

English Translation of Financial Statements Originally Issued in Chinese

SPRINGSOFT INC.

BALANCE SHEETS

June 30, 2004 AND 2005

(Amounts are Expressed in Thousands, Except Par Value)

ASSETS	2004	2005		LIABILITIES AND STOCKHOLDERS' EQUITY	2004	2005	
	NT\$	NT\$	US\$		NT\$	NT\$	US\$
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents	\$ 305,024	\$ 1,490,443	\$47,471	Short-term borrowing	\$ --	\$ -	\$ -
Short-term investments	2,255,474	1,419,723	45,218	Notes and accounts payable	23	3,600	115
Accounts receivable	270,868	219,231	6,983	Income tax payable	9,989	10,363	330
Other financial assets	12,912	3,380	108	Accrued expenses	93,054	114,026	3,632
Other current assets				Unearned revenue	259,590	64,555	2,056
	<u>40,505</u>	<u>37,208</u>	<u>1,185</u>	Other payable	386,621	568,973	18,122
Total current assets	<u>2,884,783</u>	<u>3,169,985</u>	<u>100,965</u>	Other current liabilities	<u>27,337</u>	<u>61,556</u>	<u>1,961</u>
				Total current liabilities	<u>776,614</u>	<u>823,073</u>	<u>26,215</u>
LONG-TERM INVESTMENTS							
Equity method	1,335,876	1,259,300	40,109	CONVERTIBLE BONDS	<u>64,123</u>	<u>--</u>	<u>--</u>
Cost method	<u>75,778</u>	<u>69,349</u>	<u>2,209</u>				
Total long-term investments	<u>1,411,654</u>	<u>1,328,649</u>	<u>42,318</u>	OTHER LIABILITIES			
				Accrued pension liability	8,387	11,838	377
PROPERTY, PLANT AND EQUIPMENT				Guarantee deposits received	559	559	17.80
Cost				Accrued tax	--	14,905	475
Buildings	293,426	293,426	9,346	Others	<u>20,000</u>	<u>36,500</u>	<u>1,163</u>
Machinery and equipment	154,635	193,171	6,153	Total other liabilities	<u>28,946</u>	<u>63,802</u>	<u>2,032</u>
Office equipment	8,704	8,835	281	Total liabilities	<u>869,683</u>	<u>886,875</u>	<u>28,247</u>
Leasehold improvements	2,095	2,095	67				
Other facilities	<u>1,446</u>	<u>1,446</u>	<u>46</u>	STOCKHOLDERS' EQUITY			
	460,306	498,973	15,892	Common stock—\$10 par value			
Accumulated depreciation	(86,690)	(130,600)	(4,160)	Authorized—175,000 thousand shares in 2004 and 300,000 thousand shares in 2005. Issued—138,189 thousand shares in 2004 and 164,735 thousand shares in 2005	1,381,885	1,647,347	52,468
Unfinished construction	<u>9,023</u>	<u>75,259</u>	<u>2,397</u>	Stock dividend to be distributed	<u>253,805</u>	<u>203,734</u>	<u>6,489</u>
Net property, plant and equipment	<u>380,410</u>	<u>443,632</u>	<u>14,130</u>	Total capital	<u>1,635,690</u>	<u>1,851,081</u>	<u>58,957</u>
				Capital surplus			
INTANGIBLE ASSETS				Paid-in capital in excess of par value	557,115	475,748	15,153
Other intangible assets	482	312	9.94	Arising from conversion of bonds	1,107,029	1,155,693	36,809
Deferred pension cost	<u>--</u>	<u>-</u>	<u>-</u>	Gain on sale of fixed assets	380	380	12.10
Total intangible assets	<u>482</u>	<u>312</u>	<u>9.94</u>	Arising from long-term investments	<u>45,164</u>	<u>45,164</u>	<u>1,438</u>
				Total capital surplus	<u>1,709,688</u>	<u>1,676,985</u>	<u>53,412</u>
OTHER ASSETS				Retained earnings			
Deferred bond issuance costs	--	-	-	Legal reserve	171,517	252,793	8,052
Guarantee deposits paid	<u>263</u>	<u>202</u>	<u>6.43</u>	Special reserve	-	28,848	919
Total other assets	<u>263</u>	<u>202</u>	<u>6.43</u>	Unappropriated earnings	<u>409,809</u>	<u>456,058</u>	<u>14,526</u>
				Total retained earnings	<u>581,326</u>	<u>737,699</u>	<u>23,496</u>
TOTAL ASSETS	<u>\$4,677,592</u>	<u>\$4,942,780</u>	<u>\$157,428</u>	Treasury stock (at cost)—156 thousand shares in 2004 and 2,000 thousand shares in 2005	(171,145)	(171,145)	(5,451)
				Cumulative translation adjustments	<u>52,350</u>	<u>(38,715)</u>	<u>(1,233)</u>
				Total stockholders' equity	<u>3,807,909</u>	<u>4,055,905</u>	<u>129,181</u>
				TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$4,677,592</u>	<u>\$4,942,780</u>	<u>\$157,1428</u>

English Translation of Financial Statements Originally Issued in Chinese

SPRINGSOFT INC.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED June 30, 2004 AND 2005

(Amounts are Expressed in Thousands, Except Earnings Per Share)

	<u>2004</u>	<u>2005</u>	
	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u>
GROSS SALES	\$ 612,335	\$ 696,512	\$ 22,184
SALES RETURNS AND ALLOWANCES	<u>616</u>	<u>3,278</u>	<u>104</u>
NET SALES	611,719	693,234	22,080
COST OF SALES	<u>22,226</u>	<u>25,062</u>	<u>798</u>
GROSS PROFIT	<u>589,493</u>	<u>668,172</u>	<u>21,281</u>
OPERATING EXPENSES			
Selling	130,864	157,447	5,015
General and administrative	20,203	25,682	818
Research and development	<u>94,364</u>	<u>92,646</u>	<u>2,951</u>
Total operating expenses	<u>245,431</u>	<u>275,775</u>	<u>8,784</u>
OPERATING INCOME	<u>344,062</u>	<u>392,397</u>	<u>12,498</u>
NONOPERATING INCOME AND GAINS			
Gains on sale of investments—net	54,189	44,663	1,423
Subsidy income	4,671	6,503	207
Interest income	4,496	2,071	66
Investment gains on equity-method investments	1,000	23,758	757
Foreign exchange gains	527	--	--
Others	<u>13,085</u>	<u>4,423</u>	<u>141</u>
Total non-operating income and gains	<u>77,968</u>	<u>81,418</u>	<u>2,593</u>
NONOPERATING EXPENSES AND LOSSES			
Interest expense	555	23	0.73
Investment loss on equity-method investments	--	--	--
Foreign exchange loss	--	21,325	679
Others	<u>6,999</u>	<u>1,828</u>	<u>58</u>
Total non-operating expenses and losses	<u>7,554</u>	<u>23,176</u>	738
INCOME BEFORE INCOME TAX	414,476	450,639	14,353
INCOME TAX EXPENSE	<u>14,500</u>	<u>10,000</u>	<u>319</u>
NET INCOME	<u>\$ 399,976</u>	<u>\$ 440,639</u>	<u>\$14,034</u>

(Continued)

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	<u>2004</u>		<u>2005</u>			
	<u>Before</u>	<u>After</u>	<u>Before</u>		<u>After</u>	
	<u>Income</u>	<u>Income</u>	<u>Income</u>		<u>Income</u>	
	<u>Tax</u>	<u>Tax</u>	<u>Tax</u>		<u>Tax</u>	
	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
EARNINGS PER SHARE						
Basic earnings per share	<u>\$ 2.61</u>	<u>\$ 2.52</u>	<u>\$ 2.77</u>	<u>\$ 0.09</u>	<u>\$ 2.71</u>	<u>\$ 0.09</u>
Diluted earnings per share	<u>\$ 2.52</u>	<u>\$ 2.43</u>	<u>\$ 2.76</u>	<u>\$ 0.09</u>	<u>\$ 2.70</u>	<u>\$ 0.09</u>

(Concluded)

SPRINGSOFT INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED June 30, 2003 AND 2004
(Amounts are Expressed in Thousands of New Taiwan Dollars)

	<u>C a p i t a l</u>		<u>S t o c k I s s u e d</u>		Capital Surplus	<u>R e t a i n e d E a r n i n g s</u>			Treasury stock	Cumulative translation Adjustment	Total
	Shares (thousands)	A m o u n t	Certificates of bond-to-stock conversion	Stock dividend to be distributed		Legal Reserve	Special Reserve	Unappropriat e earnings			
BALANCE, JANUARY 1, 2004	126,163	\$1,252,379	\$ 9,250	\$ -	\$1,257,799	\$ 116,486	\$ -	\$ 557,788	\$ -	\$ 52,350	\$3,246,052
CB converted to common stocks	12,026	129,506	(9,250)	-	588,078	-	-	-	-	-	708,334
Distribution of 2003 earnings:											
Appropriation for legal reserve	-	-	-	-	-	55,031	-	(55,031)	-	-	-
Cash dividends	-	-	-	-	-	-	-	(334,159)	-	-	(334,159)
Bonuses to employees, directors and supervisors	-	-	-	-	-	-	-	(41,149)	-	-	(41,149)
Stock bonus to employees	-	-	-	48,000	-	-	-	(48,000)	-	-	-
Stock dividends	-	-	-	69,616	-	-	-	(69,616)	-	-	-
Stock dividend from capital surplus	-	-	-	136,189	(136,189)	-	-	-	-	-	-
Net income for the six months ended June 30, 2004	-	-	-	-	-	-	-	399,976	-	-	399,976
Purchase of treasury stock	-	-	-	-	-	-	-	-	(171,145)	-	(171,145)
BALANCE, June 30, 2004	<u>138,189</u>	<u>\$1,381,885</u>	<u>\$ -</u>	<u>\$ 253,805</u>	<u>\$1,709,688</u>	<u>\$ 171,517</u>	<u>\$ -</u>	<u>\$ 409,809</u>	<u>(\$ 171,145)</u>	<u>\$ 52,350</u>	<u>\$3,807,909</u>
BALANCE, JANUARY 1, 2004	164,735	\$1,647,347	\$ -	\$ -	\$1,758,352	\$ 171,517	\$ -	\$ 822,588	(\$ 171,145)	(\$ 28,848)	\$4,199,811
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)
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 Adjustments	-	-	-	-	-	-	-	-	-	(9,867)	(9,867)
Net income for the six months ended June 31, 2004	-	-	-	-	-	-	-	440,639	-	-	440,639
BALANCE, June 30, 2004	<u>164,735</u>	<u>\$1,647,347</u>	<u>\$ -</u>	<u>\$ 203,734</u>	<u>\$1,676,985</u>	<u>\$ 252,793</u>	<u>\$ 28,848</u>	<u>\$ 456,058</u>	<u>(\$ 171,145)</u>	<u>(\$ 38,715)</u>	<u>\$4,055,905</u>

SPRINGSOFT INC.

**STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED June 31, 2004 AND 2005
(Amounts are Expressed in Thousands)**

	<u>2004</u>	<u>2005</u>	
	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 399,976	\$ 440,639	\$14,034
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	16,723	18,592	592
Others	955	83	2.64
Investment loss (gain) on equity-method investees	(1,000)	(23,758)	(757)
Accrued interest compensation	(4,303)	--	--
Foreign exchange gain from convertible bond	(13,817)	--	--
Accrued pension liability	1,011	2,557	81
Changes in assets and liabilities provided (used) cash:			
Short-term investments	(229,173)	609,865	19,424
Accounts receivable	(88,868)	42,080	1,340
Other financial assets	(5,767)	727	23.16
Other current assets	528	14,206	452
Notes and accounts payable	(5,024)	3,044	97
Income tax payable	(5,381)	(13,661)	(435)
Accrued expenses	(35,283)	(16,017)	(510)
Unearned revenue	43,780	(145,011)	(4,619)
Other current liabilities	21,378	31,836	1,014
Other liabilities	<u>6,000</u>	<u>22,405</u>	<u>714</u>
Net cash provided by operating activities	<u>101,735</u>	<u>987,587</u>	<u>31,455</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of long-term investments	(302,741)	--	--
Fund from reducing capital of long-term investment	--	6,800	217
Proceeds from sale of long-term investment	--	6,346	202
Acquisition of property, plant and equipment	(14,857)	(54,633)	(1,740)
Decrease (increase) in refundable deposits	<u>61</u>	<u>--</u>	<u>--</u>
Net cash used in investing activities	<u>(317,659)</u>	<u>(41,487)</u>	<u>(1,321)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Employees' bonuses and directors' remuneration	(11,475)	(32,372)	(1,031)
Purchase of treasury stock	<u>(171,145)</u>	<u>--</u>	<u>--</u>
Net cash used in financing activities	<u>(182,620)</u>	<u>(32,372)</u>	<u>(1,031)</u>

(Continued)

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	<u>2004</u>	<u>2005</u>	
	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(\$ 398,544)	\$ 913,728	\$29,102
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>703,568</u>	<u>576,715</u>	<u>18,368</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 305,024</u>	<u>\$ 1,490,443</u>	<u>\$47,471</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Income tax paid	<u>\$ 18,606</u>	<u>\$ 23,197</u>	<u>\$739</u>
Interest paid	<u>\$ 34</u>	<u>\$ 23</u>	<u>\$1</u>
Noncash investing and financing activities			
Foreign unsecured convertible bond converted to common stock	<u>\$ 120,256</u>	<u>\$ --</u>	<u>\$ --</u>
Capital surplus from bond conversion	<u>\$ 588,078</u>	<u>\$ --</u>	<u>\$ --</u>
Cash paid for acquisition of property, plant and equipment			
Total acquisition	\$ 17,467	\$ 49,648	\$1,581
Equipment payable	<u>(2,610)</u>	<u>4,985</u>	<u>(159)</u>
Net cash paid	<u>\$ 14,857</u>	<u>\$ 54,633</u>	<u>\$1,740</u>