CYBERLINK CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2011 AND 2010

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Report of Independent Accountants

PWCR11000067

To the Board of Directors and Stockholders of CyberLink Corp.

We have reviewed the accompanying consolidated balance sheets of CyberLink Corp. and its subsidiaries as of June 30, 2011 and 2010, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the "Rules Governing the Review of Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

The consolidated financial statements of the Company and its subsidiaries as of and for the six-month periods ended June 30, 2011 and 2010 expressed in United States dollars were translated from the New Taiwan dollar financial statements using the exchange rates of NT$28.73: US$1 and NT$32.15: US$1, respectively, and are presented solely for the convenience of the reader. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

August 9, 2011

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of the independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30,
(EXPRESSED IN THOUSANDS OF DOLLARS)
(UNAUDITED)

	2011			2010		
	Amount			Amount		
	NT$	US$ (Unreviewed-Note 2)	%	NT$	US$ (Unreviewed-Note 2)	%
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4(1))	$ 3,403,394	$ 118,461	48	$ 3,755,595	$ 116,815	50
Financial assets at fair value through profit or loss - current (Note 4(2))	1,031,439	35,901	15	1,249,196	38,855	17
Notes receivable, net (Note 4(3))	24,852	865	-	10,042	312	-
Accounts receivable, net (Note 4(3))	606,965	21,127	9	364,165	11,327	5
Other receivables (Note 4(8))	3,378	118	-	50,042	1,557	1
Other financial assets – current (Note 6)	-	-	-	10,420	324	-
Inventories	6,429	224	-	4,822	150	-
Deferred income tax assets - current (Note 4(8))	9,338	325	-	14,446	449	-
Other current assets - others	7,509	261	-	6,383	199	-
	5,093,304	177,282	72	5,465,111	169,988	73
Funds and Investments						
Financial assets carried at cost – non current	4,310	150	-	4,823	150	-
Other financial assets - non current (Note 6)	10,000	348	-	-	-	-
	14,310	498	-	4,823	150	-
Property, Plant and Equipment (Note 4(4))						
Cost	457,307	15,917	6	452,190	14,065	6
Less: accumulated depreciation	(100,253)	(3,489)	(1)	(87,270)	(2,714)	(1)
	357,054	12,428	5	364,920	11,351	5
Intangible Assets						
Deferred pension cost	123	4	-	164	5	-
Other intangible assets (Note 4(7))	2,077	72	-	20,292	631	-
	2,200	76	-	20,456	636	-
Other Assets						
Assets leased to others (Note 4(5))	383,463	13,347	6	179,849	5,594	2
Refundable deposits	6,211	216	-	7,011	218	-
Deferred income tax assets - non current (Note 4(8))	262,840	9,149	4	263,773	8,204	4
Other assets – other (Note 4(6))	945,266	32,902	13	1,159,669	36,071	16
	1,597,780	55,614	23	1,610,302	50,087	22
TOTAL ASSETS	$ 7,064,648	$ 245,898	100	$ 7,465,612	$ 232,212	100

(Continued)

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
JUNE 30,
(EXPRESSED IN THOUSANDS OF DOLLARS)
(UNAUDITED)

	2011			2010		
	Amount			Amount		
	NT$	US$ (Unreviewed-Note 2)	%	NT$	US$ (Unreviewed-Note 2)	%
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities						
Accounts payable	$ 5,194	$ 181	-	$ 847	$ 26	-
Income tax payable (Note 4(8))	36,884	1,284	1	60,150	1,871	1
Accrued expenses (Notes 4(9) and (14))	1,002,196	34,883	14	1,223,334	38,051	16
Other payables (Note 4(10))	1,281,818	44,616	18	1,315,232	40,909	18
Other current liabilities	23,054	802	-	17,817	555	-
	2,349,146	81,766	33	2,617,380	81,412	35
Other Liabilities						
Accrued pension liabilities (Note 4(11))	13,056	454	1	10,486	326	-
Deposits-in	5,608	196	-	1,444	45	-
	18,664	650	1	11,930	371	-
Total Liabilities	2,367,810	82,416	34	2,629,310	81,783	35
Stockholders' Equity						
Capital stock (Notes 4(12) and (15))						
Common stock	1,178,987	41,037	17	1,163,045	36,176	15
Stock dividend distributable	-	-	-	70,160	2,182	1
Capital reserve (Note 4(13))						
Paid-in capital in excess of par value	719,538	25,045	10	663,170	20,627	9
Paid-in capital in excess of par, convertible bonds	867,363	30,190	12	867,363	26,979	12
Employee stock option	193,909	6,749	3	156,481	4,867	2
Retained earnings (Note 4(14))						
Legal reserve	738,319	25,699	10	655,402	20,386	9
Special reserve	69,880	2,432	1	14,170	441	-
Unappropriated earnings	1,005,780	35,008	14	1,259,259	39,168	17
Other adjustments						
Cumulative translation adjustment	(69,919)	(2,434)	(1)	(9,893)	(308)	-
Net loss not recognized as pension cost	(7,019)	(244)	-	(2,855)	(89)	-
Total Stockholders' Equity	4,696,838	163,482	66	4,836,302	150,429	65
Commitments (Note 7)						
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$7,064,648	$ 245,898	100	$ 7,465,612	$ 232,212	100

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

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)
(UNAUDITED)

	2011			2010		
	Amount			Amount		
	NT$	US$ (Unreviewed - Note 2)	%	NT$	US$ (Unreviewed - Note 2)	%
Operating revenues						
Sales revenue	$ 1,988,390	$ 69,210	102	$ 2,498,805	$ 77,723	102
Less: Sales returns	(25,591)	(891)	(1)	(39,788)	(1,238)	(2)
Sales allowances	(7,580)	(264)	(1)	(8,630)	(268)	-
Net sales	1,955,219	68,055	100	2,450,387	76,217	100
Operating costs						
Cost of sales	(9,376)	(326)	(1)	(8,164)	(254)	-
Gross profit	1,945,843	67,729	99	2,442,223	75,963	100
Operating expenses (Notes 4(11), (14) and (17))						
Selling	(1,122,407)	(39,068)	(57)	(1,371,622)	(42,663)	(56)
General	(73,899)	(2,572)	(4)	(90,262)	(2,808)	(4)
Research and development	(306,983)	(10,685)	(16)	(350,570)	(10,904)	(14)
Total operating expenses	(1,503,289)	(52,325)	(77)	(1,812,454)	(56,375)	(74)
Operating income	442,554	15,404	22	629,769	19,588	26
Non-operating income						
Interest income	5,022	175	-	4,189	130	-
Gain on financial assets at fair value through profit or loss (Note 4(2))	4,745	165	-	1,429	45	-
Other income	6,147	214	1	3,966	123	-
Total non-operating income	15,914	554	1	9,584	298	-
Non-operating expenses						
Foreign exchange loss - net	(2,743)	(95)	-	(6,149)	(191)	-
Other expenses	(6,750)	(235)	-	(6,843)	(213)	-
Total non-operating expenses	(9,493)	(330)	-	(12,992)	(404)	-
Income before income tax	448,975	15,628	23	626,361	19,482	26
Income tax expense (Note 4(8))	(109,132)	(3,799)	(6)	(166,678)	(5,184)	(7)
Consolidated net income	$ 339,843	$ 11,829	17	$ 459,683	$ 14,298	19
Attributable to:						
Equity holders of the Company	$ 339,843	$ 11,829	17	$ 459,683	$ 14,298	19

	2011 NT$ Before tax	2011 NT$ After tax	2011 US$ Before tax	2011 US$ After tax	2010 NT$ Before tax	2010 NT$ After tax	2010 US$ Before tax	2010 US$ After tax
Basic earnings per share (Note 4(16)) (In dollars)	$ 3.81	$ 2.89	$ 0.13	$ 0.10	$ 5.36	$ 3.94	$ 0.17	$ 0.12
Diluted earnings per share (Note 4(16)) (In dollars)	$ 3.79	$ 2.87	$ 0.13	$ 0.10	$ 5.26	$ 3.86	$ 0.16	$ 0.12

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

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2011 AND 2010
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	Capital stock			Retained earnings					
	Common stock	Stock dividend distributable	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Cumulative translation adjustment	Net loss not recognized as pension cost	Total
Balance at January 1, 2010	$1,156,820	$ -	$1,650,025	$ 564,850	$ 7,097	$ 1,650,363	($ 11,315)	($ 2,855)	$5,014,985
Distribution of 2009 earnings (Note):									
Legal reserve	-	-	-	90,552	-	(90,552)	-	-	-
Special reserve	-	-	-	-	7,073	(7,073)	-	-	-
Stock dividends	-	9,038	-	-	-	(9,038)	-	-	-
Cash dividends	-	-	-	-	-	(744,124)	-	-	(744,124)
Employees' stock bonus	-	61,122	-	-	-	-	-	-	61,122
Net income for the six-month period ended June 30, 2010	-	-	-	-	-	459,683	-	-	459,683
Exercise of employee stock options	6,225	-	36,989	-	-	-	-	-	43,214
Cumulative translation adjustment	-	-	-	-	-	-	1,422	-	1,422
Balance at June 30, 2010	$1,163,045	$ 70,160	$1,687,014	$ 655,402	$ 14,170	$ 1,259,259	($ 9,893)	($ 2,855)	$4,836,302
Balance at January 1, 2011	$1,176,837	$ -	$1,758,850	$ 655,402	$ 14,170	$ 1,628,743	($ 62,860)	($ 7,019)	$5,164,123
Distribution of 2010 earnings (Note):									
Legal reserve	-	-	-	82,917	-	(82,917)	-	-	-
Special reserve	-	-	-	-	55,710	(55,710)	-	-	-
Cash dividends	-	-	-	-	-	(824,179)	-	-	(824,179)
Net income for the six-month period ended June 30, 2011	-	-	-	-	-	339,843	-	-	339,843
Exercise of employee stock options	2,150	-	21,960	-	-	-	-	-	24,110
Cumulative translation adjustment	-	-	-	-	-	-	(7,059)	-	(7,059)
Balance at June 30, 2011	$1,178,987	$ -	$1,780,810	$ 738,319	$ 69,880	$ 1,005,780	($ 69,919)	($ 7,019)	$4,696,838

Note: Remunerations to directors and supervisors of $10,358 and employees' bonus of $74,625 and remunerations to directors and supervisors of $12,225 and employees' bonus of $203,742 have been deducted from consolidated statements of income for 2010 and 2009, respectively.

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CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2011 AND 2010
(EXPRESSED IN THOUSANDS OF US DOLLARS) (UNREVIEWED-NOTE 2)
(UNAUDITED)

	Capital stock			Retained earnings					
	Common stock	Stock dividend distributable	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Cumulative translation adjustment	Net loss not recognized as pension cost	Total
Balance at January 1, 2010	$ 36,162	$ -	$ 51,579	$ 17,657	$ 222	$ 51,590	($ 354)	($ 89)	$ 156,767
Distribution of 2009 earnings (Note):									
Legal reserve	-	-	-	2,817	-	(2,817)	-	-	-
Special reserve	-	-	-	-	220	(220)	-	-	-
Stock dividends	-	281	-	-	-	(281)	-	-	-
Cash dividends	-	-	-	-	-	(23,145)	-	-	(23,145)
Employees' stock bonus	-	1,901	-	-	-	-	-	-	1,901
Net income for the six-month period ended June 30, 2010	-	-	-	-	-	14,298	-	-	14,298
Exercise of employee stock options	194	-	1,151	-	-	-	-	-	1,345
Cumulative translation adjustment	(180)	-	(257)	(88)	(1)	(257)	46	-	(737)
Balance at June 30, 2010	$ 36,176	$ 2,182	$ 52,473	$ 20,386	$ 441	$ 39,168	($ 308)	($ 89)	$ 150,429
Balance at January 1, 2011	$ 40,399	$ -	$ 60,380	$ 22,499	$ 486	$ 55,913	($ 2,158)	($ 241)	$ 177,278
Distribution of 2010 earnings (Note):									
Legal reserve	-	-	-	2,886	-	(2,886)	-	-	-
Special reserve	-	-	-	-	1,939	(1,939)	-	-	-
Cash dividends	-	-	-	-	-	(28,687)	-	-	(28,687)
Net income for the six-month period ended June 30, 2011	-	-	-	-	-	11,829	-	-	11,829
Exercise of employee stock options	75	-	764	-	-	-	-	-	839
Cumulative translation adjustment	563	-	840	314	7	778	(276)	(3)	2,223
Balance at June 30, 2011	$ 41,037	$ -	$ 61,984	$ 25,699	$ 2,432	$ 35,008	($ 2,434)	($ 244)	$ 163,482

Note: Remunerations to directors and supervisors of $361 and employees' bonus of $2,597 and remuneration to directors and supervisors of $380 and employees' bonus of $6,337 have been deducted from consolidated statements of income for 2010 and 2009, respectively.

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

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF DOLLARS)

(UNAUDITED)

	2011		2010	
	NT$	US$ (Unreviewed-Note 2)	NT$	US$ (Unreviewed- Note 2)
Cash flows from operating activities				
Net income	$ 339,843	$ 11,829	$ 459,683	$ 14,298
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Gain on financial assets at fair value through profit or loss	(4,745)	(165)	(1,429)	(45)
Loss on obsolescence of inventories	417	15	405	13
Depreciation and other expenses	11,732	408	13,076	407
Amortization	707	25	24,647	767
Employees' stock option cost	10,125	352	16,651	518
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Financial assets at fair value through profit or loss	905,000	31,500	140,000	4,355
Notes and accounts receivable	(288,082)	(10,027)	83,984	2,612
Other receivables	63,003	2,193	(7,177)	(223)
Inventories	(1,421)	(49)	(275)	(9)
Deferred income tax assets	(10,809)	(376)	27,608	859
Other current assets - others	2,467	86	9,332	290
Increase (decrease) in liabilities:				
Accounts payable	389	14	(634)	(20)
Income tax payable	11,662	405	25,034	779
Accrued expenses	(153,949)	(5,359)	(220,851)	(6,869)
Other payables	71,544	2,490	346,866	10,789
Other current liabilities	11,746	409	10,786	335
Accrued pension liabilities	(3,000)	(105)	-	-
Net cash provided by operating activities	966,629	33,645	927,706	28,856
Cash flows from investing activities				
Acquisition of financial assets carried at cost	-	-	(4,823)	(150)
Acquisition of property, plant, and equipment	(1,970)	(69)	(38,170)	(1,187)
Increase in other intangible assets	-	-	(2,374)	(74)
Decrease in refundable deposits - net	1,000	35	1,323	41
Net cash used in investing activities	(970)	(34)	(44,044)	(1,370)

(Continued)

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW (CONTINUED)
FOR THE SIX-MONTH PERIODS ENDED JUNE 30,
(EXPRESSED IN THOUSANDS OF DOLLARS)

(UNAUDITED)

	2011		2010	
	NT$	US$ (Unreviewed-Note 2)	NT$	US$ (Unreviewed-Note 2)
Cash flows from financing activities				
Payment of employees' bonus	$ -	$ -	($ 13,972)	($ 435)
Increase in deposits	4,165	145	1,444	45
Exercise of employee stock options	13,985	487	26,562	826
Net cash provided by financing activities	18,150	632	14,034	436
Effects of changes in exchange rates of foreign currency holdings	(10,609)	792	1,647	(393)
Net increase in cash and cash equivalents	973,200	35,035	899,343	27,529
Cash and cash equivalents at beginning of the period	2,430,194	83,426	2,856,252	89,286
Cash and cash equivalents at end of the period	$ 3,403,394	$ 118,461	$ 3,755,595	$ 116,815
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Income tax	$ 102,866	$ 3,580	$ 115,658	$ 3,597
Investing activities which have no effect on cash flows:				
Other assets transferred to assets leased to others	$ 209,133	$ 7,279	$ 181,925	$ 5,659
Financial activities which have no effect on cash flows:				
Cash dividends not yet paid	$ 824,179	$ 28,687	$ 744,124	$ 23,145

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

CYBERLINK CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. COMPANY HISTORY AND CONSOLIDATED SUBSIDIARIES

1) CyberLink Corp. (the "Company") was incorporated under the Company Law of the Republic of China (R.O.C.) in August 1990. The Company's original name was Jing-Hua Corp., which was changed to CyberLink Corp. in February 1996. The main activities of the Company are the design and sale of computer peripheral equipment and computer software.

The Securities and Futures Commission of the Republic of China had approved the Company's shares to be listed on the GreTai Securities Market (formerly Over-The-Counter Securities Exchange) and the shares started trading on October 11, 2000. The Company's shares have been listed on the Taiwan Stock Exchange Corporation since September 27, 2004. As of June 30, 2011, the Company and its subsidiaries had approximately 610 employees.

2) Consolidated subsidiaries:

Investor	Name of the subsidiary	Major operating activities	Ownership (%) June 30, 2011	Ownership (%) June 30, 2010	Note
CyberLink Corp.	CyberLink.Com Corp. (CyberLink-USA)	Sales of computer software	100%	100%	
〃	CyberLink Europe B.V. (CyberLink-B.V.)	〃	100%	100%	
〃	CyberLink International Technology Corp. (CyberLink-B.V.I)	Investment activities	100%	100%	

Investor	Name of the subsidiary	Major operating activities	Ownership (%) June 30, 2011	Ownership (%) June 30, 2010	Note
CyberLink Corp.	CyberLink Investment Corp. (CyberLink Investment)	Investment activities	100%	100%	
CyberLink Investment Corp.	Tse-Lien Technology Corp. (Tse-Lien)	Sales of computer software	-	100%	Note
〃	Wasay Software Technology Inc. (Wasay)	〃	-	100%	Note
CyberLink International Technology Corp.	CyberLink Inc. (CyberLink-Japan)	〃	100%	100%	

Note：Tse-Lien and Wasay have been liquidated on December 28, 2010. The income (loss) of Tse-Lien and Wasay before the Company lost control over the subsidiaries is included in the consolidated statement of income.

3) Subsidiaries not included in the consolidated financial statements: None.

4) Adjustment and approach for differences in accounting period and policy of subsidiaries: None.

5) Special operating risks in foreign subsidiaries: None.

6) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

7) Contents of subsidiaries’ securities issued by the parent company: None.

8) Information on convertible bonds and common stock issued by subsidiaries: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) are prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China. The Group's significant accounting policies are summarized as follows:

1) Basis for preparation of consolidated financial statements

A. All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares consolidated financial statements on a quarterly basis. Significant inter-company transactions and assets and liabilities arising from inter-company transactions are eliminated.

B. Trading or valuation gain on securities for consolidated subsidiaries engaging primarily in investment activities was accounted for under "Gain from sales of portfolio securities" and "Recovery on decline in market value of short-term investments" in the consolidated statements of income; the relevant cash flows from short-term investment account was included under operating activities of the consolidated statements of cash flows.

2) Translation of financial statements of foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollars using the exchange rates at the balance sheet date. Equity accounts are translated at historical rates except for beginning retained earnings, which are carried forward from prior year's balance. Dividends are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated at weighted-average rates of the year. The resulting translation differences are included in "cumulative translation adjustments" under stockholders' equity.

3) Foreign currency transactions

A. The Company and its subsidiaries maintain their accounts in New Taiwan dollars and their functional currencies, respectively. Transactions denominated in foreign currencies are translated into New Taiwan dollars and functional currencies at the spot exchange rates prevailing at the transaction dates.

B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss. However, translation exchange gains or losses on intercompany accounts that are deemed long-term are accounted for as a reduction in stockholders' equity.

C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

4) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;

b) Assets held mainly for trading purposes;

c) Assets that are expected to be realized within twelve months from the balance sheet date;

d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

a) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

b) Liabilities arising mainly from trading activities;

c) Liabilities that are to be paid off within twelve months from the balance sheet date;

d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

5) <u>Financial assets and financial liabilities at fair value through profit or loss</u>

A. Financial assets and financial liabilities at fair value through profit or loss are recognized and derecognized using trade date accounting and are recognized initially at fair value.

B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.

6) <u>Notes receivable, accounts receivable and other receivable</u>

A. Notes and accounts receivable are claims resulting from the sale of goods or services. Other receivables are receivables other than notes or accounts receivable. Notes, accounts and other receivables are initially stated at their fair value and carried at amortized cost after deducting for impairment loss.

B. The Group evaluates if there is any objective evidence of impairment in any significant individual financial asset on each balance sheet date. The Group recognizes impairment loss when objective evidence exists. The amount of impairment is the difference between the carrying amount and the discounted future cash flow calculated by using the initial effective interest rate. When the amount of impairment subsequently decreases, and the decrease is related to events occurring after the impairment loss was recognized, the impairment loss recognized in prior years shall be recovered. The recovered amount should not result in the carrying amount exceeding the amortized cost had no impairment loss was recognized.

7) <u>Inventories</u>

Inventories are stated at cost. The cost is determined using the weighted-average method. At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value should be based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expense.

8) <u>Property, plant and equipment</u>

A. Property, plant and equipment are stated at cost. The Group calculates depreciation using the straight-line method over the estimated useful lives of the assets plus one year as estimated residual value. Residual values of fixed assets still in use after the end of their original estimated useful lives are depreciated based on their newly estimated remaining useful lives. The estimated useful lives of the fixed assets are 50 years for buildings and 3 to 5 years for the other fixed assets.

B. Significant renewals and improvements are capitalized and depreciated accordingly. Maintenance and repairs are expensed as incurred. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Gains or losses on disposal of fixed assets are recorded as non-operating income or expense in the current year.

9) Intangible assets

A. Brands and copyrights are amortized on a straight-line basis over 3 years.

B. Other intangible assets represent royalties paid for software patents and for website domain name which are amortized over their estimated useful lives using the straight-line method.

10) Deferred charges

Computer software costs are amortized on a straight-line basis over their estimated useful lives.

11) Pension plan

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 10 years. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

12) Share-based payment – employee compensation plan

A. The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072 of the Accounting Research and Development Foundation, R.O.C., dated March 17, 2003, “Accounting for Employee Stock Options”, prescribed by the R.O.C. Accounting Research and Development Foundation. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share are prepared in accordance with the R.O.C. SFAS No. 39, “Accounting for Share-based Payments”.

B. For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

13) Employees' bonuses and directors' and supervisors' remuneration

Pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008 "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

14) Income tax

A. Income tax is calculated based on accounting income after adjusting for permanent differences. Provision for income tax includes deferred income tax resulting from items reported in different periods for tax and financial reporting purposes, loss carryforward and investment tax credits. The tax effects of taxable temporary differences, deductible temporary differences, net operating loss carryforward and investment tax credits are recognized as deferred income tax liabilities or assets. Valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized. Deferred income tax is classified as current or non-current based on the classification of the related assets or liabilities or the period when the temporary differences are expected to reverse. Income tax credits are charged to deferred income tax assets and credited to income tax expense in the year the tax credits arise.

B. Current year's income tax is adjusted for over or under provision of prior year's income tax.

C. The R.O.C. imputation tax system requires that any undistributed current earnings, on a tax basis, of a company derived on or after January 1, 1998 be subjected to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This additional 10% corporate income tax is included in income tax expense in the following year when the stockholders approve a resolution to retain the earnings.

D. When the income tax act is revised, the Company shall recompute the deferred tax assets and liabilities based on the new regulation in the year the revision was announced. The change in deferred tax assets and liabilities shall be included in current year’s income tax from continuing operations.

15) Impairment of non-financial assets

The Group recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm’s length transaction after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows to be derived from the continuing use of the asset and from its disposal at the end of its useful life. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered. However, the impairment loss recognized for goodwill is not recoverable.

16) Revenue and expenses

A. Revenues are recognized when the earning process is substantially completed and they are realized or realizable. Costs and expenses are recognized as incurred. In preparing interim financial statements, costs and expenses are recognized with relevant revenue. Other costs and expenses are amortized over the estimated useful lives.

B. Income and cost from sale of marketable securities are recognized on the transaction date for consolidated subsidiaries engaging primarily in investment activities.

17) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

18) Operating segments

The operating segments information is required to be reported on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker for the purpose of allocating resources to the segments and assessing its performance. If a financial report contains both the consolidated financial statements of a parent that is within the scope of R.O.C. SFAS No. 41 "Operating Segments" as well as the parent's separate financial statement, segment information is required only in the consolidated financial statements.

19) Convenience translation to US dollars (unreviewed)

The Company maintains its accounting records and prepares its financial statements in New Taiwan ("NT") dollars. The United States ("US") dollar amounts disclosed in the consolidated financial statements are presented solely for the convenience of the reader and were translated to US dollars using the average of buying and selling exchange rates of US$1:NT$28.73 and US$1:NT$32.15 at June 30, 2011 and 2010, respectively. Such translation amounts are unreviewed and should not be construed as representations that the NT dollar amounts represent, have been, or could be converted into US dollars at that or any other rate.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

A. Notes receivable, accounts receivable and other receivables

Effective January 1, 2011, the Group adopted the amendments to R.O.C. SFAS No. 34 "Financial instruments: Recognition and Measurement". The Group recognizes impairment (bad debt) loss when there is objective evidence that the recoverable amount of notes, accounts and other receivables is less than their carrying amount.

The adoption had no significant effect on the financial statements as of and for the six-month period ended June 30, 2011.

B. Operating segments

Effective January 1, 2011, the Group adopted the amendments to R.O.C. SFAS No. 41 "Operating Segments" to replace R.O.C SFAS No. 20 "Segment Reporting". Segment information for prior year is reported as comparative information during the initial year of application.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	June 30,			
	2011		2010	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Cash on hand	$ 282	$ 10	$ 249	$ 8
Demand deposits	2,072,093	72,123	864,176	26,880
Checking deposits	13,822	481	1,759	55
Time deposits	1,317,197	45,847	2,889,411	89,872
	$3,403,394	$ 118,461	$ 3,755,595	$ 116,815

2) Financial assets at fair value through profit or loss - current

	June 30,			
	2011		2010	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Financial assets held for trading-Money market funds	$ 1,026,104	$ 35,715	$ 1,246,891	$ 38,783
Adjustment of financial assets held for trading	5,335	186	2,305	72
	$ 1,031,439	$ 35,901	$ 1,249,196	$ 38,855

The Group recognized a net gain of $4,745 (US$165) and $1,429 (US$45) for the six-month periods ended June 30, 2011 and 2010, respectively.

3) Notes and accounts receivable

	June 30,			
	2011		2010	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Notes receivable	$ 24,882	$ 866	$ 10,072	$ 313
Accounts receivable	607,483	21,145	364,403	11,335
	632,365	22,011	374,475	11,648
Less: Allowance for doubtful accounts	(548)	(19)	(268)	(9)
	$ 631,817	$ 21,992	$ 374,207	$ 11,639

4) Property, plant and equipment

	June 30, 2011 (NT$)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 220,698	$ -	$ 220,698
Buildings	182,210	(62,472)	119,738
Machinery	38,015	(27,695)	10,320
Transportation equipment	5,092	(1,175)	3,917
Furniture and fixtures	11,292	(8,911)	2,381
	$ 457,307	($ 100,253)	$ 357,054

	June 30, 2010 (NT$)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 220,698	$ -	$ 220,698
Buildings	181,735	(56,622)	125,113
Machinery	33,494	(21,414)	12,080
Transportation equipment	5,115	(1,233)	3,882
Furniture and fixtures	11,148	(8,001)	3,147
	$ 452,190	($ 87,270)	$ 364,920

Item	June 30, 2011 (US$: Unreviewed - Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 7,682	$ -	$ 7,682
Buildings	6,342	(2,174)	4,168
Machinery	1,323	(964)	359
Transportation equipment	177	(41)	136
Furniture and fixtures	393	(310)	83
	$ 15,917	($ 3,489)	$ 12,428

Item	June 30, 2010 (US$: Unreviewed - Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 6,865	$ -	$ 6,865
Buildings	5,653	(1,761)	3,892
Machinery	1,042	(666)	376
Transportation equipment	159	(38)	121
Furniture and fixtures	346	(249)	97
	$ 14,065	($ 2,714)	$ 11,351

5) Assets leased to others

The Company leased some of its fixed assets to other parties in May 2010 and reclassified such fixed asset amounts to "Assets leased to others" account.

	June 30, 2011		
	NT$		
Item	Original Cost	Accumulated depreciation	Net Book Value
Land	$ 230,593	$ -	$ 230,593
Buildings	160,481	(7,611)	152,870
	$ 391,074	($ 7,611)	$ 383,463

	June 30, 2010		
	NT$		
Item	Original Cost	Accumulated depreciation	Net Book Value
Land	$ 107,280	$ -	$ 107,280
Buildings	74,645	(2,076)	72,569
	$ 181,925	($ 2,076)	$ 179,849

	June 30, 2011		
	(US$: Unreviewed – Note 2)		
Item	Original Cost	Accumulated depreciation	Net Book Value
Land	$ 8,026	$ -	$ 8,026
Buildings	5,586	(265)	5,321
	$ 13,612	($ 265)	$ 13,347

	June 30, 2010		
	(US$: Unreviewed – Note 2)		
Item	Original Cost	Accumulated depreciation	Net Book Value
Land	$ 3,337	$ -	$ 3,337
Buildings	2,322	(65)	2,257
	$ 5,659	($ 65)	$ 5,594

6) Other assets – other

	June 30, 2011		
	NT$		
Item	Original Cost	Accumulated depreciation	Net Book Value
Land	$ 568,431	$ -	$ 568,431
Buildings	395,598	(18,763)	376,835
	$ 964,029	($ 18,763)	$ 945,266

	June 30, 2010		
	NT$		
Item	Original Cost	Accumulated depreciation	Net Book Value
Land	$ 691,744	$ -	$ 691,744
Buildings	481,308	(13,383)	467,925
	$ 1,173,052	($ 13,383)	$ 1,159,669

	June 30, 2011		
	(US$: Unreviewed – Note 2)		
Item	Original Cost	Accumulated depreciation	Net Book Value
Land	$ 19,785	$ -	$ 19,785
Buildings	13,770	(653)	13,117
	$ 33,555	($ 653)	$ 32,902

	June 30, 2010		
	(US$: Unreviewed – Note 2)		
Item	Original Cost	Accumulated depreciation	Net Book Value
Land	$ 21,516	$ -	$ 21,516
Buildings	14,971	(416)	14,555
	$ 36,487	($ 416)	$ 36,071

The Company entered into an agreement with Founding Construction & Development Co., Ltd. to purchase real estate properties on March 2008. The agreement includes purchasing land located in Nei-Hu District and the B-building from 1F to 9F in “Sun-Tech Plaza”. The B-building was bought off in February 2009. The Company planned to lease the building. As of June 30, 2011, part of the building was leased and was disclosed in Note 4(5). Therefore, the portion not leased was reclassified as “Other assets – other”.

7) Intangible assets

	June 30, 2011 (NT$) Other intangible assets
Balance at January 1, 2011	
Cost	$ 89,162
Less: Accumulated amortization	(86,378)
Book value at January 1, 2011	2,784
Acquired during the period	-
Amortization	(707)
Book value at June 30, 2011	$ 2,077

	June 30, 2010 (NT$)			
	Brands	Copyrights	Other intangible assets	Total
Balance at January 1, 2010				
Cost	$ 1,889	$ 76,742	$ 86,788	$ 165,419
Less: Accumulated amortization	(1,731)	(70,332)	(50,828)	(122,891)
Book value at January 1, 2010	158	6,410	35,960	42,528
Acquired during the period	-	-	2,374	2,374
Amortization	(158)	(6,410)	(18,042)	(24,610)
Book value at June 30, 2010	$ -	$ -	$ 20,292	$ 20,292

	June 30, 2011 (US$:Unreviewed – Note 2) Other intangible assets
Balance at January 1, 2011	
Cost	$ 3,103
Less: Accumulated amortization	(3,006)
Book value at January 1, 2011	97
Acquired during the period	-
Amortization	(25)
Book value at June 30, 2011	$ 72

	June 30, 2010 (US$: Unreviewed – Note 2)			
	Brands	Copyrights	Other intangible assets	Total
Balance at January 1, 2010				
Cost	$ 58	$ 2,367	$ 2,713	$ 5,138
Less: Accumulated amortization	(53)	(2,167)	(1,589)	(3,809)
Book value at January 1, 2010	5	200	1,124	1,329
Acquired during the period	-	-	74	74
Amortization	(5)	(200)	(567)	(772)
Book value at June 30, 2010	$ -	$ -	$ 631	$ 631

8) <u>Income tax</u>

	For the six-month periods ended June 30,			
	2011		2010	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Income tax expense	$ 109,132	$ 3,799	$ 166,678	$ 5,184
Over (under) provision of prior year's income tax	(10,143)	(353)	6,025	188
Effect of deferred income tax assets	10,809	376	(27,608)	(859)
Foreign royalty withholding tax	(53,802)	(1,873)	(64,174)	(1,996)
Prepaid income tax	(19,157)	(667)	(20,771)	(646)
	$ 36,839	$ 1,282	$ 60,150	$ 1,871
Income tax payable	$ 36,884	$ 1,284	$ 60,150	$ 1,871
Income tax refundable (listed in Other receivables)	($ 45)	($ 2)	$ -	$ -

A. As of June 30, 2011 and 2010, the deferred income tax assets (liabilities) were as follows:

	June 30,			
	2011		2010	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Total deferred income tax assets	$ 325,883	$ 11,343	$ 358,780	$ 11,160
Total deferred income tax liabilities	($ 2,300)	($ 80)	$ -	$ -
Valuation allowance	($ 51,405)	($ 1,789)	($ 80,561)	($ 2,507)

B. As of June 30, 2011 and 2010, details of deferred income tax assets and liabilities were as follows:

	June 30,			
	2011		2010	
	(NT$)			
Items	Amount	Tax effect	Amount	Tax effect
Current:				
Unrealized exchange (gain) loss	($ 13,530)	($ 2,300)	$ 2,782	$ 449
Unrealized profit on intercompany sales	14,454	2,457	6,454	1,097
Others		9,181		12,900
		9,338		14,446
Non current:				
Investment tax credits		314,245		344,334
Valuation allowance		(51,405)		(80,561)
		262,840		263,773
		$ 272,178		$ 278,219

	June 30,			
	2011		2010	
	(US$: Unreviewed - Note 2)			
Items	Amount	Tax effect	Amount	Tax effect
Current:				
Unrealized exchange (gain) loss	($ 471)	($ 80)	$ 87	$ 14
Unrealized profit on intercompany sales	503	86	201	34
Others		319		401
		325		449
Non current:				
Investment tax credits		10,938		10,711
Valuation allowance		(1,789)		(2,507)
		9,149		8,204
		$ 9,474		$ 8,653

C. As of June 30, 2011, the Company's income tax returns through 2007 have been assessed and approved by the Tax Authority.

D. As of June 30, 2011, details of the unused portion of the Company's investment tax credits were as follows:

Item	Total amount	Unused amount	Expiry year
Statute for Upgrading Industries	NT$ 88,518 (US$ 3,081)	NT$ 34,531 (US$ 1,202)	2011
〃	NT$134,361 (US$ 4,677)	NT$ 80,329 (US$ 2,796)	2012
〃	NT$218,124 (US$ 7,592)	NT$199,385 (US$ 6,940)	2013
		NT$314,245 (US$ 10,938)	

E. The Company was granted a five-year tax holiday in respect to the income derived from its design and sale of software. The expiry details and dates are as follows:

Approval date and no.	Completion date of investment plan	Tax-exempt period	2011.1.1 ~ 2011.6.30 Tax-exempt income
Tai-Tsai-Shuey No. 09904105310 on August 5, 2010	September 30, 2009	January 1, 2011 – December 31, 2015	NT$ 42,939 (US$ 1,495)

F. For the six-month periods ended June 30, 2011 and 2010, the income tax expense included the additional 10% corporate income tax related to the 2010 and 2009 undistributed earnings amounting to NT$0 (US$0) and $5,473 (US$170), respectively. These amounts were recognized based on the resolution adopted at the Company stockholders' meeting to retain the 2010 and 2009 earnings.

9) Accrued expenses

	June 30,			
	2011		2010	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Royalty expense	$ 718,064	$ 24,994	$835,813	$ 25,998
Employees' bonuses and directors' and supervisors' remuneration	127,996	4,455	205,734	6,399
Employees' reward	45,978	1,600	58,965	1,834
Payroll	33,430	1,164	34,424	1,071
Professional service fees	15,449	538	16,287	507
Commission expense	12,816	446	14,161	440
Others	48,463	1,686	57,950	1,802
	$1,002,196	$ 34,883	$1,223,334	$ 38,051

10) Other payables

	June 30,			
	2011		2010	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Cash dividends payable	$ 824,179	$ 28,687	$ 935,591	$ 29,100
Royalty collection	425,951	14,826	341,855	10,633
Employees' bonuses payable	21,519	749	21,519	669
Others	10,169	354	16,267	507
	$1,281,818	$ 44,616	$1,315,232	$ 40,909

11) Pension plan

A. The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The fund balance with Bank of Taiwan was $ 17,271 (US$601) and $14,132 (US$440) as of June 30, 2011 and 2010, respectively. The fund balance is not included in the financial statements.

B. Effective July 1, 2005, the Company established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable when the employment is terminated. The pension costs under the defined contribution pension plan for the six-month periods ended June 30, 2011 and 2010 was $12,435 (US$433) and $11,424 (US$355), respectively.

C. Foreign subsidiaries have their contribution pension plans comply with local regulations.

D. CyberLink Investment, Tse-Lien and Wasay have no employees and do not have retirement plans.

12) Capital stock

A. To increase the Company's return on equity and decrease idle funds, the Company decided to reduce its capital by returning cash amounting to $235,480 (US$8,196) to stockholders and retired 23,547,962 shares, which was resolved during the stockholders meeting on June 22, 2011, and approved by the R.O.C. SFC in July 25, 2011. As of August 9, 2011, the record date of the capital reduction has not been decided by the Board of Directors.

B. As of June 30, 2011, the Company's authorized capital was $1,610,000 (US$56,039), the issued and outstanding capital was $1,178,987 (US$41,037) (including exercise of employee stock options of $43,271 (US$1,506) and the conversion of bonds payable to capital stock amounting to $132,611 (US$4,616)).

13) Capital reserve

According to the R.O.C. Company Law and Securities and Exchange Act, capital reserve shall be exclusively used to offset against accumulated deficit. However, capital reserve arising from paid-in capital in excess of par and donation can be used to increase capital, after covering accumulated deficit, which shall not exceed 10% of the Company's capital each year. In addition, capital reserve can only be utilized to offset against accumulated deficit if the legal reserve is insufficient to cover the accumulated deficit.

14) Retained earnings

A. In accordance with the Company's Articles of Incorporation, distribution of earnings would be based on the Company's operating and capital needs. Distribution of cash dividends is not less than 20% of stock dividend except as approved by the stockholders for significant capital expenditures. The annual net income should be used to cover any accumulated deficit and pay income tax. When distributing the remaining retained earnings, the distributions should be in accordance with the following order:

a) Set aside 10% of the annual income as legal reserve. Where such legal reserve equals to the total authorized capital, this provision shall not apply.

b) Set aside special reserve according to the Securities and Exchange Act.

c) Set aside not more than 1.5% of the balance to directors and supervisors.

d) Any remaining balance together with prior year retained earnings may be distributed as employees' bonus and stockholders' dividend. Employees' bonus is not lower than 3% of total amount of employees' bonus and stockholders' dividend. Employees' bonus could be distributed by cash or stock. Employees' stock bonus shall be distributed to all full-time employees of the Company and its subsidiaries.

The Company's annual shareholder dividends should not be less than the 50% of remaining balance after annual after-tax income to make up for accumulated deficit, setting aside for legal reserve and special reserve.

B. The Taiwan imputation tax system requires that any undistributed current year earnings, on tax basis, of a company derived on or after January 1, 1998 be subject to an additional 10% corporate income tax if the earnings are not distributed before a specific time. This 10% additional tax on undistributed earnings paid by the Company can be used as tax credit by the shareholders, including foreign shareholders, against the withholding tax on dividends. In addition, the domestic shareholders can claim a proportionate share in the Company's corporate income tax as a tax credit against its individual income tax liability effective 1998. The actual creditable tax ratio of distributed earnings in 2010 was 0.92 %. As of June 30, 2011, the imputation tax credit account balance was $17,245 (US$600). The estimated creditable tax ratio of distributed earnings in 2011 is 1.22%. As of June 30, 2011, the Company's undistributed earnings derived before and after the adoption of the imputation tax system were $9,932 (US$346) and $995,848 (US$34,662), respectively.

C. In accordance with Article 41 of the ROC Securities and Exchange Act, in addition to the amount appropriated for legal reserve, the Company should set aside a special reserve from retained earnings for any reduction of the stockholders' equity as of the end of the current year.

D. The appropriation of 2010 and 2009 earnings had been resolved at the stockholders' meeting on June 22, 2011 and June 17, 2010, respectively. Details are summarized below:

	2010		2009	
	NT$		NT$	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 82,917		$ 90,552	
Special reserve	55,710		7,073	
Stock dividends	-		9,038	$ 0.08
Cash dividends	824,179	$ 6.99	744,124	6.42
	$ 962,806		$ 850,787	

	2010		2009	
	US$ (Unreviewed – Note 2)		US$ (Unreviewed – Note 2)	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 2,886		$ 2,817	
Special reserve	1,939		220	
Stock dividends	-		281	$ -
Cash dividends	28,687	$ 0.24	23,145	0.20
	$ 33,512		$ 26,463	

There was no difference between the appropriations of 2010 earnings as approved in the stockholders' meeting with the Board of Directors' resolution on March 30, 2011.

E. The estimated amounts of employees' bonus and directors' and supervisors' remuneration for the six-month period ended June 30, 2011 are $30,586 (US$1,065) and $4,588 (US$160), respectively, based on net income in 2011 after taking into account the legal reserve and other factors which are estimated according to the distribution percentage from the resolution of the Board of Directors (10% and 1.5%, respectively). Information on the appropriation of the Company's employees' bonus and directors' and supervisors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. The Company appropriated employees' bonus and remunerations to directors and supervisors for 2010 amounting to $74,625 (US$2,597) and $10,358 (US$361), respectively. The difference of $836 (USD$29) between actual and estimated remunerations to directors and supervisors had been adjusted in the statement of income for the six-month period ended June 30, 2011.

15) Share-based payment-employee compensation plan

A. The R.O.C. SFC approved the issuance of stock options under the employee stock option plan. Each option is equivalent to one share of common stock and new stock will be issued when the employees exercise their options. The purchase price is based on the Company's closing price on the issuance date. The Company uses par value as purchase price if the closing price is less than par value. The employees may exercise their stock options 2 years after receiving them. The stock option is valid for 7 years.

a) The amount and aggregate exercise price of the stock options for the compensation employee stock option plan for the six-month periods ended June 30, 2011 and 2010 are as follows:

	For the six-month periods ended June 30,			
	2011		2010	
	No. of shares (in thousands)	Weighted - average exercise price (in dollars)	No. of shares (in thousands)	Weighted - average exercise price (in dollars)
Beginning balance	2,656	NT$ 101.24 (US$ 3.52)	3,644	NT$86.69 (US$ 2.70)
Options exercised	(215)	NT$ 65.05 (US$ 2.26)	(622)	NT$42.67 (US$ 1.33)
Options revoked	(284)	NT$114.70 (US$ 3.99)	(25)	NT$136.00 (US$ 4.23)
Ending balance	2,157	NT$103.07 (US$ 3.59)	2,997	NT$99.07 (US$ 3.08)
Options exercisable at end of the period	656		1,192	
Options authorized but not granted at end of the period	7,000		1,292	

b) As of June 30, 2011, the details of the employee stock option plans are as follows:

	Outstanding ending balance			Exercisable ending balance	
Range of exercise price (in dollars)	No. of shares (in thousands)	Weighted average remaining vesting period(year)	Weighted average exercise price (in dollars)	No. of shares (in thousands)	Weighted average exercise price (in dollars)
NT$ 26.90 (US$ 0.94)	433	0.19	NT$ 26.90 (US$ 0.94)	433	NT$ 26.90 (US$ 0.94)
NT$ 54.80 (US$ 1.91)	66	1.11	NT$ 54.80 (US$ 1.91)	66	NT$ 54.80 (US$ 1.91)
NT$ 94.10 (US$ 3.28)	157	2.59	NT$ 94.10 (US$ 3.28)	157	NT$ 94.10 (US$ 3.28)
NT$128.10 (US$ 4.46)	1,501	5.39	NT$128.10 (US$ 4.46)	-	NT$128.10 (US$ 4.46)

B. Expense incurred on share-based payment transactions are shown below:

	For the six-month periods ended June 30,	
	2011	2010
Employee stock option	NT$ 10,125	NT$ 16,651
	(US$ 352)	(US$ 518)

C The following sets forth the pro forma net income and earnings per share based on the assumption that the compensation cost is accounted for using the fair value method for the stock options granted before the effect of R.O.C. SFAS No. 39, "Accounting for Share-based Payment":

	For the six-month period ended June 30, 2011			
	Financial statement information		Pro forma information	
Net income	NT$	339,843	NT$	339,729
	(US$	11,829)	(US$	11,825)
Basic earnings per share (in dollars)	NT$	2.89	NT$	2.89
	(US$	0.10)	(US$	0.10)
Diluted earnings per share (in dollars)	NT$	2.87	NT$	2.87
	(US$	0.10)	(US$	0.10)

The fair value of the above stock option plan is calculated by using the Black-Scholes Option Pricing Model. Information of the factors and average time value are as follows:

	Date granted			
	September 7, 2004	August 9, 2005	January 30, 2007	November 18, 2009
Divided yield rate	0%	0%	0%	0%
Expected price volatility	62.22%	33.66%	41.59%	41.16%
Risk-free rate	2.33%	1.92%	1.98%	1.13%
Expected vesting period	7 years	7 years	4.875 years	4.875 years
Options issued during the period	0 units	0 units	0 units	0 units
Average fair value (in NT$ dollars)	NT$ 59.76	NT$ 45.07	NT$ 52.008	NT$ 50.07

16) Earnings per share

	For the six-month period ended June 30, 2011				
	Amount		Weighted average outstanding shares	Earnings per share (in dollars)	
	Before income tax	After income tax	(in thousands)	Before income tax	After income tax
Net income	$ 448,975 (US$ 15,628)	$ 339,843 (US$ 11,829)			
Basic earnings per share			117,753	$ 3.81 (US$0.13)	$ 2.89 (US$0.10)
Effect of dilutive common stock equivalents:					
Employees' stock options	-	-	330		
Employees' bonus	-	-	421		
Diluted earnings per share	$ 448,975 (US$ 15,628)	$ 339,843 (US$ 11,829)	118,504	$ 3.79 (US$0.13)	$ 2.87 (US$0.10)

	For the six-month period ended June 30, 2010				
	Amount		Weighted average outstanding shares	Earnings per share (in dollars)	
	Before income tax	After income tax	(in thousands)	Before income tax	After income tax
Net income	$ 626,361 (US$ 19,482)	$ 459,683 (US$ 14,298)			
Basic earnings per share			116,754	$ 5.36 (US$0.17)	$ 3.94 (US$0.12)
Effect of dilutive common stock equivalents:					
Employees' stock options	-	-	973		
Employees' bonus	-	-	1,372		
Diluted earnings per share	$ 626,361 (US$ 19,482)	$ 459,683 (US$ 14,298)	119,099	$ 5.26 (US$0.16)	$ 3.86 (US$0.12)

The above weighted-average outstanding shares have been adjusted retroactively in proportion to retained earnings and capital reserve capitalized during the year ended December 31, 2010.

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would be increased from employees' stock bonus issuance in the weighted-average number of shares outstanding during the reporting year, taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends (or retained earnings and capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively.

17) Personnel, depreciation and amortization expenses

The Group's personnel, depreciation and amortization expenses were as follows:

	For the six-month period ended June 30, 2011					
	Operating costs		Operating expenses		Total	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Personnel expenses						
Salaries	$ -	$ -	$404,894	$ 14,093	$404,894	$ 14,093
Insurance	-	-	28,484	991	28,484	991
Pension	-	-	13,453	468	13,453	468
Others	-	-	7,674	267	7,674	267
Depreciation	-	-	6,271	218	6,271	218
Amortization	-	-	707	25	707	25

	For the six-month period ended June 30, 2010					
	Operating costs		Operating expenses		Total	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Personnel expenses						
Salaries	$ -	$ -	$428,385	$13,325	$428,385	$13,325
Insurance	-	-	26,578	827	26,578	827
Pension	-	-	12,237	381	12,237	381
Others	-	-	10,236	318	10,236	318
Depreciation	-	-	7,620	237	7,620	237
Amortization	-	-	24,647	767	24,647	767

5. RELATED PARTY TRANSACTIONS

None.

6. DETAILS OF PLEDGED ASSETS

The Group's assets pledged as collateral as of June 30, 2011 and 2010 were as follows:

	Book value		
	June 30, 2011	June 30, 2010	Purpose
Other financial assets – current –certificate of deposit	$ - (US$ -)	$ 10,420 (US$ 324)	Contract bond and guarantee for sequestration
Other financial assets – non-current – certificate of deposit	10,000 (US$ 348)	- (US$ -)	Guarantee for sequestration
	$ 10,000 (US$ 348)	$ 10,420 (US$ 324)	

7. COMMITMENTS

As of June 30, 2011, the Group's significant commitments were as follows:

CyberLink-USA and Cyberlink-Japan lease certain office spaces. The total future minimum lease payments under the operating lease agreement amounted to $6,409 (US$223) and $5,415 (US $188). In 2011, Cyberlink-USA and CyberLink-Japan paid lease expenses of $1,096 (US$38) and $3,314 (US$115), respectively.

8. SIGNIFICANT LOSS OR DAMAGE

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

None.

10. OTHERS

1) Financial statement presentation

Certain accounts in the June 30, 2010 consolidated financial statements were reclassified to conform to the June 30, 2011 consolidated financial statement presentation.

2) The fair values of the financial instruments

	June 30, 2011 (NT$)			June 30, 2010 (NT$)		
		Fair value			Fair value	
Financial instruments	Book value	Quotations in an active market	Estimated using a valuation technique	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	$ 4,044,800	$ -	$ 4,044,800	$ 4,186,855	$ -	$ 4,186,855
Financial assets at fair value through profit or loss-current	1,031,439	1,031,439	-	1,249,196	1,249,196	-
Financial assets carried at cost-current	-	-	-	10,420	-	10,420
Financial assets carried at cost-non-current	10,000	-	10,000	-	-	-
Liabilities						
Financial liabilities with fair values equal to book values	2,294,816	-	2,294,816	2,540,857	-	2,540,857

Financial instruments	June 30, 2011 (US$)			June 30, 2010 (US$)		
		Fair value			Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	$ 140,787	$ -	$ 140,787	$ 130,229	$ -	$ 130,229
Financial assets at fair value through profit or loss-current	35,901	35,901	-	38,855	38,855	-
Financial assets carried at cost-current	-	-	-	324	-	324
Financial assets carried at cost-non-current	348	-	348	-	-	-
Liabilities						
Financial liabilities with fair values equal to book values	79,876	-	79,876	79,031	-	79,031

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

A. For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to Cash and cash equivalents, Notes receivable, Accounts receivable, Notes payable, Accounts payable, and Other current liabilities.
B. The fair values of financial assets held for trading were determined based on their market values.
C. The fair values of other financial assets (both current and non-current) and deposits-in were based on the present value of expected cash flow amount. The discount rate was the one-year rate of the Directorate General of Postal Remittances and Savings Bank. The fair value was not discounted since the difference is insignificant.

3) For the six-month periods ended June 30, 2011 and 2010, total interest income on financial assets or financial liabilities that are not at fair value through profit or loss amounted to $5,022 (US$175) and $4,189 (US$130), respectively.

4) Procedure of financial risk control and hedge

The main financial risks are the inherent risk of the financial instruments and the exchange rate risk of foreign currency transactions. The Group uses strict risk management and takes an overall assessment on any market risk, credit risk, liquidity risk and cash flow risk of financial investments and seeks to minimize risk. Based on the Group's policy, foreign currency transactions seek the balance of risk and liquidity and in attaining the best strategy.

5) Information of financial risk

A. Cash and cash equivalents

a) Market risk

Cash and cash equivalents of the Group is not affected by market price. Therefore, cash and cash equivalents of the Group is not exposed to material market risk.

b) Credit risk

Cash and cash equivalents transactions are limited to financial institutions with good credit standing and are not expected to default. Thus, there is no material credit risk.

c) Liquidity risk

Cash and cash equivalents of the Group is not expected to be exposed to material liquidity risk.

d) Cash flow risk

Cash of the Group is not an interest-bearing asset, so there is no cash flow risk from changes in market interest rates.

B. Financial assets and financial liabilities at fair value through profit or loss

a) Market risk

The funds held by the Group are all money market funds. Unit market price is not affected by the market environment. Therefore, there is no significant market risk.

b) Credit risk

The funds held by the Group are all money market funds. The issuers of these money market funds are high-credit quality financial institutions and the Group chooses money market funds that are rated by Taiwan Ratings (higher than Taiwan Ratings twAAf). Management believes its exposure to default by these parties is low.

c) Liquidity risk

Financial assets of the Group all have open markets for transactions, and it is expected that the Group can immediately sell these financial assets at near fair value. Therefore, the liquidity risk is low.

d) Cash flow risk

The funds held by the Group are all money market funds and are not interest-bearing assets. Therefore, there is no cash flow risk due to changes in market interest rates.

C. Accounts and notes receivable

a) Market risk

Accounts and notes receivable of the Group are expected to be converted to cash within one year from the balance sheet date. Therefore, the market risk is low.

b) Credit risk

The counterparties or third parties to the receivables are reputable international business organizations. Management believes its exposure to default by these parties is low.

c) Liquidity risk

Accounts and notes receivable of the Group are expected to be converted to cash within one year from the balance sheet date, and the Group has sufficient operating capital to meet cash needs. Therefore, the liquidity risk is low.

d) Cash flow risk

Accounts and notes receivable of the Group are expected to be converted to cash within one year from the balance sheet date. Therefore, the cash flow risk is low.

D. Accounts and notes payable

a) Market risk

Accounts and notes payable of the Group are obligations expected to be due within one year from the balance sheet date. Therefore, the market risk is low.

b) Credit risk

Accounts and notes payable are obligations of the Group. Therefore, there is no credit risk.

c) Liquidity risk

Accounts and notes payable of the Group are obligations that are expected to be due within one year from the balance sheet date. In addition, the Group has sufficient operating capital to meet cash needs. Therefore, the liquidity risk is low.

d) Cash flow risk

Accounts and notes payable of the Group are obligations expected to be due within one year from the balance sheet date. Therefore, the cash flow risk is low.

11. ADDITIONAL DISCLOSURES REQUIRED BY SFC

1) Related information of significant transactions

A. Lending to others: None.

B. Guarantees on behalf of others: None.

C. Marketable securities at June 30, 2011:

Name of the investor	Type and name of marketable securities	Relationship with the issuer	General ledger account	Number of shares	Book value	Percentage	Market value or net asset value
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Long-term equity investments accounted for under the equity method	4,000,000	$ 478,096	100.00	$ 478,096
〃	CyberLink Europe B.V.	〃	〃	1,500,000	7,886	100.00	7,886
〃	CyberLink International Technology Corp.	〃	〃	2,000,000	114,847	100.00	114,847
〃	CyberLink Investment Corp.	〃	〃	12,000,000	162,666	100.00	162,666
〃	Polaris De-Bao Money Market Fund	None	Financial assets at fair value through profit or loss-current	4,911,687	56,718	-	56,718
〃	Shin Kong Chi-Shin Money Market Fund	〃	〃	2,058,408	30,671	-	30,671
〃	PCA Well Pool Money Market Fund	〃	〃	29,766,196	388,764	-	388,764
〃	Yuanta WanTai Money Market Fund	〃	〃	37,463,622	545,227	-	545,227
CyberLink Investment Corp.	Yuanta WanTai Money Market Fund	None	〃	691,171	10,059	-	10,059
CyberLink International Technology Corp.	CyberLink Inc.	A subsidiary of CyberLink International Technology Corp.	Long-term equity investments accounted for under the equity method	1,900	US$ 1,653	100.00	US$ 1,653
〃	Preferred stock of Cidana Inc.	None	Financial assets carried at cost – non current	500,000	US$ 150	7.14	US$ -

(US$ Unaudited and unreviewed-Note 2)

Name of the investor	Type and name of marketable securities	Relationship with the issuer	General ledger account	Number of shares	Book value	Percentage	Market value or net asset value
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Long-term equity investments accounted for under the equity method	4,000,000	$ 16,641	100.00	$ 16,641
〃	CyberLink Europe B.V.	〃	〃	1,500,000	274	100.00	274
〃	CyberLink International Technology Corp.	〃	〃	2,000,000	3,997	100.00	3,997
〃	CyberLink Investment Corp.	〃	〃	12,000,000	5,662	100.00	5,662
〃	Polaris De-Bao Money Market Fund	None	Financial asset at fair value through profit or loss – current	4,911,687	1,974	-	1,974
〃	Shin Kong Chi-Shin Money Market Fund	〃	〃	2,058,408	1,068	-	1,068
〃	PCA Well Pool Money Market Fund	〃	〃	29,766,196	13,532	-	13,532
〃	Yuanta WanTai Money Market Fund	〃	〃	37,463,622	18,978	-	18,978
CyberLink Investment Corp.	Yuanta WanTai Money Market Fund	None	〃	691,171	349	-	349
CyberLink International Technology Corp.	CyberLink Inc.	A subsidiary of CyberLink International Technology Corp.	Long-term equity investments accounted for under the equity method	1,900	1,653	100.00	1,653
〃	Preferred stock of Cidana Inc.	None	Financial assets carried at cost – non current	500,000	150	7.14	-

D. Accumulated additions and disposals of each single marketable security exceeding NT$100,000 or 20% of contributed capital:

January 1, 2011 – June 30, 2011 (NT$)

Name of Company	Name of the security	Account used to record transaction	Counterparty	Relationship with the counterparty	Beginning balance		Additions		Disposals				Ending balance	
					Number of shares (thousand units)	Amount	Number of shares (thousand units)	Account (Note)	Number of shares (thousand units)	Sales price	Book value (Note)	Gain (loss) from disposal	Number of shares (thousand units)	Amount
CyberLink Corp.	Shin Kong Chi-Shin Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	11,107	$ 165,046	12,109	$ 180,049	21,158	$ 315,000	$ 314,424	$ 576	2,058	$ 30,671
〃	Polaris De-Bao Money Market Fund	〃	-	-	45,647	525,702	-	(346)	40,735	470,000	468,638	1,362	4,912	56,718
〃	PCA Well Pool Money Market Fund	〃	-	-	52,753	687,129	-	175	22,987	300,000	298,540	1,460	29,766	388,764

Note: Including valuation amount.

(US$ Unaudited and unreviewed-Note 2)

Name of Company	Name of the security	Account used to record transaction	Counterparty	Relationship with the counterparty	Beginning balance		Additions		Disposals				Ending balance	
					Number of shares (thousand units)	Amount	Number of shares (thousand units)	Account (Note)	Number of shares (thousand units)	Sales price	Book value (Note)	Gain (loss) from disposal	Number of shares (thousand units)	Amount
CyberLink Corp.	Shin Kong Chi-Shin Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	11,107	$ 5,745	12,109	$ 6,267	21,158	$ 10,964	$ 10,944	$ 20	2,058	$ 1,068
〃	Polaris De-Bao Money Market Fund	〃	-	-	45,647	18,298	-	(12)	40,735	16,359	16,312	47	4,912	1,974
〃	PCA Well Pool Money Market Fund	〃	-	-	52,753	23,917	-	6	22,987	10,442	10,391	51	29,766	13,532

Note: Including valuation amount.

E. Acquisition of real estate properties exceeding NT$100,000 or 20% of the Company's paid-in capital during the six-month period ended June 30, 2011: None.

F. Disposals of real estate exceeding NT$100,000 or 20% of contributed capital: None.

G. Purchases and sales with related parties exceeding NT$100,000 or 20% of contributed capital: January 1, 2011 – June 30, 2011：

Name of the Company	Name of the counterparty	Relationship	Description of the transactions				Description of and reasons for difference in transaction terms compared to non-related party transactions		Accounts or notes receivable (payable)	
			Purchases (Sales)	Amount	% of total purchases (Sales)	Credit terms (Note)	Unit price	Credit terms	Balance	% of total accounts or notes receivable
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Sales	NT$ 240,237 (US$ 8,362)	21	Note	The same as those with third parties	Note	NT$ 70,051 (US$ 2,438)	18

Note: Sales to subsidiaries are at normal selling price and are collected 30 days after the delivery of goods.

H. Receivables from related parties exceeding NT$100,000 or 20% of the Company's paid-in capital as at June 30, 2011: None.

I. Information as to transaction of derivatives: None.

2) Relevant information regarding investee companies as of June 30, 2011

(NT$)

Name of the company	Name of the investee companies	Address	Major operating activities	Original investment amount		Ending balance as of June 30,2011			Net income (loss) of investee company	Recognized investment income (loss)	Relationship with the Company
				June 30, 2011	Dec. 31, 2010	Shares	Percentage (%)	Book value			
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	$ 136,327	$ 136,327	4,000,000	100.00	$ 478,096	$ 38,215	$ 38,215	A subsidiary of the Company
〃	CyberLink Europe B.V.	Europe	〃	64,770	64,770	1,500,000	100.00	7,886	(1,027)	(1,027)	〃
〃	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	64,821	64,821	2,000,000	100.00	114,847	2,796	2,796	〃
〃	CyberLink Investment Corp.	New Taipei City	〃	220,000	220,000	12,000,000	100.00	162,666	1,245	1,245	〃
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	US$ 848	US$ 848	1,900	100.00	US$ 1,653	US$ 216	US$ 216	A subsidiary of CyberLink International Technology Corp.

(US$ Unaudited and unreviewed-Note 2)

Name of the company	Name of the investee companies	Address	Major operating activities	Original investment amount		Holding status			Net income (loss) of investee company	Recognized investment income (loss)	Relationship with the Company
				June 30, 2011	Dec. 31, 2010	Shares	Percentage (%)	Book value			
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	$ 4,745	$ 4,745	4,000,000	100.00	$ 16,641	$ 1,330	$ 1,330	A subsidiary of the Company
〃	CyberLink Europe B.V.	Europe	〃	2,254	2,254	1,500,000	100.00	274	(36)	(36)	〃
〃	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	2,256	2,256	2,000,000	100.00	3,997	97	97	〃
〃	CyberLink Investment Corp.	New Taipei City	〃	7,658	7,658	12,000,000	100.00	5,662	43	43	〃
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	848	848	1,900	100.00	1,653	216	216	A subsidiary of CyberLink International Technology Corp.

3) Disclosures of relevant information regarding indirect investments in Mainland China: None.

4) Intercompany transactions

January 1, 2011~ June 30, 2011

Number of the Company (Note 1)	Company	Names of Counterparty	Relationship with Company (Note 2)	Transaction				
				Subject	Amount (NT$)	Amount (US$ Unaudited and unreviewed- Note 2)	Terms of Transaction	Percentage of Consolidated Revenue or Assets (Note 3)
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	$ 240,237	$ 8,362	Note 4	12
				Accounts receivable	70,051	2,438	Note 4	1
〃	〃	CyberLink Europe B.V.	〃	Sales revenue	90,101	3,136	Note 4	5
〃	〃	CyberLink Inc.	〃	Sales revenue	96,533	3,360	Note 4	5
				Accounts receivable	10,453	364	Note 4	0.1

January 1, 2010~June 30, 2010

Number of the Company (Note 1)	Company	Names of Counterparty	Relationship with Company (Note 2)	Transaction				
				Subject	Amount (NT$)	Amount (US$ Unaudited and unreviewed- Note 2)	Terms of Transaction	Percentage of Consolidated Revenue or Assets (Note 3)
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	$ 388,338	$ 12,079	Note 4	16
				Accounts receivable	140,688	4,376	Note 4	2
〃	〃	CyberLink Europe B.V.	〃	Sales revenue	50,326	1,565	Note 4	2
				Other income	10,143	315	Note 7	0.4
				Other receivable	21,697	675	Note 6	0.3
〃	〃	CyberLink Inc.	〃	Sales revenue	116,580	3,626	Note 5	5
				Accounts receivable	54,825	1,705	Note 5	0.7

Note 1：Transaction information between parent company and subsidiaries should be noted in the first column, the number is written as below:

A. Parent Company : 0

B. Subsidiaries are numbered from 1.

Note 2：Relationships between the counterparties:

A. Parent company to subsidiary.

B. Subsidiary to parent company.

C. Subsidiary to another subsidiary.

Note 3：For balance sheet accounts, it is calculated based on consolidated assets; for income statement accounts, it is calculated based on consolidated revenue.

Note 4：Sales to subsidiaries are at normal price and are collected 30 days after the delivery of goods.

Note 5：Sales to subsidiaries are at normal price and are collected 90 days after the delivery of goods.

Note 6：Receivables from management services provided to subsidiaries.

Note 7：Income from management service provided to subsidiaries.

12. OPERATING SEGMENT INFORMATION

A. General information

The Company recognizes the reportable segments based on the reporting information used by chief operating decision maker. The chief operating decision maker operates the business and evaluates performance by products. Its main business activities are related to the sale of video entertainment and media creation software. Information about operating results of other products is provided in the accompanying note “Other operating segments”.

B. Measure of segmental information

a)The accounting policies for operating segments are the same as those summarized in Note 2, except for foreign segments’ defined contribution pension plans that is in compliance with local reguleations.

b)The Company uses segment revenue and operating income as the basis for evaluating performance and has eliminated the impact of inter-segment transactions.

C. Quantitative information about profit or loss, assets and liabilities

The segmental financial information of the Group for the six-month periods ended 2011 and 2010 are as follows:

	For the six-month period ended June 30, 2011							
	Media Experience and Entertainment		Media Creation		Others		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Segment Revenue	$ 1,285,901	$ 44,758	$ 642,975	$ 22,380	$ 26,343	$ 917	$ 1,955,219	$ 68,055
Segment Operating Income	208,945	$ 7,273	$ 219,908	$ 7,654	$ 13,701	$ 477	$ 442,554	$ 15,404
Segment Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	For the six-month period ended June 30, 2010							
	Media Experience and Entertainment		Media Creation		Others		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Segment Revenue	$ 1,740,350	$ 54,132	$ 646,369	$ 20,105	$ 63,668	$ 1,980	$ 2,450,387	$ 76,217
Segment Operating Income	$ 326,298	$ 10,149	$ 273,126	$ 8,495	$ 30,345	$ 944	$ 629,769	$ 19,588
Segment Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

D. Reconciliation of reported segment profit or loss

The Chief operating decision maker evaluates operating segment performance and allocates resources to operating segments based on segment revenues and operating income. Therefore, no reconciling adjustments are necessary.