

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash (Notes 2 and 19)	\$ 2,544,243	43	\$ 1,686,607	30	Short-term loans (Notes 2, 11 and 19)	\$ 29,130	1	\$ -	-
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 19)	-	-	3,563	-	Income tax payable (Notes 2 and 16)	75,459	1	36,176	1
Available-for-sale financial assets - current (Notes 2, 4, 14 and 19)	149,680	3	673,872	12	Accrued expenses (Note 19)	369,781	6	578,349	10
Accounts receivable (Notes 2, 5 and 19)	310,267	5	239,495	4	Other payables (Note 19)	13,903	-	61,364	1
Other receivables (Note 19)	30,688	1	21,085	-	Receipts in advance	413,941	7	318,813	6
Other financial assets (Note 19)	65,401	1	2,828	-	Long-term debt - current portion (Notes 2, 12, 19 and 21)	1,770	-	-	-
Inventories (Notes 2 and 6)	2,700	-	9,126	-	Other current liabilities (Note 2)	90,810	2	34,701	-
Deferred income tax assets - current (Notes 2 and 16)	11,176	-	56,533	1					
Other current assets (Notes 2 and 21)	34,859	1	37,952	1	Total current liabilities	994,794	17	1,029,403	18
Total current assets	3,149,014	54	2,731,061	48	LONG-TERM DEBT (Notes 2, 12, 19 and 21)	48,230	1	50,000	1
INVESTMENTS					OTHER LIABILITIES				
Investments accounted for by the equity method (Notes 2 and 7)	158,210	2	140,495	2	Guarantee deposits received (Note 19)	2,216	-	2,456	-
Financial assets carried at cost - noncurrent (Notes 2, 8 and 19)	101,706	2	114,462	2	Others (Notes 2 and 13)	114,224	2	64,041	1
Total investments	259,916	4	254,957	4	Total other liabilities	116,440	2	66,497	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 9 and 21)					Total liabilities	1,159,464	20	1,145,900	20
Cost					EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 2, 14 and 15)				
Buildings	597,873	10	601,705	11	Capital stock				
Machinery and equipment	468,979	8	475,807	9	Common stock - \$10 par value				
Office equipment	25,747	1	19,069	-	Authorized - 300,000 thousand shares; issued - 207,335 thousand shares in 2010 and 207,103 thousand shares in 2009	2,073,354	35	2,071,028	37
Leasehold improvements	2,855	-	6,982	-	Advance receipts for common stock	14,292	-	-	-
Other facilities	2,735	-	4,578	-		2,087,646	35	2,071,028	37
Accumulated depreciation	1,098,189	19	1,108,141	20	Capital surplus				
Construction in progress and prepayments for equipment	(473,656)	(8)	(431,685)	(8)	Paid-in capital in excess of par value	445,718	8	417,059	7
	27	-	341	-	From conversion of bonds	1,129,329	19	1,129,329	20
Net property, plant and equipment	624,560	11	676,797	12	Gain on sale of assets	380	-	380	-
INTANGIBLE ASSETS					Long-term investments	46,082	1	44,014	1
Goodwill (Notes 2 and 10)	872,165	15	911,989	16	Employee stock options	17,010	-	10,776	-
Other intangible assets (Notes 2 and 10)	735,172	12	828,170	15	Total capital surplus	1,638,519	28	1,601,558	28
Total intangible assets	1,607,337	27	1,740,159	31	Retained earnings				
OTHER ASSETS					Legal reserve	539,713	9	512,328	9
Refundable deposits (Note 19)	7,065	-	60,739	1	Special reserve	41,841	1	28,848	1
Deferred income tax assets - noncurrent (Notes 2 and 16)	234,242	4	213,365	4	Unappropriated earnings	575,729	10	361,727	6
Pledged time deposits (Notes 19 and 21)	700	-	700	-	Total retained earnings	1,157,283	20	902,903	16
Others	7,247	-	2,052	-	Other equity				
Total other assets	249,254	4	276,856	5	Unrealized losses on financial instruments	(15,302)	-	(16,839)	-
TOTAL	\$ 5,890,081	100	\$ 5,679,830	100	Cumulative translation adjustments	(137,529)	(3)	(25,001)	(1)
					Total other equity	(152,831)	(3)	(41,840)	(1)
					Total equity attributable to shareholders of the parent	4,730,617	80	4,533,649	80
					MINORITY INTERESTS				
								281	-
					Total shareholders' equity	4,730,617	80	4,533,930	80
					TOTAL	\$ 5,890,081	100	\$ 5,679,830	100

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

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 2,177,541	100	\$ 2,102,550	100
OPERATING COST (Notes 17 and 20)	<u>(99,535)</u>	<u>(5)</u>	<u>(69,072)</u>	<u>(3)</u>
GROSS PROFIT	<u>2,078,006</u>	<u>95</u>	<u>2,033,478</u>	<u>97</u>
OPERATING EXPENSES (Notes 17 and 20)				
Selling expenses	(680,986)	(31)	(694,544)	(33)
General and administrative expenses	(221,484)	(10)	(346,240)	(17)
Research and development expenses	<u>(655,602)</u>	<u>(30)</u>	<u>(591,390)</u>	<u>(28)</u>
Total operating expenses	<u>(1,558,072)</u>	<u>(71)</u>	<u>(1,632,174)</u>	<u>(78)</u>
OPERATING INCOME	<u>519,934</u>	<u>24</u>	<u>401,304</u>	<u>19</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 19)	5,453	-	6,791	-
Investment income recognized under equity method (Notes 2 and 7)	20,661	1	4,773	-
Gain on sale of investments, net (Note 2)	5,927	-	-	-
Exchange gain, net (Note 2)	-	-	15,703	1
Valuation gain on financial assets, net (Notes 2 and 3)	42	-	46,518	2
Others	<u>50,884</u>	<u>3</u>	<u>19,715</u>	<u>1</u>
Total nonoperating income and gains	<u>82,967</u>	<u>4</u>	<u>93,500</u>	<u>4</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Note 19)	(2,967)	-	(1,139)	-
Loss on sale of investments, net (Note 2)	-	-	(63,030)	(3)
Exchange loss, net (Note 2)	(20,243)	(1)	-	-
Others	<u>(12,658)</u>	<u>(1)</u>	<u>(43,604)</u>	<u>(2)</u>
Total nonoperating expenses and losses	<u>(35,868)</u>	<u>(2)</u>	<u>(107,773)</u>	<u>(5)</u>
INCOME BEFORE INCOME TAX	567,033	26	387,031	18
INCOME TAX EXPENSE (Note 2 and 16)	<u>(105,393)</u>	<u>(5)</u>	<u>(113,178)</u>	<u>(5)</u>
CONSOLIDATED NET INCOME	<u>\$ 461,640</u>	<u>21</u>	<u>\$ 273,853</u>	<u>13</u>
ATTRIBUTABLE TO				
Shareholders of the parent	\$ 461,640	21	\$ 273,852	13

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SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
Minority interests	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
	<u>\$ 461,640</u>	<u>21</u>	<u>\$ 273,853</u>	<u>13</u>

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 18)				
Basic	<u>\$ 2.73</u>	<u>\$ 2.22</u>	<u>\$ 1.87</u>	<u>\$ 1.32</u>
Diluted	<u>\$ 2.63</u>	<u>\$ 2.14</u>	<u>\$ 1.80</u>	<u>\$ 1.27</u>

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

(Concluded)

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of Parent															Minority Interests	Total Shareholders' Equity
	Capital Stock		Advance Receipts for Common Stock	Capital Surplus					Retained Earnings			Other Equity			Total		
	Common Stock Shares (Thousands)	Amount		Paid-in Capital In Excess of Par Value	From Conversion of Bonds	Gain on Sale of Assets	Long-term Investments	Employee Stock Options	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Losses on Financial Instruments	Cumulative Translation Adjustments	Treasury Stock			
BALANCE, JANUARY 1, 2009	211,103	\$ 2,111,028	\$ -	\$ 425,114	\$ 1,151,142	\$ 380	\$ 44,014	\$ 1,498	\$ 472,688	\$ 28,848	\$ 418,470	\$ (36,081)	\$ 11,568	\$ (195,140)	\$ 4,433,529	\$ 116	\$ 4,433,645
Appropriations of 2008 earnings																	
Legal reserve	-	-	-	-	-	-	-	-	39,640	-	(39,640)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	(165,683)	-	-	-	(165,683)	-	(165,683)
Compensation recognized for employee stock options	-	-	-	-	-	-	-	9,278	-	-	-	-	-	-	9,278	-	9,278
Retirement of treasury stock-4,000 thousand shares	(4,000)	(40,000)	-	(8,055)	(21,813)	-	-	-	-	-	(125,272)	-	-	195,140	-	-	-
Consolidated net income for the year ended December 31, 2009	-	-	-	-	-	-	-	-	-	-	273,852	-	-	-	273,852	-	273,852
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	19,242	-	-	19,242	-	19,242
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(36,569)	-	(36,569)	165	(36,404)
BALANCE, DECEMBER 31, 2009	207,103	2,071,028	-	417,059	1,129,329	380	44,014	10,776	512,328	28,848	361,727	(16,839)	(25,001)	-	4,533,649	281	4,533,930
Appropriations of 2009 earnings																	
Legal reserve	-	-	-	-	-	-	-	-	27,385	-	(27,385)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	12,993	(12,993)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	(207,260)	-	-	-	(207,260)	-	(207,260)
Issuance of common stock for cash (stock options)	232	2,326	14,292	28,659	-	-	-	-	-	-	-	-	-	-	45,277	-	45,277
Compensation recognized for employee stock options	-	-	-	-	-	-	-	6,234	-	-	-	-	-	-	6,234	-	6,234
Adjustment arising from changes in percentage of ownership in investees	-	-	-	-	-	-	2,068	-	-	-	-	-	-	-	2,068	-	2,068
Consolidated net income for the year ended December 31, 2010	-	-	-	-	-	-	-	-	-	-	461,640	-	-	-	461,640	-	461,640
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(281)	(281)
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	1,537	-	-	1,537	-	1,537
Change in translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(112,528)	-	(112,528)	-	(112,528)
BALANCE, DECEMBER 31, 2010	207,335	\$ 2,073,354	\$ 14,292	\$ 445,718	\$ 1,129,329	\$ 380	\$ 46,082	\$ 17,010	\$ 539,713	\$ 41,841	\$ 575,729	\$ (15,302)	\$ (137,529)	\$ -	\$ 4,730,617	\$ -	\$ 4,730,617

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

SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 461,640	\$ 273,853
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	120,991	126,785
Compensation cost of employee stock options	6,234	9,278
(Gain) loss on sale of investments	(5,927)	63,030
Provision for loss on inventories	9,660	-
Loss on disposal of assets	980	-
Investment income recognized under equity method	(20,661)	(4,773)
Impairment loss	7,005	-
Prepaid pension cost	(1,539)	(265)
Valuation gain on financial assets	(42)	(46,518)
Deferred income tax	24,480	(30,575)
Net changes in operating assets and liabilities		
Accounts receivable	(70,772)	91,079
Other receivables	(9,603)	32,811
Inventories	(2,455)	1,474
Other current assets	(63,136)	103,882
Income tax payable	39,283	(2,109)
Accrued expenses	(208,261)	204,622
Other payables	(45,711)	926
Receipts in advance	95,128	(120,357)
Other current liabilities	56,109	(31,065)
Other liabilities	52,251	7,776
Net cash provided by operating activities	<u>445,654</u>	<u>679,854</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of goodwill	-	(406,473)
Proceeds from reduction of investee's capital	2,946	3,274
Acquisition of financial assets at fair value through profit or loss	(2,211,569)	(1,240,417)
Proceeds from disposal of financial assets at fair value through profit or loss	2,216,239	1,299,959
Acquisition of available-for-sale financial assets	(392,498)	(1,209,670)
Proceeds from disposal of available-for-sale financial assets	923,090	1,159,764
Acquisition of property, plant and equipment	(24,833)	(31,602)
Acquisition of intangible assets	-	(109,477)
Decrease (increase) in refundable deposits	53,674	(5,815)
Others	-	2,961
Net cash provided by (used in) investing activities	<u>567,049</u>	<u>(537,496)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	29,130	-

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SPRINGSOFT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
Proceeds from long-term debt	-	50,000
Cash dividends	(207,260)	(165,682)
Issuance of common stock for cash (stock options)	45,277	-
Others	<u>(240)</u>	<u>(39)</u>
Net cash used in financing activities	<u>(133,093)</u>	<u>(115,721)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(21,974)</u>	<u>(68,402)</u>
NET INCREASE (DECREASE) IN CASH	857,636	(41,765)
CASH, BEGINNING OF YEAR	<u>1,686,607</u>	<u>1,728,372</u>
CASH, END OF YEAR	<u>\$ 2,544,243</u>	<u>\$ 1,686,607</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Income tax paid	<u>\$ 94,105</u>	<u>\$ 145,862</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 23,083	\$ 31,569
Decrease in payables for equipment purchased	<u>1,750</u>	<u>33</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 24,833</u>	<u>\$ 31,602</u>

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

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