u>	<u>1</u>

	2009		2008	
	Amount	% to Total	Amount	% to Total
Service cost				
I-Media	\$ 21,143	2	\$ 21,402	2
AFE	4,027	-	-	-
SSC	-	-	9,329	1
Systeme	-	-	6,981	-
SysView	-	-	1,112	-
Others	<u>322</u>	<u>-</u>	<u>1,218</u>	<u>-</u>
	<u>\$ 25,492</u>	<u>2</u>	<u>\$ 40,042</u>	<u>3</u>
Other nonoperating income				
SysView	\$ -	-	\$ 2,700	8
Others	<u>1,291</u>	<u>4</u>	<u>1,991</u>	<u>6</u>
	<u>\$ 1,291</u>	<u>4</u>	<u>\$ 4,691</u>	<u>14</u>
Interest income				
Sysplus	<u>\$ -</u>	<u>-</u>	<u>\$ 84</u>	<u>1</u>
Operating expenses				
Sysplus	<u>\$ -</u>	<u>-</u>	<u>\$ 219</u>	<u>-</u>
<u>At the end of the year</u>				
Receivables				
Accounts receivable				
Medincom	\$ 10,780	19	\$ -	-
UCOM Shanghai	9,689	17	-	-
CSMC	3,991	7	15,626	9
Taifon	3,112	6	4,239	3
Sysware Singapore	2,899	5	853	-
System DMIS	2,817	5	-	-
Optima	1,779	3	-	-
TEDP	1,330	3	32,426	21
SSAP	-	-	2,011	1
OpenPower	-	-	1,995	1
Others	<u>1,129</u>	<u>2</u>	<u>1,094</u>	<u>-</u>
	<u>37,526</u>	<u>67</u>	<u>58,244</u>	<u>35</u>
Other receivables				
Sysware Singapore	9,966	18	9,482	6
Sysware Thailand	8,195	15	23,704	14
SSAP	-	-	58,596	36
Kimo BVI	-	-	4,761	3
Others	<u>87</u>	<u>-</u>	<u>288</u>	<u>-</u>
	<u>18,248</u>	<u>33</u>	<u>96,831</u>	<u>59</u>
Loan to related party				
Sysplus (interest: 3%)	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>6</u>
	<u>\$ 55,774</u>	<u>100</u>	<u>\$ 165,075</u>	<u>100</u>

	2009		2008	
	Amount	% to Total	Amount	% to Total
Payables				
Accounts payable				
CSMC	\$ 3,663	26	\$ 1,859	11
Taifon	2,182	15	8,346	50
I-Media	1,705	12	2,100	13
TEDP	240	2	2,136	13
Others	<u>391</u>	<u>2</u>	<u>1,996</u>	<u>12</u>
	<u>8,181</u>	<u>57</u>	<u>16,437</u>	<u>99</u>
Other payables				
Kimo BVI	6,053	43	-	-
Others	<u>40</u>	<u>-</u>	<u>136</u>	<u>1</u>
	<u>6,093</u>	<u>43</u>	<u>136</u>	<u>1</u>
	<u>\$ 14,274</u>	<u>100</u>	<u>\$ 16,573</u>	<u>100</u>

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

c. Compensation of directors, supervisors and management personnel:

	2009	2008
Salaries	\$ 108,817	\$ 75,317
Incentives	43,253	54,467
Special compensation	991	1,482
Bonus	<u>16,528</u>	<u>-</u>
	<u>\$ 169,589</u>	<u>\$ 131,266</u>

23. PLEDGED ASSETS

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

	December 31	
	2009	2008
Pledged time deposits - current	\$ 147,844	\$ 126,570
Pledged time deposits - noncurrent	<u>56,716</u>	<u>58,291</u>
	<u>\$ 204,560</u>	<u>\$ 184,861</u>

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

- Unused letters of credit aggregated about \$967 thousand.
- Outstanding sales contracts amounted to about \$2,384,661 thousand.

- c. There was a guarantee amounting to \$95,970 thousand on the unused bank loan credit lines of UCOM Information Ltd. (Shanghai).
- d. There were lease contracts for office premises and warehouse, expiring between January 2010 and January 2014, with refundable deposits of \$19,001 thousand. Future rentals are as follows:

Year	Amount
2010	\$ 55,612
2011	28,006
2012	15,804
2013	11,744
2014	991

25 SEGMENT INFORMATION

Segment information is presented in the accompanying Table 1.

TABLE 1**SYSTEX CORPORATION****SEGMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)**

A. Industry information

	2009				2008			
	Sale of Computer Hardware and Software, and Handsets	Services (Note 1)	Others (Note 1)	Total	Sale of Computer Hardware and Software, and Handsets	Services (Note 1)	Others (Note 1)	Total
Sales to customers	\$ 5,617,105	\$ 2,789,721	\$ 43,520	\$ 8,450,346	\$ 6,671,193	\$ 3,043,695	\$ 73,649	\$ 9,788,537
Sales to other segments	-	-	-	-	-	-	-	-
Total sales	<u>\$ 5,617,105</u>	<u>\$ 2,789,721</u>	<u>\$ 43,520</u>	<u>\$ 8,450,346</u>	<u>\$ 6,671,193</u>	<u>\$ 3,043,695</u>	<u>\$ 73,649</u>	<u>\$ 9,788,537</u>
Segment operating income (Note 2)	<u>\$ 260,324</u>	<u>\$ 389,734</u>	<u>\$ 20,448</u>	\$ 670,506	<u>\$ 130,691</u>	<u>\$ 277,111</u>	<u>\$ 51,460</u>	\$ 459,262
Investment income (loss), net (Note 3)				1,109,110				(857,716)
Other corporate income				80,936				50,031
Corporate general expenses				(310,076)				(371,940)
Interest expense				(21)				(35)
Income (loss) before income tax				<u>\$ 1,550,455</u>				<u>\$ (720,398)</u>
Identifiable assets (Note 4)	<u>\$ 2,623,032</u>	<u>\$ 716,085</u>	<u>\$ 56,445</u>	\$ 3,395,562	<u>\$ 3,114,213</u>	<u>\$ 862,980</u>	<u>\$ 69,308</u>	\$ 4,046,501
Corporate general assets				4,129,920				3,751,368
Long-term investments				<u>7,571,252</u>				<u>6,625,080</u>
Total assets				<u>\$ 15,096,734</u>				<u>\$ 14,422,949</u>
Depreciation and amortization expense	<u>\$ 63,369</u>	<u>\$ 47,394</u>	<u>\$ 31,529</u>		<u>\$ 95,255</u>	<u>\$ 20,455</u>	<u>\$ 16,999</u>	
Capital expenditures	<u>\$ 32,054</u>	<u>\$ 79,794</u>	<u>\$ 11,012</u>		<u>\$ 8,347</u>	<u>\$ 82,226</u>	<u>\$ 11,862</u>	

(Continued)

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.
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 2009 and 2008, no overseas revenue accounted for 10% of the Corporation's total operating revenues.

C. Export sales

For 2009 and 2008, 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 2009 and 2008, no customer accounted for 10% of the Corporation's total operating revenues.

(Concluded)