CYBERLINK CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2012 AND 2011

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

PWCR12000816

To the Board of Directors and Stockholders of CyberLink Corp.

We have reviewed the accompanying consolidated balance sheets of CyberLink Corp. and subsidiaries as of June 30, 2012 and 2011, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the six-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No.36, "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, conducted 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, 2012 and 2011 expressed in United States dollars were translated from the New Taiwan dollar financial statements using the exchange rates of NT$29.88: US$1 and NT$28.73: 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 1, 2012

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)

	2012			2011		
	Amount			Amount		
	NT$	US$ (Unreviewed-Note 2)	%	NT$	US$ (Unreviewed-Note 2)	%
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4(1))	$ 2,826,191	$ 94,585	42	$ 3,403,394	$ 118,461	48
Financial assets at fair value through profit or loss - current (Note 4(2))	1,565,661	52,398	24	1,031,439	35,901	15
Notes receivable, net (Note 4(3))	23,972	802	1	24,852	865	-
Accounts receivable, net (Note 4(3))	350,940	11,745	5	606,965	21,127	9
Other receivables (Note 4(8))	10,596	355	-	3,378	118	-
Inventories	7,124	238	-	6,429	224	-
Deferred income tax assets - current (Note 4(8))	15,255	511	-	9,338	325	-
Other current assets - others	10,257	343	-	7,509	261	-
	4,809,996	160,977	72	5,093,304	177,282	72
Funds and Investments						
Financial assets carried at cost – non current (Note 4(4))	53,017	1,774	1	4,310	150	-
Other financial assets - non current (Note 6)	10,000	335	-	10,000	348	-
	63,017	2,109	1	14,310	498	-
Property, Plant and Equipment (Note 4(5))						
Cost	458,348	15,340	7	457,307	15,917	6
Less: accumulated depreciation	(108,695)	(3,638)	(2)	(100,253)	(3,489)	(1)
	349,653	11,702	5	357,054	12,428	5
Intangible Assets						
Deferred pension cost	82	3	-	123	4	-
Other intangible assets	661	22	-	2,077	72	-
	743	25	-	2,200	76	-
Other Assets						
Assets leased to others (Note 4(6))	1,227,037	41,065	18	768,114	26,736	11
Refundable deposits	5,268	176	-	6,211	216	-
Deferred income tax assets - non current (Note 4(8))	158,809	5,315	3	262,840	9,149	4
Other assets – other (Note 4(7))	90,770	3,038	1	560,615	19,513	8
	1,481,884	49,594	22	1,597,780	55,614	23
TOTAL ASSETS	$ 6,705,293	$ 224,407	100	$ 7,064,648	$ 245,898	100

(Continued)

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

	2012			2011		
	Amount			Amount		
	NT$	US$ (Unreviewed-Note 2)	%	NT$	US$ (Unreviewed-Note 2)	%
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities						
Accounts payable	$ 3,539	$ 118	-	$ 5,194	$ 181	-
Income tax payable (Note 4(8))	17,515	586	-	36,884	1,284	1
Accrued expenses (Notes 4(9) and (14))	1,066,510	35,693	16	1,002,196	34,883	14
Other payables (Note 4(10))	1,068,838	35,771	16	1,281,818	44,616	18
Other current liabilities	29,930	1,002	1	23,054	802	-
	2,186,332	73,170	33	2,349,146	81,766	33
Other Liabilities						
Accrued pension liabilities	15,640	523	-	13,056	454	1
Deposits-in	8,801	295	-	5,608	196	-
	24,441	818	-	18,664	650	1
Total Liabilities	2,210,773	73,988	33	2,367,810	82,416	34
Stockholders' Equity						
Capital stock (Notes 4(12) and (15))						
Common stock	943,507	31,577	14	1,178,987	41,037	17
Capital reserve (Note 4(13))						
Paid-in capital in excess of par value	719,538	24,081	11	719,538	25,045	10
Paid-in capital in excess of par, convertible bonds	867,363	29,028	13	867,363	30,190	12
Employee stock options	223,134	7,468	3	193,909	6,749	3
Retained earnings (Note 4(14))						
Legal reserve	804,873	26,937	12	738,319	25,699	10
Special reserve	43,679	1,462	1	69,880	2,432	1
Unappropriated earnings	947,071	31,696	14	1,005,780	35,008	14
Other adjustments to stockholders' equity						
Cumulative translation adjustments	(46,991)	(1,573)	(1)	(69,919)	(2,434)	(1)
Net loss not recognized as pension cost	(7,654)	(257)	-	(7,019)	(244)	-
Total Stockholders' Equity	4,494,520	150,419	67	4,696,838	163,482	66
Commitments (Notes 4(6) and 7)						
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,705,293	$ 224,407	100	$ 7,064,648	$ 245,898	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)

	2012			2011		
	Amount			Amount		
	NT$	US$ (Unreviewed - Note 2)	%	NT$	US$ (Unreviewed - Note 2)	%
Operating revenues						
Sales revenue	$ 1,791,237	$ 59,948	102	$ 1,988,390	$ 69,210	102
Less: Sales returns	(27,986)	(937)	(1)	(25,591)	(891)	(1)
Sales allowances	(12,580)	(421)	(1)	(7,580)	(264)	(1)
Net sales	1,750,671	58,590	100	1,955,219	68,055	100
Operating costs						
Cost of sales	(8,982)	(301)	-	(9,376)	(326)	(1)
Gross profit	1,741,689	58,289	100	1,945,843	67,729	99
Operating expenses (Notes 4(11), (14) and (17))						
Selling	(1,016,582)	(34,022)	(58)	(1,122,407)	(39,068)	(57)
General	(72,593)	(2,429)	(4)	(73,899)	(2,572)	(4)
Research and development	(252,806)	(8,461)	(15)	(306,983)	(10,685)	(16)
Total operating expenses	(1,341,981)	(44,912)	(77)	(1,503,289)	(52,325)	(77)
Operating income	399,708	13,377	23	442,554	15,404	22
Non-operating income						
Interest income	6,305	211	-	5,022	175	-
Gain on financial assets at fair value through profit or loss (Note 4(2))	5,917	198	-	4,745	165	-
Other income	27,478	920	2	6,147	214	1
Total non-operating income	39,700	1,329	2	15,914	554	1
Non-operating expenses						
Foreign exchange loss - net	(10,175)	(341)	(1)	(2,743)	(95)	-
Other expenses	(7,047)	(236)	-	(6,750)	(235)	-
Total non-operating expenses	(17,222)	(577)	(1)	(9,493)	(330)	-
Income before income tax	422,186	14,129	24	448,975	15,628	23
Income tax expense (Note 4(8))	(105,789)	(3,540)	(6)	(109,132)	(3,799)	(6)
Consolidated net income	$ 316,397	$ 10,589	18	$ 339,843	$ 11,829	17
Attributable to:						
Equity holders of the Company	$ 316,397	$ 10,589	18	$ 339,843	$ 11,829	17

	2012 NT$ Before tax	2012 NT$ After tax	2012 US$ Before tax	2012 US$ After tax	2011 NT$ Before tax	2011 NT$ After tax	2011 US$ Before tax	2011 US$ After tax
Basic earnings per share (Note 4(16)) (In dollars)	$ 4.47	$ 3.35	$ 0.15	$ 0.11	$ 3.81	$ 2.89	$ 0.13	$ 0.10
Diluted earnings per share (Note 4(16)) (In dollars)	$ 4.45	$ 3.33	$ 0.15	$ 0.11	$ 3.79	$ 2.87	$ 0.13	$ 0.10

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, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

			Retained earnings					
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Cumulative translation adjustments	Net loss not recognized as pension cost	Total
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 adjustments	-	-	-	-	-	(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
Balance at January 1, 2012	$ 943,507	$ 1,800,916	$ 738,319	$ 69,880	$ 1,331,482	($ 36,024)	($ 7,654)	$ 4,840,426
Distribution of 2011 earnings (Note):								
Legal reserve	-	-	66,554	-	(66,554)	-	-	-
Special reserve	-	-	-	(26,201)	26,201	-	-	-
Cash dividends	-	-	-	-	(660,455)	-	-	(660,455)
Net income for the six-month period ended June 30, 2012	-	-	-	-	316,397	-	-	316,397
Exercise of employee stock options	-	9,119	-	-	-	-	-	9,119
Cumulative translation adjustments	-	-	-	-	-	(10,967)	-	(10,967)
Balance at June 30, 2012	$ 943,507	$ 1,810,035	$ 804,873	$ 43,679	$ 947,071	($ 46,991)	($ 7,654)	$ 4,494,520

Note: Remunerations to directors and supervisors of $9,378 and employees' bonus of $59,899 and remunerations to directors and supervisors of $10,358 and employees' bonus of $74,625 have been deducted from the consolidated statements of income for 2011 and 2010, 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, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF US DOLLARS) (UNREVIEWED-NOTE 2)
(UNAUDITED)

			Retained earnings					
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Cumulative translation adjustments	Net loss not recognized as pension cost	Total
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 adjustments	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
Balance at January 1, 2012	$ 31,159	$ 59,476	$ 24,383	$ 2,308	$ 43,972	($ 1,190)	($ 252)	$ 159,856
Distribution of 2011 earnings (Note):								
Legal reserve	-	-	2,227	-	(2,227)	-	-	-
Special reserve	-	-	-	(877)	877	-	-	-
Cash dividends	-	-	-	-	(22,104)	-	-	(22,104)
Net income for the six-month period ended June 30, 2012	-	-	-	-	10,589	-	-	10,589
Exercise of employee stock options	-	305	-	-	-	-	-	305
Cumulative translation adjustments	418	796	327	31	589	(383)	(5)	1,773
Balance at June 30, 2012	$ 31,577	$ 60,577	$ 26,937	$ 1,462	$ 31,696	($ 1,573)	($ 257)	$ 150,419

Note: Remunerations to directors and supervisors of $314 and employees' bonus of $2,005 and remuneration to directors and supervisors of $361 and employees' bonus of $2,597 have been deducted from the consolidated statements of income for 2011 and 2010, 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)

	2012		2011	
	NT$	US$ (Unreviewed-Note 2)	NT$	US$ (Unreviewed- Note 2)
Cash flows from operating activities				
Net income	$ 316,397	$ 10,589	$ 339,843	$ 11,829
Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on financial assets at fair value through profit or loss	(5,917)	(198)	(4,745)	(165)
Loss on obsolescence of inventories	453	15	417	15
Depreciation and other expenses	10,716	359	11,732	408
Amortization	708	24	707	25
Compensation cost of employees' stock options	9,119	305	10,125	352
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Financial assets at fair value through profit or loss	(170,000)	(5,689)	905,000	31,500
Notes and accounts receivable	73,378	2,456	(288,082)	(10,027)
Other receivables	(7,929)	(265)	63,003	2,193
Inventories	361	12	(1,421)	(49)
Deferred income tax assets	36,488	1,221	(10,809)	(376)
Other current assets – others	294	10	2,467	86
Increase (decrease) in liabilities:				
Accounts payable	(2,466)	(83)	389	14
Income tax payable	(27,505)	(921)	11,662	405
Accrued expenses	(100,311)	(3,357)	(153,949)	(5,359)
Other payables	(25,258)	(845)	71,544	2,490
Other current liabilities	14,229	475	11,746	409
Accrued pension liabilities	405	14	(3,000)	(105)
Net cash provided by operating activities	123,162	4,122	966,629	33,645
Cash flows from investing activities				
Acquisition of property, plant, and equipment	(1,592)	(53)	(1,970)	(69)
Decrease in refundable deposits – net	324	11	1,000	35
Net cash used in investing activities	(1,268)	(42)	(970)	(34)

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

(UNAUDITED)

	2012		2011	
	NT$	US$	NT$	US$
		(Unreviewed-Note 2)		(Unreviewed-Note 2)
Cash flows from financing activities				
Payment of employees' bonus	($ 200)	($ 6)	$ -	$ -
Increase in deposits	1,807	60	4,165	145
Exercise of employee stock options	-	-	13,985	487
Net cash provided by financing activities	1,607	54	18,150	632
Effects of changes in exchange rates of foreign currency holdings	(16,005)	666	(10,609)	792
Net increase in cash and cash equivalents	107,496	4,800	973,200	35,035
Cash and cash equivalents at beginning of the period	2,718,695	89,785	2,430,194	83,426
Cash and cash equivalents at end of the period	$ 2,826,191	$ 94,585	$ 3,403,394	$ 118,461
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Income tax	$ 96,815	$ 3,240	$ 102,866	$ 3,580
Investing activities which have no effect on cash flows:				
Other assets transferred to assets leased to others	$ 214,825	$ 7,190	$ 556,112	$ 19,356
Financing activities which have no effect on cash flows:				
Cash dividends not yet paid	$ 660,455	$ 22,104	$ 824,179	$ 28,687

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

CYBERLINK CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

1. COMPANY HISTORY AND CONSOLIDATED SUBSIDIARIES

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, 2012, the Company and its subsidiaries had 573 employees.

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.

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.

B. Consolidated subsidiaries:

Investor	Name of the subsidiary	Major operating activities	Ownership (%) June 30, 2012	Ownership (%) June 30, 2011
CyberLink Corp.	CyberLink.Com Corp. (CyberLink-USA)	Sales of computer software	100%	100%
CyberLink Corp.	CyberLink Europe B.V. (CyberLink-B.V.)	Sales of computer software	100%	100%
CyberLink Corp.	CyberLink International Technology Corp. (CyberLink-B.V.I)	Investment activities	100%	100%
CyberLink Corp.	CyberLink Investment Corp. (CyberLink Investment)	Investment activities	100%	100%
CyberLink International Technology Corp.	CyberLink Inc. (CyberLink-Japan)	Sales of computer software	100%	100%

C. Subsidiaries not included in the consolidated financial statements: None.

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

E. Special operating risks in foreign subsidiaries: None.

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

G. Contents of subsidiaries' securities issued by the parent company: None.

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

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) <u>Foreign currency transactions</u>

A. Transactions denominated in foreign currencies are translated into 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) Financial assets and financial liabilities at fair value through profit or loss

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) Notes receivable, accounts receivable and other receivables

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) Inventories

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) Financial assets carried at cost

A. Investment in unquoted equity instruments is recognized or derecognized using trade date accounting and is stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

B. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss shall not be reversed when the fair value of the asset subsequently increases.

9) Property, plant and equipment

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. The estimated useful lives of the 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.

10) Intangible assets

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.

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

B. Income tax credits are charged to deferred income tax assets and credited to income tax expense in the year when the tax credits arise.

C. 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.

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.

16) Revenues, costs 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$29.88 and US$1:NT$28.73 at June 30, 2012 and 2011, 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”.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	June 30,			
	2012		2011	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Cash on hand	$ 282	$ 9	$ 282	$ 10
Demand deposits	1,568,656	52,499	2,072,093	72,123
Checking deposits	60,454	2,023	13,822	481
Time deposits	1,196,799	40,054	1,317,197	45,847
	$2,826,191	$ 94,585	$3,403,394	$ 118,461

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

	June 30,			
	2012		2011	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Financial assets held for trading-Money market funds	$ 1,554,781	$ 52,034	$ 1,026,104	$ 35,715
Adjustment of financial assets held for trading	10,880	364	5,335	186
	$ 1,565,661	$ 52,398	$ 1,031,439	$ 35,901

The Group recognized net gains of $5,917 (US$198) and $4,745(US$165) for the six-month periods ended June 30, 2012 and 2011, respectively.

3) Notes and accounts receivable

	June 30,			
	2012		2011	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Notes receivable	$ 24,002	$ 804	$ 24,882	$ 866
Accounts receivable	351,308	11,757	607,483	21,145
	375,310	12,561	632,365	22,011
Less: Allowance for doubtful accounts	(398)	(14)	(548)	(19)
	$ 374,912	$ 12,547	$ 631,817	$ 21,992

4) Financial assets carried at cost

	June 30,			
	2012		2011	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Unlisted stocks	$ 53,017	$ 1,774	$ 4,310	$ 150

The investments of the Group in unlisted stocks were measured at cost since their fair value cannot be measured reliably.

5) Property, plant and equipment

	June 30, 2012 (NT$)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 220,698	$ -	$ 220,698
Buildings	181,207	(65,421)	115,786
Machinery	41,457	(33,367)	8,090
Transportation equipment	5,092	(2,024)	3,068
Furniture and fixtures	9,894	(7,883)	2,011
	$ 458,348	($ 108,695)	$ 349,653

Item	June 30, 2011 (NT$) 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

Item	June 30, 2012 (US$: Unreviewed - Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 7,386	$ -	$ 7,386
Buildings	6,065	(2,190)	3,875
Machinery	1,387	(1,117)	270
Transportation equipment	171	(68)	103
Furniture and fixtures	331	(263)	68
	$ 15,340	($ 3,638)	$ 11,702

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

6) 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 the “Assets leased to others” account.

Item	June 30, 2012 NT$ Original cost	Accumulated depreciation	Net book value
Land	$ 751,978	$ -	$ 751,978
Buildings	509,213	(34,154)	475,059
	$ 1,261,191	($ 34,154)	$ 1,227,037

Item	June 30, 2011 NT$ Original cost	Accumulated depreciation	Net book value
Land	$ 482,686	$ -	$ 482,686
Buildings	299,641	(14,213)	285,428
	$ 782,327	($ 14,213)	$ 768,114

Item	June 30, 2012 (US$: Unreviewed – Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 25,167	$ -	$ 25,167
Buildings	17,042	(1,144)	15,898
	$ 42,209	($ 1,144)	$ 41,065

Item	June 30, 2011 (US$: Unreviewed – Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 16,801	$ -	$ 16,801
Buildings	10,430	(495)	9,935
	$ 27,231	($ 495)	$ 26,736

7) Other assets – other

Item	June 30, 2012 NT$ Original cost	Accumulated depreciation	Net book value
Land	$ 47,046	$ -	$ 47,046
Buildings	46,866	(3,142)	43,724
	$ 93,912	($ 3,142)	$ 90,770

Item	June 30, 2011 NT$ Original cost	Accumulated depreciation	Net book value
Land	$ 316,339	$ -	$ 316,339
Buildings	256,437	(12,161)	244,276
	$ 572,776	($ 12,161)	$ 560,615

Item	June 30, 2012 (US$: Unreviewed – Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 1,574	$ -	$ 1,574
Buildings	1,569	(105)	1,464
	$ 3,143	($ 105)	$ 3,038

Item	June 30, 2011 (US$: Unreviewed – Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 11,011	$ -	$ 11,011
Buildings	8,925	(423)	8,502
	$ 19,936	($ 423)	$ 19,513

The Company entered into an agreement with Founding Construction & Development Co., Ltd. to purchase real estate properties in 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 in February 2009.

The Company planned to lease the building. As of June 30, 2012, part of the building was leased and was disclosed in Note 4(6). Therefore, the portion not leased was reclassified as “Other assets – other”.

8) Income tax

	For the six-month periods ended June 30,			
	2012		2011	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Income tax expense	$ 105,789	$ 3,540	$ 109,132	$ 3,799
Under provision of prior year’s income tax	(1,131)	(38)	(10,143)	(353)
Effect of deferred income tax assets	(36,488)	(1,221)	10,809	376
Foreign royalty withholding tax	(43,669)	(1,462)	(53,802)	(1,873)
Prepaid income tax	(6,995)	(234)	(19,157)	(667)
	$ 17,506	$ 585	$ 36,839	$ 1,282
Income tax payable	$ 17,515	$ 586	$ 36,884	$ 1,284
Income tax refundable (listed in Other receivables)	($ 9)	($ 1)	($ 45)	($ 2)

A. As of June 30, 2012 and 2011, the deferred income tax assets (liabilities) were as follows:

	June 30,			
	2012		2011	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Total deferred income tax assets	$ 285,469	$ 9,554	$ 325,883	$ 11,343
Total deferred income tax liabilities	$ -	$ -	($ 2,300)	($ 80)
Valuation allowance	($ 111,405)	($ 3,728)	($ 51,405)	($ 1,789)

B. As of June 30, 2012 and 2011, details of deferred income tax assets and liabilities were as follows:

	June 30,			
	2012		2011	
	(NT$)			
Items	Amount	Tax effect	Amount	Tax effect
Current:				
Unrealized exchange loss (gain)	$ 2,364	$ 402	($ 13,530)	($ 2,300)
Unrealized profit on intercompany sales	13,079	2,224	14,454	2,457
Others		12,629		9,181
		15,255		9,338
Non current:				
Investment tax credits		270,214		314,245
Valuation allowance		(111,405)		(51,405)
		158,809		262,840
		$ 174,064		$ 272,178

	June 30,			
	2012		2011	
	(US$: Unreviewed - Note 2)			
Items	Amount	Tax effect	Amount	Tax effect
Current:				
Unrealized exchange loss (gain)	$ 79	$ 13	($ 471)	($ 80)
Unrealized profit on intercompany sales	438	74	503	86
Others		424		319
		511		325
Non current:				
Investment tax credits		9,043		10,938
Valuation allowance		(3,728)		(1,789)
		5,315		9,149
		$ 5,826		$ 9,474

C. As of June 30, 2012, the Company's income tax returns through 2009 have been assessed and approved by the Tax Authority.

D. As of June 30, 2012, details of the unused portion of the Company's investment tax credits were as follows:

Item	Total amount	Used amount	Unused amount	Expiry year
Statute for Upgrading Industries	NT$124,395 (US$ 4,163)	NT$ 61,785 (US$ 2,068)	NT$ 62,610 (US$ 2,095)	2012
〃	NT$207,604 (US$ 6,948)	-	NT$207,604 (US$ 6,948)	2013
			NT$270,214 (US$ 9,043)	

E. The Company was granted a five-year tax holiday with respect to the income derived from its design and sale of software. It is not included in the six-month period ended June 30, 2012 tax calculation for overall tax consideration.

F. For the six-month periods ended June 30, 2012 and 2011, the income tax expense included the additional 10% corporate income tax related to the 2011 and 2010 undistributed earnings both amounting to NT$0 (US$0).

9) Accrued expenses

	June 30,			
	2012		2011	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Royalty expense	$ 790,680	$ 26,462	$ 718,064	$ 24,994
Employees' bonuses and directors' and supervisors' remuneration	117,467	3,931	127,996	4,455
Employees' reward	45,215	1,513	45,978	1,600
Payroll	30,198	1,011	33,430	1,164
Professional service fees	15,379	515	15,449	538
Commission expense	13,557	453	12,816	446
Others	54,014	1,808	48,463	1,686
	$1,066,510	$ 35,693	$1,002,196	$ 34,883

10) Other payables

	June 30,			
	2012		2011	
	NT$	US$	NT$	US$
		(Unreviewed) (Note 2)		(Unreviewed) (Note 2)
Cash dividends payable	$ 660,455	$ 22,104	$ 824,179	$ 28,687
Royalty collection	378,270	12,659	425,951	14,826
Employees' bonuses payable	20,678	692	21,519	749
Others	9,435	316	10,169	354
	$1,068,838	$ 35,771	$1,281,818	$ 44,616

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 net periodic pension costs under the defined benefit pension plan for the six-month periods ended June 30, 2012 and 2011 was $1,005(US$34) and $0, respectively. The fund balance with Bank of Taiwan was $ 18,615 (US$623) and $17,271 (US$601) as of June 30, 2012 and 2011, 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, 2012 and 2011 was $11,084 (US$371) and $12,435 (US$433), respectively.

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

D. CyberLink Investment has no employees and does not have any retirement plan.

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. Securities and Futures Commission (SFC) on July 25, 2011. The record date of the capital reduction is August 17, 2011.

B. As of June 30, 2012, the Company's authorized capital was $1,610,000 (US$53,882); the issued and outstanding capital was $943,507 (US$31,577).

13) Capital reserve

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

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. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

C. 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 2011 was 1.22%. As of June 30, 2012, the imputation tax credit account balance was $26,449 (US$885). The estimated creditable tax ratio of distributed earnings in 2012 is 1.96%. As of June 30, 2012, the Company's undistributed earnings derived before and after the adoption of the imputation tax system were $9,932 (US$333) and $937,139 (US$31,363), respectively.

D. 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.

E. The appropriation of 2011 and 2010 earnings had been resolved at the stockholders' meeting on June 22, 2012 and June 22, 2011, respectively. Details are summarized below:

	2011		2010	
	NT$		NT$	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 66,554		$ 82,917	
Special reserve	-		55,710	
Cash dividends	660,455	$ 7.00	824,179	$ 6.99
	$ 727,009		$ 962,806	

	2011		2010	
	US$ (Unreviewed – Note 2)		US$ (Unreviewed – Note 2)	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 2,227		$ 2,886	
Special reserve	-		1,939	
Cash dividends	22,104	$ 0.23	28,687	$ 0.24
	$ 24,331		$ 33,512	

There was no difference between the appropriations of 2011 earnings as approved in the stockholders' meeting with the Board of Directors' resolution on March 22, 2012.

Information on the appropriation of earnings approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. The estimated amounts of employees' bonus and directors' and supervisors' remuneration for the six-month period ended June 30, 2012 are $28,476 (US$953) and $4,271(US$143), respectively, based on net income in 2012 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 2011 amounting to $59,899 (US$2,005) and $9,378 (US$314), respectively. The difference of $393 (US$13) 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, 2012.

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 weighted-average exercise price of the stock options for the employee stock option compensation plan for the six-month periods ended June 30, 2012 and 2011 are as follows:

	For the six-month periods ended June 30,			
	2012		2011	
	No. of shares (in thousands)	Weighted-average exercise price (in dollars)	No. of shares (in thousands)	Weighted-average exercise price (in dollars)
Beginning balance	3,292	NT$104.30 (US$ 3.49)	2,656	NT$101.24 (US$ 3.52)
Options exercised	-	- -	(215)	NT$ 65.05 (US$ 2.26)
Options revoked	(111)	NT$135.09 (US$ 4.52)	(284)	NT$114.70 (US$ 3.99)
Ending balance	3,181	NT$103.23 (US$ 3.45)	2,157	NT$103.07 (US$ 3.59)
Options exercisable at end of the period	729		656	
Options authorized but not granted at end of the period	-		7,000	

b) As of June 30, 2012, 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$ 59.80	53	0.11	NT$ 59.80	53	NT$ 59.80
(US$ 2.00)			(US$ 2.00)		(US$ 2.00)
NT$108.90	125	1.59	NT$108.90	125	NT$108.90
(US$ 3.64)			(US$ 3.64)		(US$ 3.64)
NT$151.30	1,102	4.39	NT$151.30	551	NT$151.30
(US$ 5.06)			(US$ 5.06)		(US$ 5.06)
NT$ 76.20	1,901	6.14	NT$ 76.20	-	-
(US$ 2.55)			(US$ 2.55)		

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

	For the six-month periods ended June 30,	
	2012	2011
Employee stock options	NT$ 9,119	NT$ 10,125
	(US$ 305)	(US$ 352)

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, 2012	
	Financial statement information	Pro forma information
Net income	NT$ 316,397	NT$ 316,397
	(US$ 10,589)	(US$ 10,589)
Basic earnings per share (in dollars)	NT$ 3.35	NT$ 3.35
	(US$ 0.11)	(US$ 0.11)
Diluted earnings per share (in dollars)	NT$ 3.33	NT$ 3.33

	(US$ 0.11)	(US$ 0.11)

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			
	August 9, 2005	January 30, 2007	November 18, 2009	August 22, 2011
Stock price	NT$ 116	NT$ 135	NT$ 136	NT$ 61
Strike price	NT$ 116	NT$ 135	NT$ 136	NT$ 61
Expected dividend yield	0%	0%	0%	0%
Expected price volatility	33.66%	41.59%	41.16%	38.58%
Risk-free rate	1.92%	1.98%	1.13%	1.05%
Expected vesting period	7 years	4.875 years	4.875 years	4.875 years
Average fair value (in NT dollars)	NT$ 45.07	NT$ 52.008	NT$ 50.07	NT$ 21.16

16) Earnings per share

	For the six-month period ended June 30, 2012				
	Amount		Weighted average outstanding shares (in thousands)	Earnings per share (in dollars)	
	Before income tax	After income tax		Before income tax	After income tax
Net income	$ 422,186 (US$ 14,129)	$ 316,397 (US$ 10,589)			
Basic earnings per share			94,351	$ 4.47 (US$0.15)	$ 3.35 (US$0.11)
Effect of dilutive common stock equivalents:					
Employees' stock options	-	-	210		
Employees' bonus	-	-	393		
Diluted earnings per share	$ 422,186 (US$ 14,129)	$ 316,397 (US$ 10,589)	94,954	$ 4.45 (US$0.15)	$ 3.33 (US$0.11)

	For the six-month period ended June 30, 2011				
	Amount		Weighted average outstanding shares (in thousands)	Earnings per share (in dollars)	
	Before income tax	After income tax		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)

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 expenses, depreciation and amortization

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

	For the six-month period ended June 30, 2012					
	Operating costs		Operating expenses		Total	
	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)	NT$	US$ (Unreviewed) (Note 2)
Personnel expenses						
Salaries	$ -	$ -	$366,824	$ 12,277	$366,824	$ 12,277
Insurance	-	-	26,153	875	26,153	875
Pension	-	-	12,800	428	12,800	428
Others	-	-	6,566	220	6,566	220
Depreciation	-	-	5,193	174	5,193	174
Amortization	-	-	708	24	708	24

	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

5. RELATED PARTY TRANSACTIONS

None.

6. DETAILS OF PLEDGED ASSETS

The Group's assets pledged as collateral as of June 30, 2012 and 2011 are as follows:

	Book value		
	June 30, 2012	June 30, 2011	Purpose
Other financial assets – non-current – certificate of deposit	\$ 10,000 (US\$ 335)	\$ 10,000 (US\$ 348)	Guarantee for sequestration

7. COMMITMENTS

As of June 30, 2012, other than those described in Note 4(6) significant commitments are as follows:

CyberLink-USA and Cyberlink-Japan leases certain office space. The total future minimum lease payments under the operating lease agreements amounted to \$4,520 (US\$151) and \$11,897 (US \$398), respectively. In 2012, Cyberlink-USA and CyberLink-Japan paid lease expenses of \$1,304 (US\$44) and \$2,936 (US\$98), respectively.

8. SIGNIFICANT LOSS OR DAMAGE

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

None.

10. OTHERS

1) Financial statement presentation

Certain accounts in the June 30, 2011 consolidated financial statements were reclassified to conform to the June 30, 2012 consolidated financial statement presentation.

2) The fair values of the financial instruments

	June 30, 2012 (NT$)			June 30, 2011 (NT$)		
		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	$ 3,216,967	$ -	$ 3,216,967	$ 4,044,800	$ -	$ 4,044,800
Financial assets at fair value through profit or loss-current	1,565,661	1,565,661	-	1,031,439	1,031,439	-
Financial assets carried at cost-non-current	53,017	-	-	4,310	-	-
Other financial assets-non-current	10,000	-	10,000	10,000	-	10,000
Liabilities						
Financial liabilities with fair values equal to book values	2,147,688	-	2,147,688	2,294,816	-	2,294,816

Financial instruments	June 30, 2012(US$)			June 30, 2011 (US$)		
		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	$ 107,663	$ -	$ 107,663	$ 140,787	$ -	$ 140,787
Financial assets at fair value through profit or loss-current	52,398	52,398	-	35,901	35,901	-
Financial assets carried at cost-non-current	1,774	-	-	150	-	-
Other financial assets-non-current	335	-	335	348	-	348
Liabilities						
Financial liabilities with fair values equal to book values	71,877	-	71,877	79,876	-	79,876

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, refundable deposits, notes payable, accounts payable, and deposits-in.
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 –non current 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, 2012 and 2011, total interest income on financial assets that are not at fair value through profit or loss amounted to $6,305 (US$211) and $5,022 (US$175), 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 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 SECURITIES AND FUTURES BUREAU

1) Related information of significant transactions

A. Lending to others: None.

B. Guarantees on behalf of others: None.

C. Marketable securities at June 30, 2012:

(NT$)

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	$ 512,898	100.00	$ 512,898
〃	CyberLink Europe B.V.	〃	〃	1,500,000	11,944	100.00	11,944
〃	CyberLink International Technology Corp.	〃	〃	2,000,000	139,850	100.00	139,850
〃	CyberLink Investment Corp.	〃	〃	12,000,000	163,780	100.00	163,780
〃	Polaris De-Bao Money Market Fund	None	Financial assets at fair value through profit or loss-current	25,673,505	298,627	-	298,627
〃	Eastspring investment Well Pool Money Market Fund	〃	〃	35,863,973	471,873	-	471,873
〃	Yuanta WanTai Money Market Fund	〃	〃	37,463,622	549,273	-	549,273
〃	Jih Sun Money Market Fund	〃	〃	7,000,203	100,191	-	100,191
〃	One-Blue, LLC	Director of the investee company	Financial assets carried at cost-non current	-	48,535	16.67	-
CyberLink Investment Corp.	Yuanta WanTai Money Market Fund	None	〃	9,937,366	145,697	-	145,697
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$ 2,520	100.00	US$ 2,520
〃	Preferred stock of Cidana Inc.	None	Financial assets carried at cost – non current	500,000	US$ 150	7.14	-

(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	$ 17,165	100.00	$ 17,165
〃	CyberLink Europe B.V.	〃	〃	1,500,000	400	100.00	400
〃	CyberLink International Technology Corp.	〃	〃	2,000,000	4,680	100.00	4,680
〃	CyberLink Investment Corp.	〃	〃	12,000,000	5,481	100.00	5,481
〃	Polaris De-Bao Money Market Fund	None	Financial asset at fair value through profit or loss – current	25,673,505	9,994	-	9,994
〃	Eastspring investment Well Pool Money Market Fund	〃	〃	35,863,973	15,792	-	15,792
〃	Yuanta WanTai Money Market Fund	〃	〃	37,463,622	18,383	-	18,383
〃	Jih Sun Money Market Fund	〃	〃	7,000,203	3,353	-	3,353
〃	One-Blue, LLC	Director of the investee company	Financial assets carried at cost-non current	-	1,624	16.67	-
CyberLink Investment Corp.	Yuanta WanTai Money Market Fund	None	〃	9,937,366	4,876	-	4,876
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	2,520	100.00	2,520
〃	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, 2012 – June 30, 2012 (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)	Amount (Note)	Number of shares (thousand units)	Sales price	Book value (Note)	Gain (loss) from disposal	Number of shares (thousand units)	Amount
CyberLink Corp.	Polaris De-Bao Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	28,236	$ 327,228	17,246	$ 200,773	19,809	$ 230,000	$ 229,374	$ 626	25,673	$ 298,627
〃	Eastspring Investment Well Pool Money Market Fund	〃	-	-	28,240	370,173	7,624	101,700	-	-	-	-	35,864	471,873
〃	Jih Sun Money Market Fund	〃	-	-	-	-	7,000	100,191	-	-	-	-	7,000	100,191

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)	Amount (Note)	Number of shares (thousand units)	Sales price	Book value (Note)	Gain (loss) from disposal	Number of shares (thousand units)	Amount
CyberLink Corp.	Polaris De-Bao Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	28,236	$ 10,951	17,246	$ 6,719	19,809	$ 7,697	$ 7,676	$ 21	25,673	$ 9,994
〃	Eastspring Investment Well Pool Money Market Fund	〃	-	-	28,240	12,389	7,624	3,403	-	-	-	-	35,864	15,792
〃	Jih Sun Money Market Fund	〃	-	-	-	-	7,000	3,353	-	-	-	-	7,000	3,353

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, 2012: 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, 2012 – June 30, 2012：

			Description of the transactions				Description of and reasons for difference in transaction terms compared to non-related party transactions		Accounts or notes receivable (payable)	
Name of the Company	Name of the counterparty	Relationship	Purchases (Sales)	Amount	% of total purchases (Sales)	Credit terms	Unit price	Credit terms	Balance	% of total accounts or notes receivable
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Sales	NT$ 107,940 (US$ 3,612)	9	Note	The same as those with third parties	Note	NT$ 26,660 (US$ 892)	13
〃	CyberLink Inc.	A subsidiary of CyberLink International Technology Corp.	〃	NT$ 110,109 (US$ 3,685)	9	〃	〃	〃	NT$ 7,496 (US$ 251)	4

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, 2012: None.

I. Information as to transaction of derivatives: None.

2) Relevant information regarding investee companies as of June 30, 2012

(NT$)

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)
				June 30, 2012	Dec. 31, 2011	Shares	Percentage (%)	Book value		
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	$ 136,327	$ 136,327	4,000,000	100.00	$ 512,898	($ 1,652)	($ 1,652)
〃	CyberLink Europe B.V.	Europe	〃	64,770	64,770	1,500,000	100.00	11,944	202	202
〃	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	64,821	64,821	2,000,000	100.00	139,850	8,034	8,034
〃	CyberLink Investment Corp.	Taiwan	〃	220,000	220,000	12,000,000	100.00	163,780	565	565
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	US$ 848	US$ 848	1,900	100.00	US$ 2,520	US$ 246	US$ 246

(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)
				June 30, 2012	Dec. 31, 2011	Shares	Percentage (%)	Book value		
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	$ 4,562	$ 4,562	4,000,000	100.00	$ 17,165	($ 55)	($ 55)
〃	CyberLink Europe B.V.	Europe	〃	2,168	2,168	1,500,000	100.00	400	7	7
〃	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	2,169	2,169	2,000,000	100.00	4,680	269	269
〃	CyberLink Investment Corp.	Taiwan	〃	7,363	7,363	12,000,000	100.00	5,481	19	19
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	848	848	1,900	100.00	2,520	246	246

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

4) Intercompany transactions

January 1, 2012 - June 30, 2012

Number of the Company (Note 1)	Company	Names of Counterparty	Relationship with Company (Note 2)	Transaction				
				Subject	Amount (NT$)	Amount (US$)	Terms of Transaction	Percentage of Consolidated Revenue or Assets (Note 3)
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	$ 107,940	$ 3,612	Note 4	6
				Accounts receivable	26,660	892	Note 4	0.4
〃	〃	CyberLink Europe B.V.	〃	Sales revenue	76,928	2,575	Note 4	4
〃	〃	CyberLink Inc.	〃	Sales revenue	110,109	3,685	Note 4	6

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$)	Amount (US$)	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

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:1

B. Subsidiary to parent company:2

C. Subsidiary to another subsidiary:3

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.

12. SEGMENT REPORTING

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 "Others".

B. Measure of segmental information

a) The accounting policies for operating segments are the same as those summarized in Note 2 of the financial statements.

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 June 30, 2012 and 2011 are as follows:

	For the six-month period ended June 30, 2012							
	Media Experience and Entertainment		Media Creation		Others		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Segment Revenue	$ 1,213,797	$ 40,622	$ 432,111	$ 14,462	$ 104,763	$ 3,506	$ 1,750,671	$ 58,590
Segment Operating Income	$ 221,122	$ 7,400	$ 140,891	$ 4,715	$ 37,695	$ 1,262	$ 399,708	$ 13,377
Segment Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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.

13. **DISCLOSURES RELATING TO THE ADOPTION OF IFRSs**

Pursuant to the regulations of the Financial Supervisory Commission, Executive Yuan, R.O.C., effective January 1, 2013, a public company whose stock is listed on the Taiwan Stock Exchange Corporation or traded in the GreTai Securities Market should prepare financial statements in accordance with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), and relevant interpretations and interpretative bulletins that are ratified by the Financial Supervisory Commission.

The Group discloses the following information in advance prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Order No. 0990004943 of the Financial Supervisory Commission, dated February 2, 2010:
Major contents and status of execution of the Group's plan for IFRSs adoption:

A. The Group has formed an IFRSs project team led by the Company's CEO, who is responsible for setting up a plan relative to the Group's transition to IFRSs. The major contents and status of execution of this plan are outlined below:

Contents of IFRSs Adoption Project	Status of Execution
a. Set up an IFRSs project team	Completed in October, 2009.
b. Make a plan to adopt the IFRSs	Completed in October, 2009.
c. Compare and analyze the differences between current accounting policies and IFRSs	Completed in April, 2010.
d. Identify consolidated entities under the IFRSs framework	Completed in March, 2010.
e. Assess the applicability of the IFRS 1 – "First-time Adoption of International Financial Reporting Standards"	Completed in April, 2010.
f. Assess the adjustments of the related information system	Completed in April, 2010.
g. Assess the adjustments of the related internal control	Completed in December, 2011.
h. Determine how to adjust the existing accounting policies in accordance with IFRSs	Completed in April, 2011.
i. Determine how to apply to the IFRS 1 – "First-time Adoption of International Financial Reporting Standards"	Completed in April, 2011.
j. Prepare the opening balance sheet of IFRSs	Completed in March, 2012.
k. Prepare comparative financial statements in conformity with IFRSs	In progress.
l. Complete the adjustments of related internal control (including financial reporting process and relevant information system)	In progress.

B. The Group uses the IFRSs already ratified currently by the Financial Supervisory Commission and the “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be applied in 2013 as the basis for evaluation of material differences in accounting policies as mentioned above. However, the Group’s current evaluation results may be different from the actual differences that may arise when new issuances of or amendments to IFRSs are subsequently ratified by the Financial Supervisory Commission or relevant interpretations or amendments to the “Rules Governing the Preparation of Financial Statements by Securities Issuers” come in the future.

Material differences that may arise between current accounting policies used in the preparation of financial statements and IFRSs and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be used in the preparation of financial statements in the future, and the optional exemptions the Company adopted in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards” (Note 13(3)) are summarized as follows:

a) Material differences reconciliation of the balance sheet as of January 1, 2012:

(NT$)

Item	ROC GAAP	Adjustments	IFRSs	Note
Other current assets	$ 24,589	($ 13,990)	$ 10,599	(4)
Available-for-sale financial assets – non current	-	4,542	4,542	(1)
Financial assets carried at cost – non current	53,077	(53,077)	-	(1)、(7)
Investments accounted for using the equity method	-	55,695	55,695	(7)
Investment property	-	1,323,269	1,323,269	(3)
Deferred pension cost	82	(82)	-	(5)
Assets leased to others	1,016,337	(1,016,337)	-	(3)
Deferred income tax assets – non current	196,562	23,368	219,930	(4)、(9)
Other assets – other	306,932	(306,932)	-	(3)
Others	4,941,233	-	4,941,233	
Total assets	$ 6,538,812	$ 16,456	$ 6,555,268	
Accounts payable	(6,005)	(822,494)	(828,499)	(8)
Accrued expenses	(1,172,223)	810,016	(362,207)	(2)、(8)
Accrued pension liabilities	(15,235)	(27,247)	(42,482)	(5)
Other liabilities – other	-	(13,542)	(13,542)	(6)
Others	(504,923)	-	(504,923)	
Total liabilities	($ 1,698,386)	($ 53,267)	($ 1,751,653)	
Retained earnings	(1,331,482)	46,424	(1,285,058)	(2)、(5)、(6)、(7)、(9)
Cumulative translation adjustments	36,024	(1,959)	34,065	(2)、(7)
Net loss not recognized as pension cost	7,654	(7,654)	-	(5)
Others	(3,552,622)	-	(3,552,622)	
Total stockholders’ equity	($ 4,840,426)	$ 36,811	($ 4,803,615)	

(US$ Unreviewed – Note 2)

Item	ROC GAAP	Adjustments	IFRSs	Note
Other current assets	$ 813	($ 462)	$ 351	(4)
Available-for-sale financial assets – non current	-	150	150	(1)
Financial assets carried at cost – non current	1,753	(1,753)	-	(1)、(7)
Investments accounted for using the equity method	-	1,839	1,839	(7)
Investment property	-	43,702	43,702	(3)
Deferred pension cost	3	(3)	-	(5)
Assets leased to others	33,565	(33,565)	-	(3)
Deferred income tax assets – non current	6,491	772	7,263	(4)、(9)
Other assets – other	10,137	(10,137)	-	(3)
Others	163,183	-	163,183	
Total assets	$ 215,945	$ 543	$ 216,488	
Accounts payable	(198)	(27,163)	(27,361)	(8)
Accrued expenses	(38,713)	26,751	(11,962)	(2)、(8)
Accrued pension liabilities	(503)	(900)	(1,403)	(5)
Other liabilities – other	-	(447)	(447)	(6)
Others	(16,675)	-	(16,675)	
Total liabilities	($ 56,089)	($ 1,759)	($ 57,848)	
Retained earnings	(43,972)	1,533	(42,439)	(2)、(5)、(6)、(7)、(9)
Cumulative translation adjustment	1,190	(65)	1,125	(2)、(7)
Net loss not recognized as pension cost	252	(252)	-	(5)
Others	(117,326)	-	(117,326)	
Total stockholders' equity	($ 159,856)	$ 1,216	($ 158,640)	

Notes to the reconciliation:

(1) In accordance with the amended "Rules Governing the Preparation of Financial Statements by Securities Issuers", dated July 7, 2011, unlisted stocks and emerging stocks held by the Group should be measured at cost and recognized in "Financial assets carried at cost". However, in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability of the estimation interval of reasonable fair values of such equity instruments is insignificant, or the probability for these estimates can be made reliably) should be measured at fair value. In accordance with the amended "Rules Governing the Preparation of Financial Statements by Securities Issuers", dated December 22, 2011, the Group reclassified financial assets carried at cost - non current to available-for-sale financial assets - non current in the amount of $4,542.

(2) The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumulated unused compensated absences. The Group

recognized such costs as expenses upon actual payment. However, IAS 19, "Employee Benefits", requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period. Therefore, accrued expenses, retained earnings and cumulative translation adjustment were increased (decreased) by $12,478, ($12,423) and ($55), respectively, at the date of transition.

(3) In accordance with current accounting standards in R.O.C., the Group's property leased to others was presented in "Assets leased to others" and "Other assets" account. In accordance with IAS 40, "Investment Property", property that meets the definition of investment property is classified and accounted for as "Investment property". Therefore, the Group reclassified leased assets of $1,016,337 and other assets-other of $306,932 to investment property amounting to $1,323,269 at the date of transition.

(4) In accordance with current accounting standards in R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred tax asset or liability that is not related to an asset or liability for financial reporting, should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, "Presentation of Financial Statements", an entity should not classify a deferred tax asset or liability as current. Therefore, the Group reclassified deferred income tax assets - current to deferred income tax assets - non current amounting to $13,990 at the date of transition.

(5) Pensions

a. The discount rate used to calculate pensions was determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, "Employee Benefits", requires an entity to determine the discount rate with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of the pension plan; when there is no deep market for corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead.

b. In accordance with current accounting standards in R.O.C., the excess of the accumulated benefit obligation over the fair value of the pension plan (fund) assets at the balance sheet date is the minimum amount of pension liability that is required to be recognized on the balance sheet ("minimum pension liability"). However, IAS 19, "Employee Benefits", has no regulation regarding the minimum pension liability.

c. In accordance with current accounting standards in R.O.C., actuarial pension gain or loss of the Group is recognized in net pension cost of current period using the 'corridor' method. However, IAS 19, "Employee Benefits", requires that actuarial pension gain or loss should be recognized immediately in other comprehensive income.

d. In accordance with the Group's accounting policies, the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees who are expected to receive benefits and still in service. However, since the Group is a first-time adopter of IFRSs, the recognition and amortization of transitional net benefit obligation is not applicable.

Therefore, deferred pension cost, accrued pension liabilities, unrecognized pension cost and retained earnings were increased (decreased) by ($82), $27,247, ($7,654) and $34,983, respectively, at the date of transition.

(6) The Group provides software bug-fixing program for free from time to time. The current accounting standards in R.O.C. do not address the treatment on classifications of such costs. However, in accordance with IAS 18, “Revenue”, the Group should estimate relevant debug-fixing cost and liabilities and account for it as common product warranty obligations. Therefore, other liabilities-other and retained earnings were increased (decreased) by $13,542 and ($13,542), respectively, at the date of transition.

(7) In accordance with current accounting standards in R.O.C., the Company did not use the equity method for investments in which the Company's ownership was less than 20%. However, in accordance with IAS 28, “Investments in Associates”, when the investor has significant influence over the investee, the investment should be accounted for using the equity method. Therefore, the Group reclassified financial assets carried at cost – non current of $48,535 to the investments accounted for using the equity method at the date of transition. Under the equity method, the carrying amount is increased to recognize the investor’s share of the profit of the investee after the date of acquisition. The investments accounted for using the equity method, cumulative translation adjustment and retained earnings were increased by $7,160, $2,014 and $5,146, respectively, at the date of transition.

(8) The Group accrued and paid royalty costs to third parties based on sales quantities, and recognized such costs as expenses. In accordance with IFRSs, it should be recognized as costs and accounts payable by nature of transaction. Therefore, accrued royalty expense of $822,494 was reclassified to the accounts payable at the date of transition.

(9) The Group calculated the deferred income tax effects in accordance with the income tax rates in respect of the above transition effects on retained earnings. Deferred income tax assets - non current and retained earnings were both increased by $9,377 at the date of transition.

b) Material differences reconciliation of the balance sheet as of June 30, 2012 and the income statement accounts for the six-month period ended June 30, 2012 are in progress in accordance with the transition plan.

C. The optional exemptions the Company adopted in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards” and the “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be applied in 2013 are summarized as follows:

a) Share-based payment

The Group elected to take the optional exemption from applying IFRS 2, “Share-based Payment,” retrospectively for the shared-based payment transactions granted and vested before the date of transition.

b) Employee benefits

The Group elected to recognize all cumulative actuarial gains and losses relating to employee benefits plan in retained earnings at the date of transition. In addition, the Group elected to apply the disclosure requirement exemption, in which the amounts of present value of defined benefit obligations, the fair value of plan assets, the surplus or deficit in the plan and the experience adjustments in accordance with IAS 19, “Employee Benefits” paragraph 120A(P) are determined for each accounting period prospectively from the transition date.

c) Compound financial instruments

For the liability component of compound financial instruments which is no longer outstanding at the date of transition to IFRSs, the Group elected not to separate the liability and equity components.

d) Designation of previously recognized financial instruments

The Group designated certain financial assets carried at cost - non current as available-for-sale financial assets at the date of transition.

The Group's aforementioned assessment result may be impacted as the Financial Supervisory Commission may issue new rules governing the adoption of IFRSs, or as a result of other changes in the economic environment. Therefore, actual results may differ from these assessments.