

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2005 AND 2006 (In Thousands, Except Par Value)

ASSETS	2005	2006		LIABILITIES AND STOCKHOLDERS' EQUITY	2005	2006	
	NT\$	NT\$	US\$		NT\$	NT\$	US\$
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents (Notes 2, 4 and 19)	\$ 1,873,912	\$ 1,714,058	\$ 52,587	Financial liabilities at fair value through profit or loss - current (Notes 2, 3, 5 and 19)	\$ -	\$ 210	\$ 7
Financial assets at fair value through profit or loss - current (Notes 2, 3, 5 and 19)	1,461,523	835,005	25,618	Accounts payable (Notes 19 and 20)	80,020	23,149	710
Available-for-sale financial assets - current (Notes 2, 6 and 19)	-	518,135	15,896	Income tax payable (Notes 2 and 16)	21,642	82,109	2,519
Accounts receivable (Notes 2, 7, 19 and 20)	392,224	442,224	13,567	Accrued expenses (Notes 19 and 20)	164,504	90,477	2,776
Other receivable (Note 19)	60,150	50,222	1,541	Other payables (Notes 12 and 19)	79,126	150,206	4,608
Other financial assets (Note 19)	2,486	3,365	103	Unearned revenue (Note 20)	31,689	25,106	770
Inventories (Notes 2 and 8)	9,403	3,789	116	Other current liabilities (Note 16)	<u>62,467</u>	<u>80,308</u>	<u>2,464</u>
Other current assets (Notes 2 and 16)	33,172	7,260	223	Total current liabilities	<u>439,448</u>	<u>451,565</u>	<u>13,854</u>
Total current assets	<u>3,832,870</u>	<u>3,574,058</u>	<u>109,651</u>	OTHER LIABILITIES			
LONG-TERM INVESTMENTS				Accrued pension liability (Notes 2 and 13)	10,150	8,679	266
Investments accounted for using equity method (Notes 2, 9 and 19)	493,593	595,336	18,265	Guarantee deposits received (Note 19)	2,498	2,479	76
Financial assets carried at cost - noncurrent (Notes 2, 3, 10 and 19)	<u>166,246</u>	<u>20,092</u>	<u>616</u>	Deferred income tax liabilities (Notes 2 and 16)	20,106	-	-
Total long-term investments	<u>659,839</u>	<u>615,428</u>	<u>18,881</u>	Deferred credits (Note 2)	5,360	3,990	123
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 11)				Others (Note 2)	<u>44,000</u>	<u>15,000</u>	<u>460</u>
Cost				Total other liabilities	<u>82,114</u>	<u>30,148</u>	<u>925</u>
Buildings	293,426	548,992	16,843	Total liabilities	<u>521,562</u>	<u>481,713</u>	<u>14,779</u>
Machinery and equipment	227,170	287,208	8,811	EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT			
Office equipment	17,450	19,060	585	(Notes 2 and 14)			
Leasehold improvements	2,095	2,600	80	Common stock - \$10 par value			
Other facilities	<u>1,508</u>	<u>1,749</u>	<u>53</u>	Authorized - 300,000 thousand shares; Issued - 185,108 thousand shares and 198,063 thousand shares at December 31, 2005 and 2006	1,851,081	1,980,635	60,765
Accumulated depreciation	541,649	859,609	26,372	Capital surplus			
Advance payments and construction in progress	<u>(155,255)</u>	<u>(200,116)</u>	<u>(6,139)</u>	Paid-in capital in excess of par value	475,748	475,748	14,596
Net property, plant and equipment	<u>546,297</u>	<u>678,958</u>	<u>20,830</u>	From conversion of bonds	1,155,693	1,155,693	35,456
INTANGIBLE ASSETS				Gain on sale of fixed assets	380	380	12
Goodwill (Note 2)	14,479	-	-	From long-term investments	<u>44,803</u>	<u>44,346</u>	<u>1,360</u>
Other intangible assets	<u>234</u>	<u>64</u>	<u>2</u>	Total capital surplus	<u>1,676,624</u>	<u>1,676,167</u>	<u>51,424</u>
Total intangible assets	<u>14,713</u>	<u>64</u>	<u>2</u>	Retained earnings			
OTHER ASSETS				Legal reserve	252,793	340,815	10,456
Guarantee deposits paid (Note 19)	620	1,036	32	Special reserve	28,848	28,848	885
Certificate of deposit - restricted (Notes 19 and 21)	610	610	18	Unappropriated earnings	<u>895,640</u>	<u>733,321</u>	<u>22,498</u>
Others	<u>437</u>	<u>195</u>	<u>6</u>	Total retained earnings	<u>1,177,281</u>	<u>1,102,984</u>	<u>33,839</u>
Total other assets	<u>1,667</u>	<u>1,841</u>	<u>56</u>	Others			
TOTAL	<u>\$ 5,055,386</u>	<u>\$ 4,870,349</u>	<u>\$ 149,420</u>	Cumulative translation adjustments (Note 2)	(17)	(7,156)	(220)
				Unrealized gains on financial instruments (Note 2)	-	2,291	70
				Total others	<u>(17)</u>	<u>(4,865)</u>	<u>(150)</u>
				Treasury stock (at cost) - 2,000 thousand shares and 6,000 thousand shares at December 31, 2005 and 2006 (Notes 2 and 15)	<u>(171,145)</u>	<u>(366,285)</u>	<u>(11,237)</u>
				Total equity attributable to stockholders of the parent	<u>4,533,824</u>	<u>4,388,636</u>	<u>134,641</u>
				TOTAL	<u>\$ 5,055,386</u>	<u>\$ 4,870,349</u>	<u>\$ 149,420</u>

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

(With Deloitte & Touche audit report dated March 21, 2007)

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2005 AND 2006 (In Thousands, Except Consolidated Earnings Per Share)

	2005	2006	
	NT\$	NT\$	US\$
GROSS SALES (Note 20)	\$ 1,430,855	\$ 1,428,230	\$ 43,817
SALES RETURNS AND ALLOWANCES	<u>(14,632)</u>	<u>(11,777)</u>	<u>(361)</u>
NET SALES	1,416,223	1,416,453	43,456
COST OF SALES (Notes 18 and 20)	<u>(77,448)</u>	<u>(89,763)</u>	<u>(2,754)</u>
GROSS PROFIT	1,338,775	1,326,690	40,702
(UNREALIZED) REALIZED INTERCOMPANY PROFIT (Note 2)	<u>(5,360)</u>	<u>1,370</u>	<u>42</u>
REALIZED GROSS PROFIT	<u>1,333,415</u>	<u>1,328,060</u>	<u>40,744</u>
OPERATING EXPENSES (Notes 18 and 20)			
Selling	(222,232)	(183,952)	(5,644)
General and administrative	(78,346)	(94,481)	(2,898)
Research and development	<u>(192,223)</u>	<u>(202,615)</u>	<u>(6,216)</u>
Total operating expenses	<u>(492,801)</u>	<u>(481,048)</u>	<u>(14,758)</u>
OPERATING INCOME	<u>840,614</u>	<u>847,012</u>	<u>25,986</u>
NONOPERATING INCOME AND GAINS			
Interest income	11,767	23,607	724
Gain on sale of investments, net (Note 2)	105,620	43,669	1,340
Valuation gain on financial assets (Notes 2, 3 and 5)	-	68,230	2,093
Subsidy income	9,256	1,500	46
Others	<u>9,957</u>	<u>51,439</u>	<u>1,578</u>
Total nonoperating income and gains	<u>136,600</u>	<u>188,445</u>	<u>5,781</u>
NONOPERATING EXPENSES AND LOSSES			
Impairment loss of Goodwill (Note 2)	-	(14,994)	(459)
Investment loss on equity-method investments, net (Notes 2 and 9)	(19,567)	(47,610)	(1,461)
Other investment loss (Notes 2 and 10)	(30,233)	(129,614)	(3,976)
Foreign exchange loss, net (Note 2)	(14,482)	(6,120)	(188)
Valuation loss on financial assets (Notes 2, 3 and 5)	(6,662)	-	-
Others (Notes 2, 3 and 5)	<u>(52)</u>	<u>(631)</u>	<u>(20)</u>
Total nonoperating expenses and losses	<u>(70,996)</u>	<u>(198,969)</u>	<u>(6,104)</u>

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SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2005 AND 2006 (In Thousands, Except Consolidated Earnings Per Share)

	2005	2006	
	NT\$	NT\$	US\$
INCOME BEFORE INCOME TAX	906,218	836,488	25,663
INCOME TAX EXPENSE (Notes 2 and 16)	<u>(27,000)</u>	<u>(109,000)</u>	<u>(3,344)</u>
CONSOLIDATED NET INCOME	<u>\$ 879,218</u>	<u>\$ 727,488</u>	<u>\$ 22,319</u>
ATTRIBUTABLE TO			
Stockholders of the parent	880,221	727,488	22,319
Minority interest	<u>(1,003)</u>	<u>-</u>	<u>-</u>
	<u>\$ 879,218</u>	<u>\$ 727,488</u>	<u>\$ 22,319</u>

	2005		2006			
	Before Income Tax	After Income Tax	Before Income Tax		After Income Tax	
	NT\$	NT\$	NT\$	US\$	NT\$	US\$
CONSOLIDATED EARNINGS PER SHARE (Note 17)						
Basic earnings per share	<u>\$ 4.62</u>	<u>\$ 4.48</u>	<u>\$ 4.31</u>	<u>\$ 0.13</u>	<u>\$ 3.75</u>	<u>\$ 0.12</u>
Diluted earnings per share	<u>\$ 4.61</u>	<u>\$ 4.47</u>	<u>\$ 4.28</u>	<u>\$ 0.13</u>	<u>\$ 3.72</u>	<u>\$ 0.11</u>

(Concluded)

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

(With Deloitte & Touche audit report dated March 21, 2007)

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Stockholders of the Parent											Total Stockholders' Equity
	Capital Stock Issued (Note 14)		Capital Surplus (Notes 2 and 14)	Retained Earnings (Note 14)			Unrealized Gains on Financial Instruments (Note 2)	Others		Minority Interest in Subsidiaries (Note 2)	Total	
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings		Cumulative Translation Adjustments (Note 2)	Treasury Stock (Notes 2 and 15)			
BALANCE, JANUARY 1, 2005	164,735	\$ 1,647,347	\$ 1,758,352	\$ 171,517	\$ -	\$ 822,588	\$ -	\$ (28,848)	\$ (171,145)	\$ 4,199,811	\$ 16,650	\$ 4,216,461
Distribution of 2004 earnings												
Appropriation for legal reserve	-	-	-	81,276	-	(81,276)	-	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	28,848	(28,848)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(488,204)	-	-	-	(488,204)	-	(488,204)
Bonuses to employees, directors and supervisors	-	-	-	-	-	(86,474)	-	-	-	(86,474)	-	(86,474)
Stock bonus to employees	4,000	40,000	-	-	-	(40,000)	-	-	-	-	-	-
Stock dividends	8,237	82,367	-	-	-	(82,367)	-	-	-	-	-	-
Stock dividends from capital surplus	8,136	81,367	(81,367)	-	-	-	-	-	-	-	-	-
Adjustment for changes in stockholders' equities of equity-accounted investees	-	-	(361)	-	-	-	-	-	-	(361)	-	(361)
Cumulative translation adjustment	-	-	-	-	-	-	-	28,831	-	28,831	-	28,831
Consolidated net income for 2005	-	-	-	-	-	880,221	-	-	-	880,221	(1,003)	879,218
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	(15,647)	(15,647)
BALANCE, DECEMBER 31, 2005	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 for changes in stockholders' equities of equity-accounted 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 loss on available-for-sale financial assets	-	-	-	-	-	-	792	-	-	792	-	792
Investments accounted for using equity method	-	-	-	-	-	-	1,499	-	-	1,499	-	1,499
Increase in treasury stock	-	-	-	-	-	-	-	-	(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

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

(With Deloitte & Touche audit report dated March 21, 2007)

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2005 AND 2006 (In Thousands)

	2005	2006	
	NT\$	NT\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributable to stockholders of the parent	\$ 880,221	\$ 727,488	\$ 22,319
Net income attributable to minority interest	(1,003)	-	-
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	40,371	46,683	1,432
Valuation loss (gain) on financial assets	6,662	(68,230)	(2,093)
Impairment loss of Goodwill	-	14,994	459
Other investment loss	30,233	129,614	3,976
Gain on disposal of investments	(105,620)	(43,669)	(1,340)
Investment loss on equity-method investees	19,567	47,610	1,461
Dividends received from equity method investees	9,995	19,861	609
Unrealized (realized) intercompany profit	5,360	(1,370)	(42)
Deferred income tax	6,006	12,040	369
Accrued pension liability	869	(1,471)	(45)
Others	(76)	362	12
Net changes in operating assets and liabilities			
Financial assets for trading	1,161,832	724,301	22,221
Accounts receivable	(84,480)	(50,000)	(1,534)
Other receivable	(60,150)	9,928	305
Inventories	(9,403)	5,614	172
Other financial assets	1,621	(879)	(27)
Other current assets	12,673	6,197	190
Accounts payable	56,681	(56,871)	(1,745)
Income tax payable	(2,382)	60,467	1,855
Accrued expenses	8,068	(74,027)	(2,271)
Unearned revenue	(173,401)	(6,583)	(202)
Other current liabilities	37,687	5,410	166
Other liabilities	15,000	(29,000)	(890)
Net cash provided by operating activities	<u>1,856,331</u>	<u>1,478,469</u>	<u>45,357</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of long-term investments	(120,607)	(189,051)	(5,800)
Acquisition of available-for-sale financial assets	-	(1,925,975)	(59,088)
Proceeds from sales of available-for-sale financial assets	-	1,422,605	43,645
Proceeds from decrease of capital of investee	6,800	21,439	658
Proceeds from sales of long-term investments	6,346	16,385	503
Acquisition of property, plant and equipment	(164,068)	(162,590)	(4,988)
Increase in goodwill	(14,952)	-	-
Minority interest	(15,647)	-	-
Others	<u>(1,283)</u>	<u>(363)</u>	<u>(11)</u>

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SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2005 AND 2006 (In Thousands)

	2005	2006	
	NT\$	NT\$	US\$
Net cash used in investing activities	<u>(303,411)</u>	<u>(817,550)</u>	<u>(25,081)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends	(488,204)	(567,635)	(17,415)
Cash bonds to employees and Remuneration paid to directors and supervisors	(44,782)	(50,049)	(1,535)
Purchase of treasury stock	-	(195,140)	(5,987)
Decrease in guarantee deposits received	<u>(489)</u>	<u>(19)</u>	<u>(1)</u>
Net cash used in financing activities	<u>(533,475)</u>	<u>(812,843)</u>	<u>(24,938)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>34,150</u>	<u>(7,930)</u>	<u>(242)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,053,595	(159,854)	(4,904)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>820,317</u>	<u>1,873,912</u>	<u>57,491</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,873,912</u>	<u>\$ 1,714,058</u>	<u>\$ 52,587</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Income tax paid	<u>\$ 23,375</u>	<u>\$ 36,494</u>	<u>\$ 1,120</u>
NONCASH INVESTING AND FINANCING ACTIVITIES			
Transfer the credit balance of long-term investment to other current liabilities	<u>\$ -</u>	<u>\$ 2,276</u>	<u>\$ 70</u>
CASH PAID FOR ACQUISITION OF PROPERTY, PANT AND EQUIPMENT			
Total acquisition	\$ 169,850	\$ 179,123	\$ 5,495
Equipment payable, beginning of year	5,582	11,364	349
Equipment payable, end of year	<u>(11,364)</u>	<u>(27,897)</u>	<u>(856)</u>
Net cash paid	<u>\$ 164,068</u>	<u>\$ 162,590</u>	<u>\$ 4,988</u>

(Concluded)

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