

# SPRINGSOFT INC.

## BALANCE SHEETS JUNE 30, 2007 AND 2006 (In Thousands, Except Par Value)

	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>
<b>ASSETS</b>			<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and cash equivalents	\$ 1,994,428	\$ 1,694,014	Financial liabilities at fair value through profit or loss - current	\$ 117	\$ 106
Financial assets at fair value through profit or loss - current	620,132	947,207	Payables to related parties	7,560	3,185
Available-for-sale financial assets - current	302,428	406,646	Income tax payable	59,599	38,833
Accounts receivable	355,757	293,114	Accrued expenses	62,213	85,257
Other receivable	6,233	24,614	Other payables	633,456	732,448
Other financial assets	4,176	5,236	Unearned revenue	32,313	27,215
Inventories	841	5,906	Other current liabilities	<u>46,494</u>	<u>87,772</u>
Other current assets	<u>6,666</u>	<u>13,453</u>	Total current liabilities	<u>841,752</u>	<u>974,816</u>
Total current assets	<u>3,290,661</u>	<u>3,390,190</u>			
<b>LONG-TERM INVESTMENTS</b>			<b>OTHER LIABILITIES</b>		
Investments accounted for using equity method	1,088,502	1,197,705	Accrued pension liability	7,024	9,651
Financial assets carried at cost - noncurrent	<u>16,743</u>	<u>34,294</u>	Deferred income tax liabilities	-	20,597
Total long-term investments	<u>1,105,245</u>	<u>1,231,999</u>	Deferred credits	4,693	6,236
			Others	<u>15,000</u>	<u>51,500</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>			Total other liabilities	<u>26,717</u>	<u>87,984</u>
Cost			Total liabilities	<u>868,469</u>	<u>1,062,800</u>
Buildings	563,209	293,426			
Machinery and equipment	313,365	248,267	<b>SHAREHOLDERS' EQUITY</b>		
Office equipment	10,636	9,712	Common stock		
Leasehold improvements	2,600	2,095	Common stock - \$10 par value		
Other facilities	<u>1,708</u>	<u>1,446</u>	Authorized - 300,000 thousand shares; Issued - 197,283 thousand shares		
	891,518	554,946	and 185,108 thousand shares at June 30, 2007 and 2006	1,972,835	1,851,081
Accumulated depreciation	(221,029)	(170,946)	Stock dividends to be distributed	<u>87,985</u>	<u>129,554</u>
Advance payments and construction in progress	<u>22,746</u>	<u>223,192</u>	Total common stock	<u>2,060,820</u>	<u>1,980,635</u>
Net property, plant and equipment	<u>693,235</u>	<u>607,192</u>	Capital surplus		
			Paid-in capital in excess of par value	435,218	475,748
<b>INTANGIBLE ASSETS</b>			From convertible bonds	1,151,141	1,155,693
Other intangible assets	<u>-</u>	<u>149</u>	Gain on sale of fixed assets	380	380
			From long-term investments	<u>44,263</u>	<u>44,683</u>
<b>OTHER ASSETS</b>			Total capital surplus	<u>1,631,002</u>	<u>1,676,504</u>
Guarantee deposits paid	414	278	Retained earnings		
Certificate of deposit - restricted	<u>610</u>	<u>610</u>	Legal reserve	413,564	340,815
Total other assets	<u>1,024</u>	<u>888</u>	Special reserve	28,848	28,848
			Unappropriated earnings	<u>277,159</u>	<u>391,499</u>
<b>TOTAL</b>	<u>\$ 5,090,165</u>	<u>\$ 5,230,418</u>	Total retained earnings	<u>719,571</u>	<u>761,162</u>
			Others		
			Cumulative translation adjustments	3,864	(13,999)
			Unrealized gains on financial instruments	<u>1,579</u>	<u>(2,277)</u>
			Total others	<u>5,443</u>	<u>(16,276)</u>
			Treasury stock (at cost) - 4,000 thousand shares and 3,289 thousand shares at June 30, 2007 and 2006	<u>(195,140)</u>	<u>(234,407)</u>
			Total shareholders' equity	<u>4,221,696</u>	<u>4,167,618</u>
			<b>TOTAL</b>	<u>\$ 5,090,165</u>	<u>\$ 5,230,418</u>

# SPRINGSOFT INC.

## STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands, Except Earnings Per Share)

	<u>2007</u>	<u>2006</u>
NET SALES	\$ 669,824	\$ 721,131
COST OF SALES	<u>(36,996)</u>	<u>(41,703)</u>
GROSS PROFIT	632,828	679,428
UNREALIZED INTERCOMPANY PROFIT	<u>(703)</u>	<u>(876)</u>
REALIZED GROSS PROFIT	<u>632,125</u>	<u>678,552</u>
OPERATING EXPENSES		
Selling	(77,160)	(109,175)
General and administrative	(28,318)	(34,566)
Research and development	<u>(109,412)</u>	<u>(108,886)</u>
Total operating expenses	<u>(214,890)</u>	<u>(252,627)</u>
OPERATING INCOME	<u>417,235</u>	<u>425,925</u>
NONOPERATING INCOME AND GAINS		
Interest income	11,682	5,771
Gain on sale of investments, net	16,101	13,459
Valuation gain on financial assets	-	8,507
Others	<u>232</u>	<u>25</u>
Total nonoperating income and gains	<u>28,015</u>	<u>27,762</u>
NONOPERATING EXPENSES AND LOSSES		
Investment loss on equity-method investments, net	(20,803)	(2,127)
Valuation loss on financial assets	(1,802)	-
Foreign exchange loss, net	(1,059)	(5,605)
Others	<u>(20,236)</u>	<u>(289)</u>
Total nonoperating expenses and losses	<u>(43,900)</u>	<u>(8,021)</u>
INCOME BEFORE INCOME TAX	401,350	445,666
INCOME TAX EXPENSE	<u>(75,000)</u>	<u>(60,000)</u>
NET INCOME	<u>\$ 326,350</u>	<u>\$ 385,666</u>

(Continued)

# SPRINGSOFT INC.

## STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands, Except Earnings Per Share)

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	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE				
Basic earnings per share	<u>\$ 2.09</u>	<u>\$ 1.70</u>	<u>\$ 2.27</u>	<u>\$ 1.97</u>
Diluted earnings per share	<u>\$ 2.08</u>	<u>\$ 1.69</u>	<u>\$ 2.27</u>	<u>\$ 1.96</u>

(Concluded)

# SPRINGSOFT INC.

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	Capital Stock Issued			Capital Surplus	Retained Earnings			Others			Total Stockholders' Equity
	Shares (Thousands)	Amount	Stock Dividends To Be Distributed		Legal Reserve	Special Reserve	Unappropriate Earnings	Unrealized (Loss) Gains on Financial Instruments	Cumulative Translation Adjustments	Treasury Stock	
BALANCE, JANUARY 1, 2007	198,063	\$ 1,980,635	\$ -	\$ 1,676,167	\$ 340,815	\$ 28,848	\$ 733,321	\$ 2,291	\$ (7,156 )	\$ (366,285 )	\$ 4,388,636
Distribution of 2006 earnings											
Appropriation for legal reserve	-	-	-	-	72,749	-	(72,749 )	-	-	-	-
Cash dividends	-	-	-	-	-	-	(483,209 )	-	-	-	(483,209 )
Bonuses to employees, directors and supervisors	-	-	-	-	-	-	(81,306 )	-	-	-	(81,306 )
Stock bonus to employees	-	-	30,000	-	-	-	(30,000 )	-	-	-	-
Stock dividends	-	-	19,328	-	-	-	(19,328 )	-	-	-	-
Capital surplus transferred to capital stock	-	-	38,657	(38,657 )	-	-	-	-	-	-	-
Adjustment arising from changes in percentage of ownership in investees	-	-	-	(83 )	-	-	-	-	-	-	(83 )
Cumulative translation adjustment	-	-	-	-	-	-	-	-	11,020	-	11,020
Net income for the six months ended June 30, 2007	-	-	-	-	-	-	326,350	-	-	-	326,350
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	(712 )	-	-	(712 )
Decrease in treasury stock – 1,220 thousand shares disposal	-	-	-	-	-	-	(43,399 )	-	-	104,399	61,000
Decrease in treasury stock – 780 thousand shares expiration	(780)	(7,800)	-	(6,425)	-	-	(52,521 )	-	-	66,746	-
<b>BALANCE, JUNE 30, 2007</b>	<b>197,283</b>	<b>\$ 1,972,835</b>	<b>\$ 87,985</b>	<b>\$ 1,631,002</b>	<b>\$ 413,564</b>	<b>\$ 28,848</b>	<b>\$ 277,159</b>	<b>\$ 1,579</b>	<b>\$ 3,864</b>	<b>\$ (195,140 )</b>	<b>\$ 4,221,696</b>
BALANCE, JANUARY 1, 2006	185,108	1,851,081	\$ -	\$ 1,676,624	\$ 252,793	\$ 28,848	\$ 895,640	\$ -	\$ (17 )	\$ (171,145)	\$ 4,533,824
Distribution of 2005 earnings											
Appropriation for legal reserve	-	-	-	-	88,022	-	(88,022 )	-	-	-	-
Cash dividends	-	-	-	-	-	-	(567,635 )	-	-	-	(567,635 )
Bonuses to employees, directors and supervisors	-	-	-	-	-	-	(104,596 )	-	-	-	(104,596 )
Stock bonus to employees	-	-	38,000	-	-	-	(38,000 )	-	-	-	-
Stock dividends	-	-	91,554	-	-	-	(91,554 )	-	-	-	-
Adjustment arising from changes in percentage of ownership in investees	-	-	-	(120 )	-	-	-	-	-	-	(120 )
Cumulative translation adjustment	-	-	-	-	-	-	-	-	(13,982 )	-	(13,982 )
Net income for the six months ended June 30, 2006	-	-	-	-	-	-	385,666	-	-	-	385,666
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	(2,277 )	-	-	(2,277 )
Increase in treasury stock – 1,289 thousands shares	-	-	-	-	-	-	-	-	-	(63,262 )	(63,262 )
<b>BALANCE, JUNE 30, 2006</b>	<b>185,108</b>	<b>\$ 1,851,081</b>	<b>\$ 129,554</b>	<b>\$ 1,676,504</b>	<b>\$ 340,815</b>	<b>\$ 28,848</b>	<b>\$ 391,499</b>	<b>\$ (2,277 )</b>	<b>\$ (13,999 )</b>	<b>\$ (234,407 )</b>	<b>\$ 4,167,618</b>

# SPRINGSOFT INC.

## STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands)

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 326,350	\$ 385,666
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,650	21,967
Valuation loss (gain) on financial assets	1,802	(8,507)
Investment loss on equity-method investees	20,803	2,127
Gain on disposal of investments	(16,101)	(13,459)
Unrealized intercompany profit	703	876
Dividends received from equity method investees	5,612	-
Deferred income tax	(863)	12,611
Accrued pension liability	(1,655)	(499)
Others	(79)	258
Net changes in operating assets and liabilities		
Financial assets for trading	(15,104)	249,079
Accounts receivable	16,258	(30,641)
Other receivable	43,977	35,536
Inventories	2,948	3,497
Other financial assets	(811)	(2,750)
Other current assets	1,423	4,438
Payables to related parties	(670)	(22,219)
Income tax payable	(22,510)	17,191
Accrued expenses	(7,760)	(10,943)
Unearned revenue	7,226	(4,302)
Other current liabilities	(30,643)	25,914
Other liabilities	-	7,500
Net cash provided by operating activities	<u>357,556</u>	<u>673,340</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from decrease of capital of investee	4,041	4,490
Proceeds from disposal of financial assets carried at cost	3,305	4,773
Acquisition of available-for-sale financial assets	(549,120)	(873,572)
Proceeds from sales of available-for-sale financial assets	770,624	466,727
Acquisition of property, plant and equipment	(70,804)	(78,295)
Others	<u>252</u>	<u>27</u>
Net cash provided by (using in) investing activities	<u>158,298</u>	<u>(475,850)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Bonus to employees and Remuneration paid to directors and supervisors	(54,159)	(26,736)
Purchase of treasury stock	-	(63,262)
Proceeds from sales of treasury stock	<u>61,000</u>	<u>-</u>
Net cash provided by (using in) financing activities	<u>6,841</u>	<u>(89,998)</u>

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# SPRINGSOFT INC.

## STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands)

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	<u>2007</u>	<u>2006</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 522,695	\$ 107,492
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,471,733</u>	<u>1,586,522</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$1,994,428</u>	<u>\$1,694,014</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Income tax paid	<u>\$ 98,372</u>	<u>\$ 30,199</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividend payable	<u>\$ 483,209</u>	<u>\$ 567,635</u>
CASH PAID FOR ACQUISITION OF PROPERTY, PANT AND EQUIPMENT		
Total acquisition	\$ 43,698	\$ 86,122
Equipment payable, beginning of period	27,897	11,364
Equipment payable, end of period	<u>(791)</u>	<u>(19,191)</u>
Net cash paid	<u>\$ 70,804</u>	<u>\$ 78,295</u>

(Concluded)