

# SPRINGSOFT INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

JUNE 30, 2005 AND 2006

(In Thousands, Except Par Value)

(Reviewed, Not Audited)

ASSETS	2005	2006		LIABILITIES AND STOCKHOLDERS' EQUITY	2005	2006	
	NT\$	NT\$	US\$		NT\$	NT\$	US\$
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
Cash and cash equivalents (Notes 2, 4 and 19)	\$ 1,672,921	\$ 1,983,115	\$ 61,264	Financial liabilities at fair value through profit or loss - current (Notes 2, 3, 5 and 19)	\$ 573	\$ 106	\$ 3
Financial assets at fair value through profit or loss - current (Notes 2, 3, 5 and 19)	1,877,481	1,205,401	37,238	Accounts payable (Notes 19 and 20)	3,600	28,889	892
Available-for-sale financial assets - current (Notes 2, 3, 6 and 19)	-	406,646	12,562	Income tax payable (Notes 2 and 16)	10,363	38,833	1,200
Accounts receivable (Notes 2, 7, 19 and 20)	265,205	354,320	10,946	Accrued expenses (Notes 19 and 20)	146,021	115,241	3,560
Other receivables (Note 19)	-	54,459	1,682	Other payable (Note 12)	568,973	732,448	22,627
Other financial assets (Note 19)	3,380	5,236	162	Unearned revenue (Note 20)	66,952	27,215	841
Inventories (Notes 2 and 8)	-	5,906	182	Other current liabilities (Notes 2, 16 and 20)	59,635	88,185	2,724
Other current assets (Notes 2 and 16)	41,755	12,822	396				
Total current assets	3,860,742	4,027,905	124,432	Total current liabilities	856,117	1,030,917	31,847
<b>LONG-TERM INVESTMENTS</b>				<b>OTHER LIABILITIES</b>			
Investments accounted for using equity method (Notes 2, 9 and 19)	497,461	493,220	15,237	Accrued pension liability (Notes 2 and 13)	11,838	9,651	298
Financial assets carried at cost - noncurrent (Notes 2, 3, 10 and 19)	191,718	156,329	4,829	Guarantee deposits received	2,964	2,462	76
Total long-term investments	689,179	649,549	20,066	Deferred income tax liabilities (Notes 2 and 16)	14,905	20,597	636
				Deferred credits (Note 2)	-	6,236	193
				Others (Note 2)	36,500	51,500	1,590
				Total other liabilities	66,207	90,446	2,793
				Total liabilities	922,324	1,121,363	34,640
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 11)</b>				<b>EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT</b>			
Cost				(Notes 2 and 14)			
Buildings	293,426	293,426	9,065	Common stock, \$10 par value			
Machinery and equipment	193,171	248,267	7,670	Authorized - 300,000 thousand shares; Issued - 164,735 thousand shares in 2005 and 185,108 thousand shares in 2006	1,647,347	1,851,081	57,185
Office equipment	15,862	17,748	548	Stock dividends to be distributed	203,734	129,554	4,002
Leasehold improvements	2,095	2,095	65		1,851,081	1,980,635	61,187
Other facilities	1,504	1,584	49	Capital surplus			
	506,058	563,120	17,397	Paid-in capital in excess of par value	475,748	475,748	14,697
Accumulated depreciation	(134,606)	(176,134)	(5,441)	Arising from conversion of bonds	1,155,693	1,155,693	35,703
Advance payments and construction in progress	75,259	223,192	6,895	Gain on sale of fixed assets	380	380	12
Net property, plant and equipment	446,711	610,178	18,851	Arising from long-term investments	45,164	44,683	1,380
				Total capital surplus	1,676,985	1,676,504	51,792
<b>INTANGIBLE ASSETS</b>				Retained earnings			
Other intangible assets	312	149	4	Legal reserve	252,793	340,815	10,529
				Special reserve	28,848	28,848	891
<b>OTHER ASSETS</b>				Unappropriated earnings	456,058	391,499	12,095
Guarantee deposits paid (Note 19)	202	278	9	Total retained earnings	737,699	761,162	23,515
Certificate of deposit - restricted (Note 19)	-	610	19	Others			
Others	542	312	10	Cumulative translation adjustments (Note 2)	(38,715)	(13,999)	(432)
Total other assets	744	1,200	38	Unrealized losses on financial instruments	-	(2,277)	(70)
				Total others (Note 2)	(38,715)	(16,276)	(502)
				Treasury stock (at cost) - 2,000 thousand shares in 2005 and 3,289 thousand shares in 2006 (Notes 2 and 15)	(171,145)	(234,407)	(7,241)
<b>TOTAL</b>	<b>\$ 4,997,688</b>	<b>\$ 5,288,981</b>	<b>\$ 163,391</b>	Total equity attributable to stockholders of the parent	4,055,905	4,167,618	128,751
				MINORITY INTEREST IN SUBSIDIARIES(Note 2)	19,459	-	-
				Total stockholders' equity	4,075,364	4,167,618	128,751
				<b>TOTAL</b>	<b>\$ 4,997,688</b>	<b>\$ 5,288,981</b>	<b>\$ 163,391</b>

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

(With Deloitte & Touche accountants' review report dated July 19, 2006)

## SPRINGSOFT INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME SIX MONTHS ENDED JUNE 30, 2005 AND 2006 (In Thousands, Except Consolidated Earnings Per Share) (Reviewed, Not Audited)

	2005	2006	
	NT\$	NT\$	US\$
GROSS SALES (Note 20)	\$ 696,569	\$ 743,306	\$ 22,963
SALES RETURNS AND ALLOWANCES	<u>3,278</u>	<u>10,226</u>	<u>316</u>
NET SALES	693,291	733,080	22,647
COST OF SALES (Notes 18 and 20)	<u>21,296</u>	<u>42,838</u>	<u>1,323</u>
GROSS PROFIT	671,995	690,242	21,324
UNREALIZED INTERCOMPANY PROFIT (Note 2)	<u>-</u>	<u>876</u>	<u>27</u>
REALIZED GROSS PROFIT	<u>671,995</u>	<u>689,366</u>	<u>21,297</u>
OPERATING EXPENSES (Notes 18 and 20)			
Selling	129,067	93,950	2,902
General and administrative	34,477	47,353	1,463
Research and development	<u>92,646</u>	<u>108,886</u>	<u>3,364</u>
Total operating expenses	<u>256,190</u>	<u>250,189</u>	<u>7,729</u>
OPERATING INCOME	<u>415,805</u>	<u>439,177</u>	<u>13,568</u>
NONOPERATING INCOME AND GAINS			
Gain on sale of investments, net (Note 2)	48,066	13,955	431
Subsidy income	6,503	-	-
Valuation gain on financial assets (Notes 2, 3 and 5)	-	27,410	847
Interest income	3,649	9,590	296
Others	<u>17,905</u>	<u>286</u>	<u>9</u>
Total nonoperating income and gains	<u>76,123</u>	<u>51,241</u>	<u>1,583</u>
NONOPERATING EXPENSES AND LOSSES			
Impairment loss of Goodwill (Note 2)	-	15,050	465
Investment loss on equity-method investments, net (Notes 2 and 9)	16,629	23,471	725
Foreign exchange loss, net (Note 2)	19,860	4,817	149
Valuation loss on financial liabilities (Notes 2, 3 and 5)	-	106	3
Others	<u>1,851</u>	<u>1,308</u>	<u>41</u>
Total nonoperating expenses and losses	<u>38,340</u>	<u>44,752</u>	<u>1,383</u>

(Continued)

# SPRINGSOFT INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME SIX MONTHS ENDED JUNE 30, 2005 AND 2006 (In Thousands, Except Consolidated Earnings Per Share) (Reviewed, Not Audited)

	2005		2006		
	NT\$	NT\$	US\$		
INCOME BEFORE INCOME TAX	\$ 453,588	\$ 445,666	\$ 13,768		
INCOME TAX EXPENSE (Notes 2 and 16)	<u>10,000</u>	<u>60,000</u>	<u>1,854</u>		
CONSOLIDATED NET INCOME	<u>\$ 443,588</u>	<u>\$ 385,666</u>	<u>\$ 11,914</u>		
ATTRIBUTABLE TO					
Stockholders of the parent	\$ 440,639	\$ 385,666	\$ 11,914		
Minority interest	<u>2,949</u>	<u>-</u>	<u>-</u>		
	<u>\$ 443,588</u>	<u>\$ 385,666</u>	<u>\$ 11,914</u>		
	<b>2005</b>		<b>2006</b>		
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>		<b>After Income Tax</b>
	NT\$	NT\$	NT\$	US\$	NT\$      US\$
CONSOLIDATED EARNINGS PER SHARE (Note 17)					
Basic earnings per share	<u>\$ 2.46</u>	<u>\$ 2.41</u>	<u>\$ 2.43</u>	<u>\$ 0.08</u>	<u>\$ 2.11</u> <u>\$ 0.07</u>
Diluted earnings per share	<u>\$ 2.45</u>	<u>\$ 2.40</u>	<u>\$ 2.43</u>	<u>\$ 0.08</u>	<u>\$ 2.10</u> <u>\$ 0.06</u>

(Concluded)

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

(With Deloitte & Touche accountants' review report dated July 19, 2006)

## SPRINGSOFT INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY SIX MONTHS ENDED JUNE 30, 2005 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, not Audited)

	Equity Attributable to Stockholders of the Parent											Total Stockholders' Equity
	Capital Stock Issued (Note 14)		Stock Dividends to be Distributed	Capital Surplus	Retained Earnings (Note 14)			Unrealized Gains on Financial Instruments (Note 2)	Others		Minority Gains on Subsidiaries (Note 2)	
	Shares (Thousands)	Amount			Legal Reserve	Special Reserve	Unappropriated Earnings		Cumulative Translation Adjustments (Note 2)	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
Appropriation 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 for changes in stockholders' equities of equity-accounted investees	-	-	-	(120)	-	-	-	-	-	-	-	(120)
Cumulative translation adjustment	-	-	-	-	-	-	-	-	(13,982)	-	-	(13,982)
Consolidated 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	-	-	-	-	-	-	-	-	-	(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>\$ -</b>	<b>\$ 4,167,618</b>
BALANCE, JANUARY 1, 2005	164,735	\$ 1,647,347	\$ -	\$ 1,758,352	\$ 171,517	\$ -	\$ 822,588	\$ -	\$ (28,848)	\$ (171,145)	\$ 16,650	\$ 4,216,461
Appropriation 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)
Bonuses to employees, directors and supervisors	-	-	-	-	-	-	(86,474)	-	-	-	-	(86,474)
Stock bonus to employees	-	-	40,000	-	-	-	(40,000)	-	-	-	-	-
Stock dividends	-	-	82,367	-	-	-	(82,367)	-	-	-	-	-
Stock dividends from capital surplus	-	-	81,367	(81,367)	-	-	-	-	-	-	-	-
Cumulative translation adjustment	-	-	-	-	-	-	-	-	(9,867)	-	-	(9,867)
Consolidated net income for the six months ended June 30, 2005	-	-	-	-	-	-	440,639	-	-	-	2,949	443,588
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	(140)	(140)
<b>BALANCE, JUNE 30, 2005</b>	<b>164,735</b>	<b>\$ 1,647,347</b>	<b>\$ 203,734</b>	<b>\$ 1,676,985</b>	<b>\$ 252,793</b>	<b>\$ 28,848</b>	<b>\$ 456,058</b>	<b>\$ -</b>	<b>\$ (38,715)</b>	<b>\$ (171,145)</b>	<b>\$ 19,459</b>	<b>\$ 4,075,364</b>

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

(With Deloitte & Touche accountants' review report dated July 19, 2006)

# SPRINGSOFT INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2005 AND 2006

(In Thousands)

(Reviewed, Not Audited)

	2005	2006	
	NT\$	NT\$	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income attributable to stockholders of the parent	\$ 440,639	\$ 385,666	\$ 11,914
Net income attributable to minority interest	2,949	-	-
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,292	22,542	696
Valuation loss on financial liabilities	-	106	3
Impairment loss of Goodwill	-	15,050	465
Investment loss on equity-method investees	16,629	23,471	725
Unrealized intercompany profit	-	876	27
Loss on disposal of property, plant and equipment	-	152	5
Deferred income tax	465	12,611	390
Accrued pension liability	2,557	(499)	(15)
Others	(5,942)	(3,719)	(115)
Changes in operating assets and liabilities			
Financial assets for trading	632,522	251,874	7,781
Accounts receivable	42,539	(17,421)	(538)
Other receivable	-	5,691	176
Inventories	-	3,497	108
Other financial assets	727	52,575	1,624
Other current assets	4,430	8,292	256
Notes and accounts payable	(19,739)	(51,131)	(1,580)
Income tax payable	(13,661)	17,191	531
Accrued expenses	(10,415)	(49,263)	(1,522)
Unearned revenue	(138,138)	(4,474)	(138)
Other current liabilities	35,428	25,656	793
Other liabilities	7,500	7,500	232
Net cash provided by operating activities	<u>1,017,782</u>	<u>706,243</u>	<u>21,818</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in Available-for-sale financial assets	-	(408,923)	(12,633)
Increase in long-term stock investment in accounted for by equity method	(90,489)	(32,370)	(1,000)
Proceeds from decrease of capital of investee	6,800	4,490	139
Proceeds from sales of long-term investments	6,346	8,010	247
Acquisition of property, plant and equipment	(55,063)	(78,608)	(2,428)
Proceeds from disposal of property, plant and equipment	-	53	2
Others	(400)	342	10
Net cash used in investing activities	<u>(132,806)</u>	<u>(507,006)</u>	<u>(15,663)</u>

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## SPRINGSOFT INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2005 AND 2006

(In Thousands)

(Reviewed, Not Audited)

	<u>2005</u>	<u>2006</u>	
	NT\$	NT\$	US\$
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash bonus to employees and Remuneration paid to directors and supervisors	\$ (32,372)	\$ (26,736)	\$ (826)
Purchase of treasury stock	-	(63,262)	(1,954)
Others	-	(36)	(1)
	<u>(32,372)</u>	<u>(90,034)</u>	<u>(2,781)</u>
Net cash used in financing activities			
	<u>(32,372)</u>	<u>(90,034)</u>	<u>(2,781)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	852,604	109,203	3,374
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>820,317</u>	<u>1,873,912</u>	<u>57,890</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,672,921</u>	<u>\$ 1,983,115</u>	<u>\$ 61,264</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Income tax paid	<u>\$ 23,197</u>	<u>\$ 30,199</u>	<u>\$ 933</u>
Noncash investing and financing activities			
Cash dividend payable	<u>\$ 488,204</u>	<u>\$ 567,635</u>	<u>\$ 17,536</u>
Cash paid for acquisition of property, plant and equipment			
Total acquisition	\$ 50,078	\$ 86,435	2,670
Equipment payable, beginning of period	5,582	11,364	351
Equipment payable, end of period	<u>(597)</u>	<u>(19,191)</u>	<u>(593)</u>
Net cash paid	<u>\$ 55,063</u>	<u>\$ 78,608</u>	<u>\$ 2,428</u>

(Concluded)

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(With Deloitte & Touche accountants' review report dated July 19, 2006)