

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2004 AND 2005

(Amounts 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 (Notes 2 and 3)	\$ 820,317	\$ 1,873,912	\$ 57,045	Notes and accounts payable (Note 15)	\$ 23,339	\$ 80,020	\$ 2,436
Short-term investments, net (Notes 2 and 4)	2,514,631	1,461,523	44,491	Income tax payable (Notes 2 and 12)	24,024	21,642	659
Accounts receivable (Notes 2, 5 and 15)	307,744	336,899	10,256	Accrued expenses (Note 15)	156,436	164,504	5,008
Other financial assets	4,107	117,961	3,591	Other payable	31,652	79,126	2,409
Inventories (Notes 2 and 6)	-	9,403	286	Unearned revenue (Note 15)	205,090	31,689	965
Other current assets (Notes 2, 12 and 17)	31,745	33,172	1,010	Other current liabilities	24,780	62,467	1,902
Total current assets	3,678,544	3,832,870	116,679	Total current liabilities	465,321	439,448	13,379
LONG-TERM INVESTMENTS (Notes 2 and 7)				OTHER LIABILITIES			
Equity method	332,683	493,593	15,026	Accrued pension liability (Notes 2 and 9)	9,281	10,150	309
Cost method	199,296	166,246	5,061	Guarantee deposits received	2,987	2,498	76
Prepayment for subscribed stocks	95,751	-	-	Deferred income tax liabilities (Notes 2 and 12)	-	20,106	612
Total long-term investments	627,730	659,839	20,087	Deferred credits (Note 2)	-	5,360	163
				Others (Note 2)	29,000	44,000	1,339
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 8)				Total other liabilities	41,268	82,114	2,499
Cost				Total liabilities	506,589	521,562	15,878
Buildings	293,426	293,426	8,932	EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT			
Machinery and equipment	180,841	227,170	6,915	(Notes 2 and 10)			
Office equipment	15,541	17,450	531	Common stock - \$10 par value			
Leasehold improvements	2,095	2,095	64	Authorized - 300,000 thousand shares			
Other facilities	1,456	1,508	46	Issued - 164,735 thousand shares in 2004 and 185,108 thousand shares in 2005	1,647,347	1,851,081	56,349
Accumulated depreciation	(115,564)	(155,255)	(4,726)	Capital surplus			
Advance payments and construction in progress	37,941	159,903	4,868	Paid-in capital in excess of par value	557,115	475,748	14,482
Net property, plant and equipment	415,736	546,297	16,630	Arising from conversion of bonds	1,155,693	1,155,693	35,181
INTANGIBLE ASSETS				Gain on sale of fixed assets	380	380	12
Goodwill (Note 2)	-	14,479	439	Arising from long-term investments	45,164	44,803	1,364
Other intangible assets	397	234	7	Total capital surplus	1,758,352	1,676,624	51,039
Total intangible assets	397	14,713	446	Retained earnings			
OTHER ASSETS				Legal reserve	171,517	252,793	7,695
Guarantee deposits paid	532	620	19	Special reserve	-	28,848	878
Certificate of deposit - restricted	-	610	19	Unappropriated earnings	822,588	895,640	27,265
Others	111	437	13	Total retained earnings	994,105	1,177,281	35,838
Total other assets	643	1,667	51	Cumulative translation adjustments (Note 2)	(28,848)	(17)	(1)
				Treasury stock (at cost) - 2,000 thousand shares (Notes 2 and 11)	(171,145)	(171,145)	(5,210)
TOTAL	\$ 4,723,050	\$ 5,055,386	\$ 153,893	Total equity attributable to stockholders of the parent	4,199,811	4,533,824	138,015
				MINORITY INTEREST IN SUBSIDIARIES (Note 2)	16,650	-	-
				Total stockholders' equity	4,216,461	4,533,824	138,015
				TOTAL	\$ 4,723,050	\$ 5,055,386	\$ 153,893

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

(With Deloitte & Touche audit report dated February 27, 2006)

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2004 AND 2005

(Amounts in Thousands, Except Consolidated Earnings Per Share)

	<u>2004</u>	<u>2005</u>	
	NT\$	NT\$	US\$
GROSS SALES	\$ 1,367,354	\$ 1,430,855	\$ 43,557
SALES RETURNS AND ALLOWANCES	<u>22,721</u>	<u>14,632</u>	<u>445</u>
NET SALES (Note 15)	1,344,633	1,416,223	43,112
COST OF SALES (Notes 14 and 15)	<u>49,026</u>	<u>77,448</u>	<u>2,358</u>
GROSS PROFIT	1,295,607	1,338,775	40,754
UNREALIZED INTERCOMPANY PROFIT (Note 2)	<u>-</u>	<u>5,360</u>	<u>163</u>
REALIZED GROSS PROFIT	<u>1,295,607</u>	<u>1,333,415</u>	<u>40,591</u>
OPERATING EXPENSES (Notes 2, 14 and 15)			
Selling	233,710	222,232	6,765
General and administrative	63,180	78,346	2,385
Research and development	<u>205,533</u>	<u>192,223</u>	<u>5,852</u>
Total operating expenses	<u>502,423</u>	<u>492,801</u>	<u>15,002</u>
OPERATING INCOME	<u>793,184</u>	<u>840,614</u>	<u>25,589</u>
NONOPERATING INCOME AND GAINS			
Gain on sale of investments, net (Note 2)	87,331	105,620	3,215
Interest income	11,844	11,767	358
Subsidy income	13,703	9,256	282
Others	<u>9,431</u>	<u>9,957</u>	<u>303</u>
Total nonoperating income and gains	<u>122,309</u>	<u>136,600</u>	<u>4,158</u>
NONOPERATING EXPENSES AND LOSSES			
Other investment loss (Notes 2 and 7)	-	30,233	920
Investment loss on equity-method investments, net (Notes 2 and 7)	60,694	19,567	596
Foreign exchange loss, net (Note 2)	9,893	14,482	441
Provision for decline in value of short-term investments (Notes 2 and 4)	3,552	6,662	203
Others	<u>955</u>	<u>52</u>	<u>2</u>
Total nonoperating expenses and losses	<u>75,094</u>	<u>70,996</u>	<u>2,162</u>

(Continued)

	<u>2004</u>	<u>2005</u>	
	NT\$	NT\$	US\$
INCOME BEFORE INCOME TAX	\$ 840,399	\$ 906,218	\$ 27,585
INCOME TAX EXPENSE (Notes 2 and 12)	<u>27,353</u>	<u>27,000</u>	<u>822</u>
NET INCOME	<u>\$ 813,046</u>	<u>\$ 879,218</u>	<u>\$ 26,763</u>
ATTRIBUTABLE TO			
Stockholders of the parent	\$ 812,755	\$ 880,221	\$ 26,795
Minority interest	<u>291</u>	<u>(1,003)</u>	<u>(32)</u>
	<u>\$ 813,046</u>	<u>\$ 879,218</u>	<u>\$ 26,763</u>

	<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 Tax</u>		<u>Income Tax</u>	
	<u>Tax</u>	<u>Tax</u>	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
	NT\$	NT\$	NT\$	US\$	NT\$	US\$
CONSOLIDATED EARNINGS PER SHARE						
(Note 13)						
Basic earnings per share	<u>\$ 4.65</u>	<u>\$ 4.50</u>	<u>\$ 4.95</u>	<u>\$ 0.15</u>	<u>\$ 4.81</u>	<u>\$ 0.15</u>
Diluted earnings per share	<u>\$ 4.55</u>	<u>\$ 4.40</u>	<u>\$ 4.94</u>	<u>\$ 0.15</u>	<u>\$ 4.79</u>	<u>\$ 0.15</u>

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

(With Deloitte & Touche audit report dated February 27, 2006)

SPRINGSOFT INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2004 AND 2005
(Amounts in Thousands of New Taiwan Dollars)**

	Equity Attributable to Stockholders of the Parent											
	Capital Stock Issued (Note 10)			Capital Surplus (Notes 2 and 10)	Retained Earnings (Note 10)			Cumulative Translation Adjustments (Note 2)	Treasury Stock (Notes 2 and 11)	Total	Minority Interest in Subsidiaries (Note 2)	Total Stockholders' Equity
	Shares (Thousands)	Amount	Certificates of Bond-to-Stock Conversion		Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2004	126,163	\$ 1,252,379	\$ 9,250	\$ 1,257,799	\$ 116,486	\$ -	\$ 557,788	\$ 52,350	\$ -	\$ 3,246,052	\$ 4,687	\$ 3,250,739
Foreign unsecured convertible bond converted to common stock	13,191	141,163	(9,250)	636,742	-	-	-	-	-	768,655	-	768,655
Distribution of 2003 earnings												
Appropriation for legal reserve	-	-	-	-	55,031	-	(55,031)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(334,159)	-	-	(334,159)	-	(334,159)
Bonuses to employees, directors and supervisors	-	-	-	-	-	-	(41,149)	-	-	(41,149)	-	(41,149)
Stock bonus to employees	4,800	48,000	-	-	-	-	(48,000)	-	-	-	-	-
Stock dividends	6,962	69,616	-	-	-	-	(69,616)	-	-	-	-	-
Stock dividends from capital surplus	13,619	136,189	-	(136,189)	-	-	-	-	-	-	-	-
Cumulative translation adjustment	-	-	-	-	-	-	-	(81,198)	-	(81,198)	(776)	(81,974)
Consolidated net income for 2004	-	-	-	-	-	-	812,755	-	-	812,755	291	813,046
Purchase of treasury stock	-	-	-	-	-	-	-	-	(171,145)	(171,145)	-	(171,145)
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	12,448	12,448
BALANCE, DECEMBER 31, 2004	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

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 27, 2006)

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2004 AND 2005 (Amounts in Thousands)

	<u>2004</u>	<u>2005</u>	
	NT\$	NT\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income attributable to stockholders of the parent	\$ 812,755	\$ 880,221	\$ 26,795
Net income (loss) attributable to minority interest	291	(1,003)	(32)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	35,405	40,371	1,229
Provision for decline in value of short-term investments	3,552	6,662	203
Investment loss on equity-method investees	60,694	19,567	596
Accrued interest compensation	(5,186)	-	-
Foreign exchange gain from convertible bond	(13,323)	-	-
Other investment loss	-	30,233	920
Dividends received from equity method investees	-	9,995	304
Unrealized intercompany profit	-	5,360	163
Deferred income tax	-	6,006	183
Accrued pension liability	1,905	869	26
Others	(50,466)	34,074	1,038
Changes in assets and liabilities :			
Short-term investments	(179,412)	1,056,212	32,153
Accounts receivable	(84,139)	(29,155)	(888)
Other financial assets	3,038	(113,854)	(3,466)
Inventories	-	(9,403)	(286)
Other current assets	11,498	12,673	386
Notes and accounts payable	17,657	56,681	1,725
Income tax payable	8,654	(2,382)	(73)
Accrued expenses	17,196	8,068	246
Unearned revenue	(21,178)	(173,401)	(5,279)
Other current liabilities	18,354	37,687	1,147
Other liabilities	15,000	15,000	457
Net cash provided by operating activities	<u>652,295</u>	<u>1,890,481</u>	<u>57,547</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of long-term investments	(236,191)	(120,607)	(3,671)
Proceeds from decrease of capital of investee	-	6,800	207
Proceeds from sales of long-term investments	-	6,346	193
Acquisition of property, plant and equipment	(62,514)	(164,068)	(4,994)
Proceeds from disposal of property, plant and equipment	4,373	-	-
Increase in goodwill	-	(14,952)	(455)
Minority interest	12,448	(15,647)	(476)
Others	35	(1,283)	(39)
Net cash used in investing activities	<u>(281,849)</u>	<u>(303,411)</u>	<u>(9,235)</u>

(Continued)

	<u>2004</u>	<u>2005</u>	
	NT\$	NT\$	US\$
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of convertible bond	\$ (3,413)	\$ -	\$ -
Cash dividends	(334,159)	(488,204)	(14,862)
Directors' and supervisors' remuneration paid	(35,257)	(44,782)	(1,363)
Purchase of treasury stock	(171,145)	-	-
Decrease in guarantee deposits received	<u>(61,354)</u>	<u>(489)</u>	<u>(15)</u>
Net cash used in financing activities	<u>(605,328)</u>	<u>(533,475)</u>	<u>(16,240)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
	(234,882)	1,053,595	32,072
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,055,199</u>	<u>820,317</u>	<u>24,973</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 820,317</u>	<u>\$ 1,873,912</u>	<u>\$ 57,045</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Income tax paid	<u>\$ 18,755</u>	<u>\$ 23,375</u>	<u>\$ 712</u>
Noncash investing and financing activities			
Convertible bonds and certificates of bond to stock conversion converted to common stock	<u>\$ 141,163</u>	<u>\$ -</u>	<u>\$ -</u>
Capital surplus from bond conversion	<u>\$ 636,742</u>	<u>\$ -</u>	<u>\$ -</u>
Cash paid for acquisition of property, plant and equipment			
Total acquisition	\$ 68,096	\$ 169,850	\$ 5,170
Equipment payable, beginning of year	-	5,582	170
Equipment payable, end of year	<u>(5,582)</u>	<u>(11,364)</u>	<u>(346)</u>
Net cash paid	<u>\$ 62,514</u>	<u>\$ 164,068</u>	<u>\$ 4,994</u>

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(Concluded)

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