

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2006 AND 2007 (In Thousands, Except Par Value)

ASSETS	2006			2007		
	NT\$	NT\$	US\$	NT\$	NT\$	US\$
CURRENT ASSETS						
Cash and cash equivalents (Notes 2, 4 and 19)	\$ 1,714,058	\$ 2,115,067	\$ 65,219			
Financial assets at fair value through profit or loss - current (Notes 2, 3, 5 and 19)	835,005	856,917	26,424			
Available-for-sale financial assets - current (Notes 2, 3, 6 and 19)	518,135	293,438	9,048			
Accounts receivable (Notes 2, 7, 19 and 20)	442,224	354,364	10,927			
Other receivables (Note 19)	50,222	424	13			
Other financial assets (Note 19)	3,365	8,423	260			
Inventories (Notes 2 and 8)	3,789	6,470	200			
Other current assets (Notes 2 and 16)	7,260	32,861	1,014			
Total current assets	<u>3,574,058</u>	<u>3,667,964</u>	<u>113,105</u>			
LONG-TERM INVESTMENTS						
Investments accounted for using equity method (Notes 2, 9 and 19)	595,336	579,791	17,878			
Financial assets carried at cost - noncurrent (Notes 2, 3, 10 and 19)	20,092	-	-			
Total long-term investments	<u>615,428</u>	<u>579,791</u>	<u>17,878</u>			
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 11)						
Cost						
Buildings	548,992	593,600	18,304			
Machinery and equipment	287,208	358,709	11,061			
Office equipment	19,060	21,788	672			
Leasehold improvements	2,600	2,600	80			
Other facilities	1,749	1,859	57			
	859,609	978,556	30,174			
Accumulated depreciation	(200,116)	(252,443)	(7,784)			
Advance payments and construction in progress	19,465	1,734	53			
Net property, plant and equipment	<u>678,958</u>	<u>727,847</u>	<u>22,443</u>			
INTANGIBLE ASSETS						
Other intangible assets (Notes 2 and 3)	64	-	-			
Total intangible assets	<u>64</u>	<u>-</u>	<u>-</u>			
OTHER ASSETS						
Guarantee deposits paid (Note 19)	1,036	1,040	32			
Certificate of deposit - restricted (Notes 19 and 21)	610	610	19			
Others	195	111	3			
Total other assets	<u>1,841</u>	<u>1,761</u>	<u>54</u>			
TOTAL	<u>\$ 4,870,349</u>	<u>\$ 4,977,363</u>	<u>\$ 153,480</u>			
				LIABILITIES AND STOCKHOLDERS' EQUITY		
				CURRENT LIABILITIES		
				Financial liabilities at fair value through profit or loss - current (Notes 2, 3, 5 and 19)	\$ 210	\$ -
				Accounts payable (Notes 19 and 20)	23,149	14,981
				Income tax payable (Notes 2 and 16)	82,109	17,397
				Accrued expenses (Notes 19 and 20)	90,477	96,204
				Other payables (Notes 12 and 19)	150,206	133,705
				Unearned revenue	25,106	30,537
				Other current liabilities (Notes 2 and 16)	80,308	134,764
				Total current liabilities	<u>451,565</u>	<u>427,588</u>
				OTHER LIABILITIES		
				Accrued pension liability (Notes 2 and 13)	8,679	5,210
				Guarantee deposits received (Note 19)	2,479	2,467
				Deferred credits (Note 2)	3,990	3,848
				Others (Note 2)	15,000	15,000
				Total other liabilities	<u>30,148</u>	<u>26,525</u>
				Total liabilities	<u>481,713</u>	<u>454,113</u>
				EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT (Notes 2, 14 and 15)		
				Common stock - \$10 par value		
				Authorized - 300,000 thousand shares; Issued - 198,063 thousand shares and 206,082 thousand shares at December 31, 2006 and 2007	1,980,635	2,060,820
				Capital surplus		
				Paid-in capital in excess of par value	475,748	435,218
				From conversion of bonds	1,155,693	1,151,142
				Gain on sale of fixed assets	380	380
				From long-term investments	44,346	44,014
				Total capital surplus	<u>1,676,167</u>	<u>1,630,754</u>
				Retained earnings		
				Legal reserve	340,815	413,564
				Special reserve	28,848	28,848
				Unappropriated earnings	733,321	591,245
				Total retained earnings	<u>1,102,984</u>	<u>1,033,657</u>
				Others		
				Cumulative translation adjustments	(7,156)	(3,601)
				Unrealized gains (losses) on financial instruments	2,291	(3,240)
				Total others	<u>(4,865)</u>	<u>(6,841)</u>
				Treasury stock (at cost) - 6,000 thousand shares and 4,000 thousand shares at December 31, 2006 and 2007	<u>(366,285)</u>	<u>(195,140)</u>
				Total equity attributable to stockholders of the parent	<u>4,388,636</u>	<u>4,523,250</u>
				TOTAL	<u>\$ 4,870,349</u>	<u>\$ 4,977,363</u>

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

(With Deloitte & Touche audit report dated February 22, 2008)

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007 (In Thousands, Except Consolidated Earnings Per Share)

	2006	2007	
	NT\$	NT\$	US\$
GROSS SALES (Note 20)	\$ 1,428,230	\$ 1,415,805	\$ 43,657
SALES RETURNS AND ALLOWANCES	<u>(11,777)</u>	<u>(30,229)</u>	<u>(932)</u>
NET SALES	1,416,453	1,385,576	42,725
COST OF SALES (Notes 18 and 20)	<u>(89,763)</u>	<u>(83,338)</u>	<u>(2,570)</u>
GROSS PROFIT	1,326,690	1,302,238	40,155
REALIZED INTERCOMPANY PROFIT (Note 2)	<u>1,370</u>	<u>142</u>	<u>4</u>
REALIZED GROSS PROFIT	<u>1,328,060</u>	<u>1,302,380</u>	<u>40,159</u>
OPERATING EXPENSES (Notes 18 and 20)			
Selling	(183,952)	(165,500)	(5,103)
General and administrative	(94,481)	(112,683)	(3,475)
Research and development	<u>(202,615)</u>	<u>(235,359)</u>	<u>(7,257)</u>
Total operating expenses	<u>(481,048)</u>	<u>(513,542)</u>	<u>(15,835)</u>
OPERATING INCOME	<u>847,012</u>	<u>788,838</u>	<u>24,324</u>
NONOPERATING INCOME AND GAINS			
Interest income (Note 19)	23,607	36,624	1,129
Gain on sale of investments, net (Note 2)	43,669	29,194	900
Valuation gain on financial assets (Notes 2, 3 and 5)	68,230	18,839	581
Subsidy income	1,500	-	-
Others	<u>51,439</u>	<u>2,551</u>	<u>78</u>
Total nonoperating income and gains	<u>188,445</u>	<u>87,208</u>	<u>2,688</u>
NONOPERATING EXPENSES AND LOSSES			
Impairment loss of Goodwill (Notes 2 and 10)	(144,608)	(18,989)	(586)
Investment loss on equity-method investments, net (Notes 2 and 9)	(47,610)	(59,193)	(1,825)
Foreign exchange loss, net (Note 2)	(6,120)	-	-
Others (Notes 2, 3 and 22)	<u>(631)</u>	<u>(20,428)</u>	<u>(628)</u>
Total nonoperating expenses and losses	<u>(198,969)</u>	<u>(98,610)</u>	<u>(3,039)</u>
INCOME BEFORE INCOME TAX	836,488	777,436	23,973
INCOME TAX EXPENSE (Notes 2 and 16)	<u>(109,000)</u>	<u>(137,000)</u>	<u>(4,224)</u>
CONSOLIDATED NET INCOME	<u>\$ 727,488</u>	<u>\$ 640,436</u>	<u>\$ 19,749</u>

(Continued)

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007 (In Thousands, Except Consolidated Earnings Per Share)

	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	US\$
ATTRIBUTABLE TO			
Stockholders of the parent	\$ 727,488	\$ 640,436	\$ 19,749
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 727,488</u>	<u>\$ 640,436</u>	<u>\$ 19,749</u>

	<u>2006</u>		<u>2007</u>			
	<u>Before</u>	<u>After</u>	<u>Before</u>		<u>After</u>	
	<u>Income</u>	<u>Income</u>	<u>Income Tax</u>		<u>Income Tax</u>	
	<u>Tax</u>	<u>Tax</u>	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
CONSOLIDATED EARNINGS PER						
SHARE (Note 17)						
Basic earnings per share	<u>\$ 4.12</u>	<u>\$ 3.58</u>	<u>\$ 3.86</u>	<u>\$ 0.12</u>	<u>\$ 3.18</u>	<u>\$ 0.10</u>
Diluted earnings per share	<u>\$ 4.10</u>	<u>\$ 3.56</u>	<u>\$ 3.85</u>	<u>\$ 0.12</u>	<u>\$ 3.17</u>	<u>\$ 0.10</u>

(Concluded)

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

(With Deloitte & Touche audit report dated February 22, 2008)

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Stockholders of Parent										
	Capital Stock Issued (Note 14)		Capital Surplus (Notes 2 and 14)	Retained Earnings (Note 14)			Unrealized Gain (Loss) On Financial Instruments (Notes 2 and 14)	Others		Total	Total Stockholders' Equity
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings		Cumulative Translation Adjustments (Notes 2 and 14)	Treasury Stock (Notes 2 and 15)		
BALANCE, JANUARY 1, 2006	185,108	\$ 1,851,081	\$ 1,676,624	\$ 252,793	\$ 28,848	\$ 895,640	\$ -	\$ (17)	\$ (171,145)	\$ 4,533,824	\$ 4,533,824
Distribution of 2005 earnings											
Appropriation for legal reserve	-	-	-	88,022	-	(88,022)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(567,635)	-	-	-	(567,635)	(567,635)
Bonuses to employees, directors and supervisors	-	-	-	-	-	(104,596)	-	-	-	(104,596)	(104,596)
Stock bonus to employees	3,800	38,000	-	-	-	(38,000)	-	-	-	-	-
Stock dividends	9,155	91,554	-	-	-	(91,554)	-	-	-	-	-
Adjustment arising from changes in percentage of ownership in investees	-	-	(457)	-	-	-	-	-	-	(457)	(457)
Cumulative translation adjustment	-	-	-	-	-	-	-	(7,139)	-	(7,139)	(7,139)
Consolidated net income for 2006	-	-	-	-	-	727,488	-	-	-	727,488	727,488
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	792	-	-	792	792
Investments accounted for using equity method	-	-	-	-	-	-	1,499	-	-	1,499	1,499
Treasury stock repurchased by the Company	-	-	-	-	-	-	-	-	(195,140)	(195,140)	(195,140)
BALANCE, DECEMBER 31, 2006	198,063	1,980,635	1,676,167	340,815	28,848	733,321	2,291	(7,156)	(366,285)	4,388,636	4,388,636
Distribution of 2006 earnings											
Appropriation for legal reserve	-	-	-	72,749	-	(72,749)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(483,209)	-	-	-	(483,209)	(483,209)
Bonuses to employees, directors and supervisors	-	-	-	-	-	(81,306)	-	-	-	(81,306)	(81,306)
Stock bonus to employees	3,000	30,000	-	-	-	(30,000)	-	-	-	-	-
Stock dividends	1,933	19,328	-	-	-	(19,328)	-	-	-	-	-
Issuance of stock from capital surplus	3,866	38,657	(38,657)	-	-	-	-	-	-	-	-
Adjustment arising from changes in percentage of ownership in investees	-	-	(83)	-	-	-	-	-	-	(83)	(83)
Cumulative translation adjustment	-	-	-	-	-	-	-	3,555	-	3,555	3,555
Consolidated net income for 2007	-	-	-	-	-	640,436	-	-	-	640,436	640,436
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	(3,688)	-	-	(3,688)	(3,688)
Investments accounted for using equity method	-	-	(248)	-	-	-	(1,843)	-	-	(2,091)	(2,091)
Sale of treasury stock - 1,220 thousand shares	-	-	-	-	-	(43,399)	-	-	104,399	61,000	61,000
Retirement of treasury stock - 780 thousand shares	(780)	(7,800)	(6,425)	-	-	(52,521)	-	-	66,746	-	-
BALANCE, DECEMBER 31, 2007	<u>206,082</u>	<u>\$ 2,060,820</u>	<u>\$ 1,630,754</u>	<u>\$ 413,564</u>	<u>\$ 28,848</u>	<u>\$ 591,245</u>	<u>\$ (3,240)</u>	<u>\$ (3,601)</u>	<u>\$ (195,140)</u>	<u>\$ 4,523,250</u>	<u>\$ 4,523,250</u>

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

(With Deloitte & Touche audit report dated February 22, 2008)

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007 (In Thousands)

	2006	2007	
	NT\$	NT\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributable to stockholders of the parent	\$ 727,488	\$ 640,436	\$ 19,749
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	46,683	57,358	1,769
Valuation gain on financial assets	(68,230)	(18,839)	(581)
Impairment loss of Goodwill	144,608	18,989	584
Gain on disposal of investments	(43,669)	(29,194)	(900)
Investment loss on equity-method investees	47,610	59,193	1,825
Dividends received from equity method investees	19,861	5,612	173
Realized intercompany profit	(1,370)	(142)	(4)
Deferred income tax	12,040	(1,807)	(56)
Accrued pension liability	(1,471)	(3,469)	(107)
Others	362	(34)	(1)
Net changes in operating assets and liabilities			
Financial assets for trading	724,301	14,110	435
Accounts receivable	(50,000)	87,860	2,709
Other receivables	9,928	49,798	1,536
Inventories	5,614	(2,681)	(83)
Other financial assets	(879)	(5,058)	(156)
Other current assets	6,197	(26,094)	(805)
Other assets	-	(111)	(3)
Accounts payable	(56,871)	(8,168)	(252)
Income tax payable	60,467	(64,712)	(1,995)
Accrued expenses	(74,027)	5,727	177
Other payables	-	2,642	81
Unearned revenue	(6,583)	5,431	167
Other current liabilities	5,410	(204)	(6)
Other liabilities	(29,000)	-	-
Net cash provided by operating activities	<u>1,478,469</u>	<u>786,643</u>	<u>24,256</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of long-term investments	(189,051)	-	-
Acquisition of available-for-sale financial assets	(1,925,975)	(972,141)	(29,977)
Proceeds from sales of available-for-sale financial assets	1,422,605	1,203,448	37,109
Proceeds from reduction of investee's capital	21,439	4,041	125
Proceeds from sales of long-term investments	16,385	3,305	102
Acquisition of property, plant and equipment	(162,590)	(133,350)	(4,112)
Others	(363)	(1)	-
Net cash (used in) provided by investing activities	<u>(817,550)</u>	<u>105,302</u>	<u>3,247</u>

(Continued)

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007 (In Thousands)

	<u>2006</u>	<u>2007</u>	
	NT\$	NT\$	US\$
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends	\$ (567,635)	\$ (483,209)	\$ (14,900)
Cash bonus to employees and Remuneration paid to directors and supervisors	(50,049)	(73,052)	(2,253)
Repurchase of treasury stock	(195,140)	-	-
Proceeds from disposal of treasury stock	-	61,000	1,881
Decrease in guarantee deposits received	<u>(19)</u>	<u>(12)</u>	<u>-</u>
Net cash used in financing activities	<u>(812,843)</u>	<u>(495,273)</u>	<u>(15,272)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(7,930)</u>	<u>4,337</u>	<u>134</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(159,854)	401,009	12,365
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,873,912</u>	<u>1,714,058</u>	<u>52,854</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,714,058</u>	<u>\$ 2,115,067</u>	<u>\$ 65,219</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Income tax paid	<u>\$ 36,494</u>	<u>\$ 203,518</u>	<u>\$ -</u>
NONCASH INVESTING AND FINANCING ACTIVITIES			
Transfer the credit balance of long-term investment to other current liabilities	<u>\$ 2,276</u>	<u>\$ 56,502</u>	<u>\$ 1,742</u>
CASH PAID FOR ACQUISITION OF PROPERTY, PANT AND EQUIPMENT			
Total acquisition	\$ 179,123	\$ 105,953	\$ 3,267
Equipment payable, beginning of year	11,364	27,897	860
Equipment payable, end of year	<u>(27,897)</u>	<u>(500)</u>	<u>(15)</u>
Net cash paid	<u>\$ 162,590</u>	<u>\$ 133,350</u>	<u>\$ 4,112</u>

(Concluded)

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