

CYBERLINK CORP. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS**

JUNE 30, 2007 AND 2006

These English financial statements and report of independent accountants were translated from the financial statements and report of independent accountants originally prepared in Chinese.

Report of Independent Accountants

PWCR07000107

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, 2007 and 2006, 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 review.

We conducted our review in accordance with the "Rules Governing Reviews 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 in the first paragraph in order for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

The consolidated financial statements of the Company and subsidiaries as of and for the six-month periods ended June 30, 2007 and 2006 expressed in United States dollars were translated from the New Taiwan dollars financial statements using the exchange rates of NT\$32.86:US\$1 and NT\$32.37: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 6, 2007

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)

	2007			2006		
	Amount		%	Amount		%
	NT\$	US\$		NT\$	US\$	
	(Unreviewed-Note 2)			(Unreviewed-Note 2)		
<u>ASSETS</u>						
<u>Current Assets</u>						
Cash and cash equivalents (Note 4(1))	\$ 2,987,824	\$ 90,926	56	\$ 1,324,440	\$ 40,916	29
Financial assets at fair value through profit or loss - current (Note 4(2))	1,404,320	42,737	27	2,525,738	78,027	54
Notes receivable, net (Note 4(3))	3,823	116	-	1,002	31	-
Accounts receivable, net (Note 4(3))	369,159	11,234	7	322,453	9,961	7
Other receivables	40,746	1,240	1	32,696	1,010	1
Inventories	5,138	156	-	5,913	183	-
Deferred income tax assets - current (Note 4(7))	7,373	224	-	2,650	82	-
Other current assets - others	<u>10,323</u>	<u>314</u>	<u>-</u>	<u>5,428</u>	<u>167</u>	<u>-</u>
	<u>4,828,706</u>	<u>146,947</u>	<u>91</u>	<u>4,220,320</u>	<u>130,377</u>	<u>91</u>
<u>Funds and Investments</u>						
Financial assets carried at cost - non current (Note 4(4))	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,370</u>	<u>1,000</u>	<u>1</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,370</u>	<u>1,000</u>	<u>1</u>
<u>Property, Plant and Equipment (Note 4(5))</u>						
Cost	361,875	11,013	7	290,456	8,973	6
Less: accumulated depreciation	(51,391)	(1,564)	(1)	(35,383)	(1,093)	(1)
	<u>310,484</u>	<u>9,449</u>	<u>6</u>	<u>255,073</u>	<u>7,880</u>	<u>5</u>
<u>Intangible Assets (Note 4(6))</u>						
Brand	1,839	56	-	-	-	-
Copyright	74,661	2,272	1	-	-	-
Other intangible assets	<u>25,193</u>	<u>767</u>	<u>1</u>	<u>41,892</u>	<u>1,294</u>	<u>1</u>
	<u>101,693</u>	<u>3,095</u>	<u>2</u>	<u>41,892</u>	<u>1,294</u>	<u>1</u>
<u>Other Assets</u>						
Assets held for lease	-	-	-	58,973	1,822	1
Refundable deposits	2,645	81	-	2,160	67	-
Deferred charges	527	16	-	53	2	-
Deferred income tax assets-non current (Note 4(7))	<u>69,673</u>	<u>2,120</u>	<u>1</u>	<u>43,838</u>	<u>1,354</u>	<u>1</u>
	<u>72,845</u>	<u>2,217</u>	<u>1</u>	<u>105,024</u>	<u>3,245</u>	<u>2</u>
<u>TOTAL ASSETS</u>	<u>\$ 5,313,728</u>	<u>\$ 161,708</u>	<u>100</u>	<u>\$ 4,654,679</u>	<u>\$ 143,796</u>	<u>100</u>

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

	2007			2006		
	Amount		%	Amount		%
	NT\$	US\$		NT\$	US\$	
	(Unreviewed-Note 2)			(Unreviewed-Note 2)		
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>						
<u>Current Liabilities</u>						
Notes payable	\$ 120	\$ 3	-	\$ 144	\$ 4	-
Accounts payable	6,233	190	-	4,894	151	-
Income tax payable (Note 4(7))	37,880	1,153	1	24,850	768	1
Accrued expenses (Note 4(8))	533,097	16,223	10	426,570	13,178	9
Other payables (Note 4(9))	794,370	24,174	15	540,633	16,702	12
Other current liabilities	<u>10,246</u>	<u>312</u>	-	<u>5,583</u>	<u>172</u>	-
	<u>1,381,946</u>	<u>42,055</u>	<u>26</u>	<u>1,002,674</u>	<u>30,975</u>	<u>22</u>
<u>Other Liabilities</u>						
Accrued pension liabilities (Note 4(10))	4,106	125	-	2,962	92	-
Deposits - in	<u>351</u>	<u>11</u>	-	<u>660</u>	<u>20</u>	-
	<u>4,457</u>	<u>136</u>	-	<u>3,622</u>	<u>112</u>	-
Total Liabilities	<u>1,386,403</u>	<u>42,191</u>	<u>26</u>	<u>1,006,296</u>	<u>31,087</u>	<u>22</u>
<u>Stockholders' Equity</u>						
Capital stock (Note 4(11))						
Common stock	1,029,354	31,325	19	977,376	30,194	21
Stock dividend distributable	38,832	1,182	1	45,489	1,405	1
Capital reserve (Note 4(12))						
Paid-in capital in excess of par value	581,514	17,697	11	559,113	17,273	12
Paid-in capital in excess of par, convertible bonds	867,363	26,396	16	867,363	26,795	19
Retained earnings (Note 4(13))						
Legal reserve	347,552	10,577	7	257,399	7,952	5
Special reserve	7,097	216	-	7,097	219	-
Unappropriated earnings	1,060,454	32,272	20	941,380	29,082	20
Other adjustments						
Cumulative translation adjustment	(4,841)	(148)	-	(6,834)	(211)	-
Total Stockholders' Equity	<u>3,927,325</u>	<u>119,517</u>	<u>74</u>	<u>3,648,383</u>	<u>112,709</u>	<u>78</u>
<u>Commitments and Contingent Liabilities (Note 4(7))</u>						
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 5,313,728</u>	<u>\$ 161,708</u>	<u>100</u>	<u>\$ 4,654,679</u>	<u>\$ 143,796</u>	<u>100</u>

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)

	2007			2006		
	Amount			Amount		
	NT\$	US\$	%	NT\$	US\$	%
		(Unreviewed - Note 2)			(Unreviewed - Note 2)	
Operating revenues (Note 5)						
Sales revenue	\$ 1,732,389	\$ 52,720	102	\$ 1,470,504	\$ 45,428	100
Less: Sales returns	(29,488)	(897)	(2)	(2,528)	(78)	-
Sales allowances	(1,410)	(43)	-	(267)	(8)	-
Net sales	1,701,491	51,780	100	1,467,709	45,342	100
Gain from sales of portfolio securities (Note 1)	103	3	-	-	-	-
	<u>1,701,594</u>	<u>51,783</u>	<u>100</u>	<u>1,467,709</u>	<u>45,342</u>	<u>100</u>
Operating costs						
Cost of sales	(11,334)	(345)	-	(11,760)	(363)	(1)
Gross profit	<u>1,690,260</u>	<u>51,438</u>	<u>100</u>	<u>1,455,949</u>	<u>44,979</u>	<u>99</u>
Operating expenses (Notes 4(10) and (15))						
Selling	(931,616)	(28,351)	(55)	(789,024)	(24,375)	(54)
General	(65,548)	(1,995)	(4)	(50,461)	(1,559)	(3)
Research and development	(171,316)	(5,214)	(10)	(156,039)	(4,820)	(11)
Operating expenses	(1,168,480)	(35,560)	(69)	(995,524)	(30,754)	(68)
Operating income	<u>521,780</u>	<u>15,878</u>	<u>31</u>	<u>460,425</u>	<u>14,225</u>	<u>31</u>
Non-operating income						
Interest income	14,714	448	1	18,804	581	1
Gain on financial assets at fair value through profit or loss (Note 4(2))	21,852	665	1	7,849	242	1
Gain on disposal of investments	4,820	147	-	-	-	-
Exchange gain - net	2,509	76	-	-	-	-
Other income	1,209	37	-	20,083	620	1
Non-operating income	<u>45,104</u>	<u>1,373</u>	<u>2</u>	<u>46,736</u>	<u>1,443</u>	<u>3</u>
Non-operating expenses						
Exchange loss - net	-	-	-	(15,431)	(477)	(1)
Other expenses	(92)	(3)	-	(197)	(6)	-
Non-operating expenses	(92)	(3)	-	(15,628)	(483)	(1)
Income before income tax	566,792	17,248	33	491,533	15,185	33
Income tax expense (Note 4(7))	(76,026)	(2,314)	(4)	(79,959)	(2,470)	(5)
Consolidated net income	<u>\$ 490,766</u>	<u>\$ 14,934</u>	<u>29</u>	<u>\$ 411,574</u>	<u>\$ 12,715</u>	<u>28</u>
Attributable to:						
Equity holders of the Company	<u>\$ 490,766</u>	<u>\$ 14,934</u>	<u>29</u>	<u>\$ 411,574</u>	<u>\$ 12,715</u>	<u>28</u>
	<u>Before tax</u>	<u>After tax</u>		<u>Before tax</u>	<u>After tax</u>	
Basic earnings per share (Note 4(14))						
(In dollars)	<u>\$ 5.51</u>	<u>\$ 4.77</u>		<u>\$ 4.81</u>	<u>\$ 4.03</u>	
Diluted earnings per share (Note 4(14))						
(In dollars)	<u>\$ 5.42</u>	<u>\$ 4.69</u>		<u>\$ 4.75</u>	<u>\$ 3.98</u>	

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, 2007 AND 2006
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
 (UNAUDITED)

	<u>Capital stock</u>		<u>Retained earnings</u>			<u>Unappropriated earnings</u>	<u>Cumulative translation adjustment</u>	<u>Total</u>
	<u>Common stock</u>	<u>Stock dividend distributable</u>	<u>Capital reserve</u>	<u>Legal reserve</u>	<u>Special reserve</u>			
	Balance at January 1, 2006	\$ 972,708	\$ -	\$1,407,616	\$ 184,814			
Distribution of 2005 earnings:								
Legal reserve	-	-	-	72,585	-	(72,585)	-	-
Stock dividends	-	19,527	-	-	-	(19,527)	-	-
Cash dividends	-	-	-	-	-	(488,177)	-	(488,177)
Remunerations for directors and supervisors	-	-	-	-	-	(11,539)	-	(11,539)
Employees' stock bonus	-	25,962	-	-	-	(57,693)	-	(31,731)
Net income for the six-month period ended June 30, 2006	-	-	-	-	-	411,574	-	411,574
Exercise of employee stock options	4,668	-	18,860	-	-	-	-	23,528
Cumulative translation adjustment	-	-	-	-	-	-	(2,911)	(2,911)
Balance at June 30, 2006	<u>\$ 977,376</u>	<u>\$ 45,489</u>	<u>\$1,426,476</u>	<u>\$ 257,399</u>	<u>\$ 7,097</u>	<u>\$ 941,380</u>	<u>(\$ 6,834)</u>	<u>\$3,648,383</u>
Balance at January 1, 2007	\$1,027,681	\$ -	\$1,443,134	\$ 257,399	\$ 7,097	\$1,431,342	(\$ 6,196)	\$4,160,457
Distribution of 2006 earnings:								
Legal reserve	-	-	-	90,153	-	(90,153)	-	-
Stock dividends	-	10,287	-	-	-	(10,287)	-	-
Cash dividends	-	-	-	-	-	(668,634)	-	(668,634)
Remunerations for directors and supervisors	-	-	-	-	-	(15,430)	-	(15,430)
Employees' stock bonus	-	28,545	-	-	-	(77,150)	-	(48,605)
Net income for the six-month period ended June 30, 2007	-	-	-	-	-	490,766	-	490,766
Exercise of employee stock options	1,673	-	5,743	-	-	-	-	7,416
Cumulative translation adjustment	-	-	-	-	-	-	1,355	1,355
Balance at June 30, 2007	<u>\$1,029,354</u>	<u>\$ 38,832</u>	<u>\$1,448,877</u>	<u>\$ 347,552</u>	<u>\$ 7,097</u>	<u>\$1,060,454</u>	<u>(\$ 4,841)</u>	<u>\$3,927,325</u>

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CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2007 AND 2006
(EXPRESSED IN THOUSANDS OF US DOLLARS) (UNREVIEWED-NOTE 2)
(UNAUDITED)

	<u>Capital stock</u>		<u>Retained earnings</u>				<u>Cumulative translation adjustment</u>	<u>Total</u>
	<u>Common stock</u>	<u>Stock dividend distributable</u>	<u>Capital reserve</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated earnings</u>		
Balance at January 1, 2006	\$ 29,611	\$ -	\$ 42,850	\$ 5,626	\$ 216	\$ 35,900	(\$ 119)	\$ 114,084
Distribution of 2005 earnings:								
Legal reserve	-	-	-	2,242	-	(2,242)	-	-
Stock dividends	-	603	-	-	-	(603)	-	-
Cash dividends	-	-	-	-	-	(15,081)	-	(15,081)
Remunerations for directors and supervisors	-	-	-	-	-	(356)	-	(356)
Employees' stock bonus	-	802	-	-	-	(1,782)	-	(980)
Net income for the six-month period ended June 30, 2006	-	-	-	-	-	12,715	-	12,715
Exercise of employee stock options	144	-	583	-	-	-	-	727
Cumulative translation adjustment	439	-	635	84	3	531	(92)	1,600
Balance at June 30, 2006	<u>\$ 30,194</u>	<u>\$ 1,405</u>	<u>\$ 44,068</u>	<u>\$ 7,952</u>	<u>\$ 219</u>	<u>\$ 29,082</u>	<u>(\$ 211)</u>	<u>\$ 112,709</u>
Balance at January 1, 2007	\$ 31,529	\$ -	\$ 44,274	\$ 7,897	\$ 218	\$ 43,913	(\$ 190)	\$ 127,641
Distribution of 2006 earnings:								
Legal reserve	-	-	-	2,744	-	(2,744)	-	-
Stock dividends	-	313	-	-	-	(313)	-	-
Cash dividends	-	-	-	-	-	(20,348)	-	(20,348)
Remunerations for directors and supervisors	-	-	-	-	-	(470)	-	(470)
Employees' stock bonus	-	869	-	-	-	(2,348)	-	(1,479)
Net income for the six-month period ended June 30, 2007	-	-	-	-	-	14,934	-	14,934
Exercise of employee stock options	51	-	175	-	-	-	-	226
Cumulative translation adjustment	(255)	-	(356)	(64)	(2)	(352)	42	(987)
Balance at June 30, 2007	<u>\$ 31,325</u>	<u>\$ 1,182</u>	<u>\$ 44,093</u>	<u>\$ 10,577</u>	<u>\$ 216</u>	<u>\$ 32,272</u>	<u>(\$ 148)</u>	<u>\$ 119,517</u>

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)			
	2007		2006	
	<u>NT\$</u>	<u>US\$</u> (Unreviewed-Note 2)	<u>NT\$</u>	<u>US\$</u> (Unreviewed- Note 2)
<u>Cash flows from operating activities</u>				
Net income	\$ 490,766	\$ 14,934	\$ 411,574	\$ 12,715
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	(21,852)	(665)	(7,849)	(242)
Reversal of allowance for bad debts	-	-	(3,947)	(122)
Gain on disposal investment	(4,820)	(147)	-	-
Gain on liquidation of investee company		-	(187)	(6)
Depreciation	7,490	228	6,420	198
Amortization	13,225	402	16,223	501
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Notes and accounts receivable	46,746	1,423	30,707	949
Other receivables	33,315	1,014	1,728	53
Inventories	(1,059)	(32)	(571)	(18)
Other current assets - others	(4,335)	(132)	886	27
Deferred income tax assets	(16,170)	(492)	10,656	329
Increase (decrease) in liabilities:				
Notes and accounts payable	(2,069)	(63)	(16,025)	(495)
Income tax payable	16,410	499	(22,958)	(709)
Accrued expenses	(637)	(19)	24,758	765
Other payables	(2,612)	(79)	(11,726)	(362)
Other current liabilities	3,208	98	3,407	105
Accrued pension liabilities	-	-	(1,414)	(44)
Net cash provided by operating activities	<u>557,606</u>	<u>16,969</u>	<u>441,682</u>	<u>13,644</u>
<u>Cash flows from investing activities</u>				
Increase in financial assets at fair value through profit or loss	1,676,959	51,033	(2,021,300)	(62,444)
Disposal of financial assets carried at cost - current	6,763	206	-	-
Disposal of investments in bonds without active market – non current	500	15	-	-
Cash received from liquidation of investee company	-	-	336	10
Acquisition of property, plant, and equipment	(1,864)	(57)	(2,928)	(90)
Increase in brand	(2,000)	(61)	-	-
Increase in copyright	(81,200)	(2,471)	-	-
Increase in refundable deposits - net	(446)	(14)	(150)	(5)
Increase in deferred charges	(332)	(10)	-	-
Net cash provided by (used in) investing activities	<u>1,598,380</u>	<u>48,641</u>	<u>(2,024,042)</u>	<u>62,529</u>

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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)

	2007		2006	
	NT\$	US\$	NT\$	US\$
		(Unreviewed-Note 2)		(Unreviewed-Note 2)
<u>Cash flows from financing activities</u>				
Payment of employees' bonus	(\$ 10,205)	(\$ 311)	(\$ 6,383)	(\$ 197)
Exercise of employee stock options	<u>7,416</u>	<u>226</u>	<u>23,528</u>	<u>727</u>
Net cash (used in) provided by financing activities	(<u>2,789</u>)	(<u>85</u>)	<u>17,145</u>	<u>530</u>
Effects of changes in exchange rates of foreign currency holdings	1,167	(160)	(4,353)	1,173
Effect of first-time consolidated entity	<u>38,370</u>	<u>1,168</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,192,734	66,533	(1,569,568)	(47,182)
Cash and cash equivalents at beginning of the period	<u>795,090</u>	<u>24,393</u>	<u>2,894,008</u>	<u>88,098</u>
Cash and cash equivalents at end of the period	<u>\$2,987,824</u>	<u>\$ 90,926</u>	<u>\$1,324,440</u>	<u>\$ 40,916</u>
<u>Supplemental disclosure of cash flows information:</u>				
Cash paid during the period for:				
Income taxes	<u>\$ 38,477</u>	<u>\$ 1,171</u>	<u>\$ 77,513</u>	<u>\$ 2,395</u>
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash paid for the acquisition of subsidiary:				
Total payment for the acquisition of subsidiary:	\$ 90,000	\$ 2,739	\$ -	\$ -
Less:unpaid portion at the end of the period	(<u>45,000</u>)	(<u>1,369</u>)	<u>-</u>	<u>-</u>
Cash paid	<u>\$ 45,000</u>	<u>\$ 1,370</u>	<u>\$ -</u>	<u>\$ -</u>
Financial activities which have no effect on cash flows:				
Cash dividends, employee cash dividends and remunerations to directors and supervisors not yet paid	<u>\$ 732,669</u>	<u>\$ 22,297</u>	<u>\$ 531,447</u>	<u>\$ 16,417</u>

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

CYBERLINK CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(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, 2007, the Company and its consolidated subsidiaries had approximately 430 employees.

2) Consolidated subsidiaries:

<u>Investor</u>	<u>Name of the subsidiary</u>	<u>Major operating activities</u>	<u>Ownership (%)</u>		<u>Note</u>
			<u>June 30, 2007</u>	<u>June 30, 2006</u>	
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%	
”	CyberLink Investment Corp. (CyberLink Investment)	”	100%	100%	

Investor	Name of the subsidiary	Major operating activities	Ownership (%)		Note
			June 30, 2007	June 30, 2006	
CyberLink Corp.	Tse-Lien Technology Corp. (Tse-Lien)	Sales of computer software	-	100%	Note 1
CyberLink Investment Corp.	Tse-Lien Technology Corp. (Tse-Lien)	"	100%	-	Note 1
"	Wasay Software Technology Inc.(Wasay)	"	100%	-	Note 2
CyberLink International Technology Corp.	CyberLink Inc. (CyberLink-Japan)	"	100%	100%	

Note 1: The Company sold all its shares in Tse-Lien to Cyberlink Investment in November, 2006.

Note 2: CyberLink Investment obtained Wasay's total shares in April, 2007, and the assets, liabilities, income and expenses from April 1, 2007 were included in the consolidated financial statements.

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

4) Special operating risks in foreign subsidiaries:

The functional currency of CyberLink-Japan is Japanese Yen. The functional currency of CyberLink-USA and CyberLink-B.V.I is United States dollars. The functional currency of CyberLink-B.V. is Euro dollars. There is no exchange rate risk since there was no significant change in the respective exchange rates for the six-month period ended June 30, 2007.

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", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" 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. Effective January 1, 2005, all majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. The income (loss) of the subsidiaries is included in the consolidated statement of income effective the date on which the Company gains control over the subsidiaries. The income (loss) of the subsidiaries are excluded from the consolidated statement of income effective the date on which the Company loses control over the subsidiaries. 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 maintains its accounts in New Taiwan dollars. Transactions denominated in foreign currencies are translated into New Taiwan dollars 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 is 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) Classification of current and non-current items

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) Cash equivalents

Cash equivalents include short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value resulting from fluctuations in interest rates.

6) 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.

7) Financial assets carried at cost

- A. Investment in unquoted equity instruments is recognized or derecognized using trade date accounting and is recognized 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 in the fair value of asset cannot be reversed.

8) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience and the evaluation of the collectibility of accounts, notes and other receivables.

9) Inventories

Inventories are stated at the lower of cost or market value based on the aggregate value method. Allowance for loss is provided for obsolete inventories. Cost is determined by the weighted average method for the Company. The market value for finished goods inventories is determined based on net realizable value. Loss for decline in market value and obsolescence of inventories is charged to current income.

10) Long-term equity investments accounted for under the equity method

- A. Long-term equity investments in which the Company holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method.
- B. Effective January 1, 2006, investment loss on the non-controlled entities over which the Company has the ability to exercise significant influence is recognized to the extent that the amount of long-term investments in such investees is written down to zero. However, if the Company continues to provide endorsements, guarantees or financial support for such investees, the investment loss is recognized continuously in proportion to the Company's equity interest in such investees. In the case of controlled entities, the

Company recognizes all the losses incurred by such entities that will not be covered by other stockholders. When the operations of such investees become profitable, the profits shall be allocated to the Company to the extent that the amount of losses previously recognized by the Company is fully recovered.

- C. Exchange differences arising from translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as “cumulative translation adjustments” under stockholders’ equity.

11) Property, plant and equipment

- A. Property, plant and equipment are stated at cost. The Company calculates depreciation using the straight-line method over the estimated useful lives of the assets plus one year as estimated salvage value. Salvage 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 assets are 50 years for buildings and 3 to 15 years for the other fixed assets.
- B. Significant renewals and improvements are treated as capital expenditure 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 expenses in the current year.

12) Intangible assets

- A. Brand and Copyright are amortized on a straight-line basis over three 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.

13) Deferred charges

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

14) 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.

15) Employee stock options (Intrinsic value method)

The employee stock options granted or amended on or after January 1, 2004 are accounted for in accordance with the Ruling (92) Chi-Mi-Tze No. 072, "Accounting for Employee Stock Options", prescribed by the R.O.C. Accounting Research and Development Foundation. Under the stock-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share is prepared under the fair value method.

16) Income tax

A. Income tax is calculated based on accounting income after adjusting for permanent differences for the Company, CyberLink Europe B.V. and CyberLink Investment. Provision for income tax includes deferred income tax resulting from items reported in different periods for tax and financial reporting purposes, loss carry-forward and investment tax credits. The tax effect of taxable temporary differences, deductible temporary differences, net operating loss carry-forward and investment tax credits are recognized as deferred income tax liabilities or assets. A valuation allowance is provided for deferred income tax assets to the extent that it is most likely 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.

17) Impairment of non-financial assets

The Company 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.

18) 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, cost and expense is recognized with relevant revenue. Other cost and expense is amortized during the estimated useful lives.

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

19) 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.

20) 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\$32.86 and US\$1:NT\$32.37 at June 30, 2007 and 2006, 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

Effective January 1, 2006, the Company adopted R.O.C. SFAS No. 34, "Accounting for Financial Instruments " and No. 36, " Disclosure and Presentation of Financial Instruments". As a result of the adoption of such standards, total stockholders' equity increased by \$7,837 (US\$242) as of June 30, 2006, and net income increased by \$7,837 (US\$242) for the six-month period ended June 30, 2006. Earnings per share also increased by \$0.08 for the six-month period ended June 30, 2006.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	June 30,			
	2007		2006	
	NT\$	US\$ (Unreviewed) (Note 2)	NT\$	US\$ (Unreviewed) (Note 2)
Cash in hand	\$ 365	\$ 11	\$ 342	\$ 11
Demand deposits	853,244	25,966	488,448	15,089
Checking accounts	6,127	187	2,671	83
Time deposits	146,532	4,459	-	-
Cash equivalents	<u>1,981,556</u>	<u>60,303</u>	<u>832,979</u>	<u>25,733</u>
	<u>\$2,987,824</u>	<u>\$ 90,926</u>	<u>\$1,324,440</u>	<u>\$ 40,916</u>

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

	June 30,			
	2007		2006	
	NT\$	US\$ (Unreviewed) (Note 2)	NT\$	US\$ (Unreviewed) (Note 2)
Financial assets held for trading-Money market funds	\$ 1,383,837	\$ 42,114	\$ 2,517,901	\$ 77,785
Adjustment of financial assets held for trading	<u>20,483</u>	<u>623</u>	<u>7,837</u>	<u>242</u>
	<u>\$ 1,404,320</u>	<u>\$ 42,737</u>	<u>\$ 2,525,738</u>	<u>\$ 78,027</u>

The Company recognized a net gain of \$21,852 (US\$665) and \$7,849 (US\$ 242) for the six-month period ended June 30, 2007 and 2006.

3) Notes and accounts receivable

	June 30,			
	2007		2006	
	NT\$	US\$	NT\$	US\$
		(Unreviewed) (Note 2)		(Unreviewed) (Note 2)
Notes receivable	\$ 3,853	\$ 117	\$ 1,032	\$ 32
Accounts receivable	<u>385,200</u>	<u>11,722</u>	<u>337,708</u>	<u>10,432</u>
	389,053	11,839	338,740	10,464
Less: Allowance for doubtful accounts	(<u>16,071</u>)	(<u>489</u>)	(<u>15,285</u>)	(<u>472</u>)
	<u>\$ 372,982</u>	<u>\$ 11,350</u>	<u>\$ 323,455</u>	<u>\$ 9,992</u>

4) Financial assets carried at cost

	June 30,			
	2007		2006	
	NT\$	US\$	NT\$	US\$
		(Unreviewed) (Note 2)		(Unreviewed) (Note 2)
Unlisted stocks	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,370</u>	<u>\$ 1,000</u>

5) Property, plant and equipment

Item	June 30, 2007		
	(NT\$)		
	Original cost	Accumulated depreciation	Net Book value
Land	\$ 181,692	\$ -	\$ 181,692
Buildings	146,843	(32,153)	114,690
Machinery	20,325	(10,117)	10,208
Transportation equipment	1,430	(919)	511
Furniture and fixtures	<u>11,585</u>	<u>(8,202)</u>	<u>3,383</u>
	<u>\$ 361,875</u>	<u>(\$ 51,391)</u>	<u>\$ 310,484</u>

June 30, 2006			
(NT\$)			
Item	Original cost	Accumulated depreciation	Net Book value
Land	\$ 141,564	\$ -	\$ 141,564
Buildings	121,509	(21,241)	100,268
Machinery	14,821	(6,518)	8,303
Transportation equipment	1,430	(727)	703
Furniture and fixtures	11,132	(6,897)	4,235
	<u>\$ 290,456</u>	<u>(\$ 35,383)</u>	<u>\$ 255,073</u>

June 30, 2007			
(US\$: Unreviewed - Note 2)			
Item	Original cost	Accumulated depreciation	Net Book value
Land	\$ 5,529	\$ -	\$ 5,529
Buildings	4,469	(979)	3,490
Machinery	618	(307)	311
Transportation equipment	44	(28)	16
Furniture and fixtures	353	(250)	103
	<u>\$ 11,013</u>	<u>(\$ 1,564)</u>	<u>\$ 9,449</u>

June 30, 2006			
(US\$: Unreviewed - Note 2)			
Item	Original cost	Accumulated depreciation	Net Book value
Land	\$ 4,373	\$ -	\$ 4,373
Buildings	3,754	(656)	3,098
Machinery	458	(201)	257
Transportation equipment	44	(23)	21
Furniture and fixtures	344	(213)	131
	<u>\$ 8,973</u>	<u>(\$ 1,093)</u>	<u>\$ 7,880</u>

6) Intangible assets

	<u>Brand</u>		<u>Copyright</u>		<u>Other intangible assets</u>		<u>Total</u>	
	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
		(Unreviewed) (Note 2)		(Unreviewed) (Note 2)		(Unreviewed) (Note 2)		(Unreviewed) (Note 2)
Balance at January 1, 2007								
Cost	\$ -	\$ -	\$ -	\$ -	\$ 57,874	\$ 1,761	\$ 57,874	\$ 1,761
Accumulated Amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,243)</u>	<u>(798)</u>	<u>(26,243)</u>	<u>(798)</u>
Book value at January 1, 2007	-	-	-	-	31,631	963	31,631	963
Acquired during the period (Note)	2,000	61	81,200	2,471	-	-	83,200	2,532
Amortization	<u>(161)</u>	<u>(5)</u>	<u>(6,539)</u>	<u>(199)</u>	<u>(6,438)</u>	<u>(196)</u>	<u>(13,138)</u>	<u>(398)</u>
Book value at June 30, 2007	<u>\$ 1,839</u>	<u>\$ 56</u>	<u>\$ 74,661</u>	<u>\$ 2,272</u>	<u>\$ 25,193</u>	<u>\$ 767</u>	<u>\$ 101,693</u>	<u>\$ 3,095</u>

Note: CyberLink Investment acquired Wasay in April, 2007. The difference between the Company's investment balance and its proportionate share in the investee company's net assets belong to identifiable intangible assets-brand and copyright that is based the appraisal report prepared by China Evergreen Technology Co., Ltd., which are amortized over their estimated used life using the straight-line method.

7) Income tax

	For the six-month period ended June 30,			
	2007		2006	
	NT\$	US\$ (Unreviewed) (Note 2)	NT\$	US\$ (Unreviewed) (Note 2)
Income tax expense	\$ 76,026	\$ 2,314	\$ 79,959	\$ 2,470
(Under) over				
provision of prior				
year's income tax	(2,116)	(64)	10,081	312
Effect of deferred				
income tax assets	16,170	492	(11,417)	(353)
Prepaid royalty tax	(51,420)	(1,565)	(33,077)	(1,022)
Short-term notes tax	(319)	(10)	(1,170)	(36)
Prepaid income tax	(461)	(14)	(19,526)	(603)
Income tax payable	<u>\$ 37,880</u>	<u>\$ 1,153</u>	<u>\$ 24,850</u>	<u>\$ 768</u>

A. As of June 30, 2007 and 2006, the deferred income tax assets (liabilities) were as follows:

	June 30,			
	2007		2006	
	NT\$	US\$ (Unreviewed) (Note 2)	NT\$	US\$ (Unreviewed) (Note 2)
Total deferred income tax assets	<u>\$ 97,856</u>	<u>\$ 2,977</u>	<u>\$ 57,203</u>	<u>\$ 1,767</u>
Total deterred income tax liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 1,120)</u>	<u>(\$ 35)</u>
Valuation allowance of deferred income tax assets	<u>(\$ 20,810)</u>	<u>(\$ 633)</u>	<u>(\$ 9,595)</u>	<u>(\$ 296)</u>

B. As of June 30, 2007 and 2006, details of deferred income tax assets and liabilities were as follows:

Items	June 30,			
	2007		2006	
	(NT\$)			
Amount	Income tax effect	Amount	Income tax effect	
Current:				
Unrealized exchange loss (gain)	\$ 4,664	\$ 1,166	(\$ 4,479)	(\$ 1,120)
Unrealized profit on intercompany sales	653	163	653	163
Bad debt expenses	11,252	2,813	11,382	2,845
Loss carryforward	-	-	3,048	762
Others	12,924	<u>3,231</u>	-	<u>-</u>
		<u>7,373</u>		<u>2,650</u>
Non current:				
Investment loss on foreign long-term investments accounted for under the equity method	-	-	23,598	5,900
Loss carryforward	-	-	14,783	3,695
Investment tax credits		90,483		43,838
Valuation allowance		(<u>20,810</u>)		(<u>9,595</u>)
		<u>69,673</u>		<u>43,838</u>
		<u>\$ 77,046</u>		<u>\$ 46,488</u>

Items	June 30,			
	2007		2006	
	(US\$: Unreviewed - Note 2)			
Amount	Income tax effect	Amount	Income tax effect	
Current:				
Unrealized exchange loss (gain)	\$ 142	\$ 35	(\$ 138)	(\$ 35)
Unrealized profit on intercompany sales	20	5	20	5
Bad debts expense	342	86	352	88
Loss carryforward	-	-	94	24
Others	393	98	-	-
		<u>224</u>		<u>82</u>
Non current:				
Investment loss on foreign long-term investments accounted for under the equity method	-	-	729	182
Loss carryforward	-	-	457	114
Investment tax credits		2,753		1,354
Valuation allowance		(633)		(296)
		<u>2,120</u>		<u>1,354</u>
		<u>\$ 2,344</u>		<u>\$ 1,436</u>

C. As of June 30, 2007, the Company's income tax returns for the period through 2003 have been assessed and approved by the Tax Authority.

D. As of June 30, 2007, details of the unused portion of the Company's income tax credits were as follows:

<u>Item</u>	<u>Total tax-exempt amount</u>	<u>Unused tax-exempt amount</u>	<u>Expiry year</u>
Statute for Upgrading Industries	NT\$36,461 (US\$ 1,110)	NT\$15,814 (US\$ 481)	2007
"	NT\$51,892 (US\$ 1,579)	NT\$11,527 (US\$ 351)	2008
"	NT\$56,066 (US\$ 1,706)	NT\$ 5,791 (US\$ 176)	2009
"	NT\$88,338 (US\$ 2,688)	NT\$47,546 (US\$ 1,447)	2010
"	NT\$31,699 (US\$ 965)	NT\$ 9,805 (US\$ 298)	2011
		<u>NT\$90,483</u> (US\$ 2,753)	

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 dates are as follows:

<u>Approval date and no.</u>	<u>Completion date of investment plan</u>	<u>Tax-exempt period</u>	<u>2007.1.1 ~ 2007.6.30 Tax-exempt income</u>
Tai-Tsai-Shuey No 09404154230 on Dec. 19, 2005	December 31, 2004	January 1, 2006 – December 31, 2010	NT\$ 316,037 (US\$ 9,618)

F. For the six-month period ended June 30, 2007 and 2006, the income tax expense included the additional 10% corporate income tax related to the 2006 and 2005 undistributed earnings amounting to NT\$3,988 (US\$121) and \$9,418 (US\$152), respectively. These amounts were recognized based on the resolution adopted in the Company stockholders' meeting to retain the 2006 and 2005 earnings.

G. The Company's income tax of 2003 was assessed by the Tax Authority on July, 2006. Due to a difference in basis used in calculation, the tax free income of the Company's five-year tax holiday was reduced from NT\$403,548 (US\$12,281) to NT\$293,450 (US\$8,930). The Tax Authority viewed the Company's new products as an improvement of the original design and not a new design, hence, a reduction in the tax-exempt amount from NT\$36,461 (US\$1,110) to NT\$116 (US\$4). The Company also has to

pay a \$16,453 (US\$501) tax expense but disagreed with the assessment and has requested for a reexamination.

H. The Company's income tax of 2001 was assessed by Tax Authority on November, 2006. The Tax Authority considered the royalty which the Company had paid for sale media products as outsourced manufacturing cost and made up 30% of the total cost. Therefore it did not meet the criteria of industry upgrading. As a result, the Company is not eligible for having tax-exempt income by adopting the Note 5 of "The note of Tax exempt income count formula", hence, the cancellation of tax-exempt income amount from NT\$ 126,778 (US\$ 3,858) to zero. The Company also has to pay a NT\$ 10,195 (US\$ 310) tax expense. However, the Company disagrees with the Tax Authority's opinion and has already request for a reexamination in December, 2006.

8) Accrued expenses

	<u>June 30,</u>			
	<u>2007</u>		<u>2006</u>	
	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
		(Unreviewed)		(Unreviewed)
		(Note 2)		(Note 2)
Royalty expense	\$420,608	\$ 12,800	\$336,301	\$ 10,389
Professional service fees	38,166	1,161	16,849	521
Payroll	22,444	683	20,301	627
Commission expense	12,507	381	18,665	577
Others	<u>39,372</u>	<u>1,198</u>	<u>34,454</u>	<u>1,064</u>
	<u>\$533,097</u>	<u>\$ 16,223</u>	<u>\$426,570</u>	<u>\$ 13,178</u>

9) Other payables

	June 30,			
	2007		2006	
	NT\$	US\$	NT\$	US\$
	(Unreviewed) (Note 2)		(Unreviewed) (Note 2)	
Cash dividends payable	\$668,634	\$ 20,348	\$488,177	\$ 15,081
Employees' cash bonus payable	59,256	1,803	34,729	1,073
Long-term investments payable	45,000	1,369	-	-
Remunerations for directors and supervisors payable	15,430	470	11,539	357
Others	<u>6,050</u>	<u>184</u>	<u>6,188</u>	<u>191</u>
	<u>\$794,370</u>	<u>\$ 24,174</u>	<u>\$540,633</u>	<u>\$ 16,702</u>

10) 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 Central Trust of China, the trustee, under the name of the independent retirement fund committee. Both the pension costs under the defined benefit pension plan for the six-month period ended June 30, 2007 and 2006 was \$0 (US\$0). The fund balance with Central Trust of China was \$13,142 (US\$400) and \$12,549 (US\$388) as of June 30, 2007 and 2006, 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 employee is terminated. The pension costs under defined contribution pension plan for the six-month period ended June 30, 2007 and 2006 was \$7,635 (US \$ 232) and \$6,422 (US\$198).

C. Foreign subsidiaries have no retirement plan.

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

11) Capital stock

A. According to the resolution adopted at the stockholders' meeting in June 2007 and as approved by the R.O.C. SFC, the Company issued common stock by capitalizing the unappropriated retained earnings of NT\$10,287 (US\$313) and employees' stock bonus of NT\$28,545 (US\$869). The registration for this capital increase is still in process.

B. As of June 30, 2007, the Company's authorized capital was NT\$1,400,000 (US\$42,605), the issued and outstanding capital was NT\$1,029,354 (US\$31,325) (including exercise of employee stock options of NT\$18,597 (US\$566) and the conversion of bonds payable to capital stock amounted to NT\$132,611 (US\$4,036)).

C. 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 period ended June 30, 2007 and 2006 are as follows:

	For the six-month period ended June 30,			
	2007		2006	
	No. of shares (in thousands)	Weighted - average exercise price (in dollars)	No. of shares (in thousands)	Weighted - average exercise price (in dollars)
Beginning balance	2,970	NT\$ 50.40 (US\$ 1.53)	3,762	NT\$ 56.41 (US\$ 1.74)
Options granted	440	NT\$135.00 (US\$ 4.11)	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of options	-	-	-	-
Options exercised	(148)	NT\$ 44.51 (US\$ 1.35)	(467)	NT\$ 50.41 (US\$ 1.56)
Options revoked	-	-	(59)	NT\$ 52.04 (US\$ 1.61)
Ending balance	<u>3,262</u>	NT\$ 62.08 (US\$ 1.89)	<u>3,236</u>	NT\$ 57.35 (US\$ 1.77)
Options exercisable at end of the period	<u>2,333</u>		<u>1,777</u>	
Options authorized but not granted at end of the period	<u>-</u>		<u>2,800</u>	

b) As of June 30, 2007, the details of the employee stock option plans are as follows:

Range of exercise price (in dollars)	Outstanding ending balance			Exercisable ending balance		
	No. of shares (in thousands)	Weighted average remaining vesting period	Weighted average exercise price (in dollars)	No. of shares (in thousands)	Weighted average exercise price (in dollars)	
\$41.10~44.20	405	2.03	NT\$ 41.57 (US\$ 1.27)	405	NT\$ 41.57 (US\$ 1.27)	
\$46.40	1,832	3.00	NT\$ 46.40 (US\$ 1.41)	1,832	NT\$ 46.40 (US\$ 1.41)	
\$59.80~91.10	585	4.17	NT\$ 70.52 (US\$ 2.15)	96	NT\$ 59.80 (US\$ 1.82)	
\$135.00	440	6.42	NT\$135.00 (US\$ 4.11)	-	-	

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 (amended) on or after January 1, 2004:

	Period ended June 30, 2007	
	Financial statements information	Pro forma information
Net income	NT\$ 490,766 (US\$ 14,934)	NT\$ 484,292 (US\$ 14,738)
Basic earnings per share (in dollars)	NT\$ 4.77	NT\$ 4.71
Diluted earnings per share (in dollars)	NT\$ 4.69	NT\$ 4.63

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
Divided yield rate	0.00%	0.00%	0.00%
Expected price volatility	62.22%	33.66%	41.59%
Risk-free rate	2.33%	1.92%	1.976%
Expected vesting period	7 years	7 years	4.875 years
Options issued during the period	0 units	0 units	440,000 units
Average fair value (in dollars)	NT\$ 59.76	NT\$ 45.07	NT\$ 52.008

12) Capital reserve

According to the R.O.C. Company Law and Security and Exchange Act, 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

13) Retained earnings

- A. According to 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 initially to pay income tax and then cover any accumulated deficit; 10% of the annual net income should be set aside as legal reserve; thereafter, the Board of Directors shall propose and the stockholders shall then approve to appropriate the amount of retained earnings to be distributed. When distributing the remaining retained earnings, the distributions should be in accordance with the following allocations:
- a) Stockholders' dividend is the remainder of retained earnings after deducting employees' stock bonus and remuneration for directors and supervisors.
 - b) Employees' stock bonus is not lower than 8%.
 - c) Remuneration for directors and supervisors is not higher than 1.5%.
- B. The Taiwan imputation tax system requires that any undistributed current earnings, on tax basis, of a company derived on or after 1st January, 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 2006 was 5.81%. As of June 30, 2007, the imputation tax credit account balance was NT\$53,983 (US\$1,643). The estimate creditable tax ratio of distributed earnings in 2007 is 3.80%. As of June 30, 2007, the Company's undistributed earnings derived before and after the adoption of the imputation tax system were NT\$9,932 (US\$302) and NT\$1,050,522 (US\$31,970), respectively.

- C. According to Article 41 of the ROC Security Exchange Act, in addition to the amount appropriated for legal reserve, the Company should, set aside a special reserve from retained earnings should the total of the cumulative translation adjustment and unrealized loss on long-term investments result in a net reduction of the stockholders' equity as of the end of the current year.
- D. In 2007 and 2006, the Company's Board of Directors approved to appropriate cash dividends of NT\$6.5 in 2007 and NT\$4.9917 in 2006, and stock dividends of NT\$0.1 in 2007 and NT\$0.1997 in 2006 per share.

14) Earnings per common share

	For the six-month period ended June 30, 2007				
	Amount		Weighted average outstanding common shares (in thousands)	Earnings per common share (in dollars)	
	Before income tax	After income tax		Before income tax	After income tax
Net income	\$ 566,792 (US\$ 17,248)	\$ 490,766 (US\$ 14,934)			
Basic earnings per share			102,847	\$ 5.51 (US\$0.17)	\$ 4.77 (US\$0.15)
Effect of diluted common stock equivalent: Employees stock options	-	-	1,714		
Diluted earnings per share	\$ 566,792 (US\$ 17,248)	\$ 490,766 (US\$ 14,934)	104,561	\$ 5.42 (US\$0.16)	\$ 4.69 (US\$0.14)

For the six-month period ended June 30, 2006					
	Amount		Weighted average outstanding common shares (in thousands)	Earnings per common share (in dollars)	
	Before income tax	After income tax		Before income tax	After income tax
Net income	\$ 491,533 (US\$ 15,185)	\$ 411,574 (US\$ 12,715)			
Basic earnings per share			102,093	\$ 4.81 (US\$0.15)	\$ 4.03 (US\$0.12)
Effect of diluted common stock equivalent:					
Employees stock options	-	-	1,383		
Diluted earning per share	\$ 491,533 (US\$ 15,185)	\$ 411,574 (US\$ 12,715)	103,476	\$ 4.75 (US\$0.15)	\$ 3.98 (US\$0.12)

The above weighted-average outstanding common shares have been adjusted retroactively in proportion to retained earnings and employees' bonus capitalized during the six-month period ended June 30, 2006.

The pro forma basic and diluted earnings per common share after the capitalization of retained earnings were as follows:

For the six-month period ended June 30, 2007					
	Amount		Weighted average outstanding common shares (in thousands)	Earnings per common share (in dollars)	
	Before income tax	After income tax		Before income tax	After income tax
Net income	\$ 566,792 (US\$ 17,248)	\$ 490,766 (US\$ 14,934)			
Basic earnings per share			106,730	\$ 5.31 (US\$0.16)	\$ 4.60 (US\$0.14)
Effect of diluted common stock equivalent:					
Employees stock options	-	-	1,714		
Diluted earnings per share	\$ 566,792 (US\$ 17,248)	\$ 490,766 (US\$ 14,934)	108,444	\$ 5.23 (US\$0.16)	\$ 4.53 (US\$0.14)

<u>For the six-month period ended June 30, 2006</u>					
	<u>Amount</u>		<u>Weighted average outstanding common shares (in thousands)</u>	<u>Earnings per common share (in dollars)</u>	
	<u>Before income tax</u>	<u>After income tax</u>		<u>Before income tax</u>	<u>After income tax</u>
Net income	\$ 491,533	\$ 411,574			
	(US\$ 15,185)	(US\$ 12,715)			
Basic earnings per share			105,969	\$ 4.64	\$ 3.88
				(US\$0.14)	(US\$0.12)
Effect of diluted common stock equivalent:					
Employees stock options	-	-	1,383		
Diluted earning per share	<u>\$ 491,533</u>	<u>\$ 411,574</u>	<u>107,352</u>	<u>\$ 4.58</u>	<u>\$ 3.83</u>
	(US\$ 15,185)	(US\$ 12,715)		(US\$0.14)	(US\$0.12)

15) Personnel, depreciation and amortization expense

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

<u>For the six-month period ended June 30, 2007</u>						
	<u>Operating costs</u>		<u>Operating expenses</u>		<u>Total</u>	
	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
		(Unreviewed) (Note 2)		(Unreviewed) (Note 2)		(Unreviewed) (Note 2)
Personnel expenses						
Salaries	\$ -	\$ -	\$200,359	\$ 6,097	\$200,359	\$ 6,097
Insurance	-	-	16,293	496	16,293	496
Pension	-	-	7,635	232	7,635	232
Others	-	-	5,277	161	5,277	161
Depreciation	-	-	7,490	228	7,490	228
Amortization	-	-	13,225	402	13,225	402

For the six-month period ended June 30, 2006

	<u>Operating costs</u>		<u>Operating expenses</u>		<u>Total</u>	
	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
	(Unreviewed) (Note 2)		(Unreviewed) (Note 2)		(Unreviewed) (Note 2)	
Personnel expenses						
Salaries	\$ -	\$ -	\$161,791	\$ 4,998	\$161,791	\$ 4,998
Insurance	-	-	13,095	405	13,095	405
Pension	-	-	6,422	198	6,422	198
Others	-	-	4,218	130	4,218	130
Depreciation	-	-	6,211	192	6,211	192
Amortization	-	-	16,223	501	16,223	501

5. RELATED PARTY TRANSACTIONS

None.

6. DETAILS OF PLEDGED ASSETS

None.

7. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2007, except for those stated in Note 4(7), significant commitments and contingent liabilities were as follows:

CyberLink-USA and Cyberlink-Japan leases certain office space. The total future minimum lease payments under the operating lease agreement amounted to NT\$6,612 (US \$201) and NT\$ 4,416 (US \$134). In 2007, Cyberlink-USA and CyberLink-Japan paid as lease expense, NT\$ 1,651 (US\$50) and NT\$ 1,191 (US\$36), respectively.

8. SIGNIFICANT LOSS OR DAMAGE

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

None.

10. OTHERS

1) Financial statement presentation

In order to be comparable with the June 30, 2007 financial statements, the Company has properly reclassified certain accounts in the June 30, 2006 financial statements.

2) The fair values of the financial instruments

	<u>June 30, 2007 (NT\$)</u>			<u>June 30, 2006 (NT\$)</u>		
	<u>Book value</u>	<u>Quotations in an active market</u>	<u>Estimated using a valuation</u>	<u>Book value</u>	<u>Quotations in an active market</u>	<u>Estimated using a valuation</u>
<u>Financial instruments</u>						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	\$ 3,401,552	\$ -	\$ 3,401,552	\$ 1,680,591	\$ -	\$ 1,680,591
Financial assets at fair value through profit or loss	1,404,320	1,404,320	-	2,525,738	2,525,738	-
Financial assets carried at cost	-	-	-	32,370	-	-
Liabilities						
Financial liabilities with fair values equal to book values	1,382,297	-	1,382,297	1,003,334	-	1,003,334
Derivative financial instruments						
Forward exchange contracts	-	-	-	-	34	-

	June 30, 2007 (US\$)			June 30, 2006 (US\$)		
	Book value	Quotations in an active market	Estimated using a valuation	Book value	Quotations in an active market	Estimated using a valuation
<u>Financial instruments</u>						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	\$ 103,516	\$ -	\$ 103,516	\$ 51,918	\$ -	\$ 51,918
Financial assets at fair value through profit or loss	42,737	42,737	-	78,027	78,027	-
Financial assets carried at cost	-	-	-	1,000	-	-
Liabilities						
Financial liabilities with fair values equal to book values	42,066	-	42,066	30,995	-	30,995
Derivative financial instruments						
Forward exchange contracts	-	-	-	-	1	-

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 derivative financial instruments which include unrealized gains or losses on unsettled contracts were determined based upon the amounts to be received or paid assuming the contracts were settled as of the reporting date.
- 3) As of June 30, 2007 and 2006 the financial assets with fair value risk due to the change of interest amounted to \$1,981,556 (US\$60,303) and \$832,979 (US\$25,733), respectively.
- 4) For the six-month period ended June 30, 2007 and 2006, total interest income for financial assets or financial liabilities that are not at fair value through profit or loss amounted to \$14,714 (US\$448) and \$18,804 (US\$581), respectively.

5) 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 Company 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 Company's policy, foreign currency transactions seek the balance of risk and liquidity and in attaining the best strategy.

6) Information of financial risk

A. Cash and cash equivalents

a) Market risk

Cash and cash equivalents of the Company is not affected by market price. Therefore, Cash and cash equivalents of the Company 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. There is no material credit risk.

c) Liquidity risk

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

d) Cash flow risk

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

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

a) Market risk

Bond funds of the Company are all money funds. Unit market price is not affected by the market environment and, therefore, there is no significant market risk.

b) Credit risk

Bond funds of the Company are all money funds. The issuers of these bond funds are high-credit quality financial institutions and the Company chooses bond funds that are rated by Taiwan Ratings (above Taiwan Ratings twAAf). Management believes its exposure to default by these parties is low.

c) Liquidity risk

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

d) Cash flow risk

Bond funds of the Company are all money funds and are not interest-bearing assets, so there is no cash flow risk due to changes in market interest rates.

C. Forward exchange contracts

<u>Item</u>	<u>June 30, 2006</u>	
	<u>Book value</u>	<u>Nominal principal (in thousands)</u>
Forward exchange contracts	\$ -	US\$ 2,000

a) For the six-month period ended June 30, 2006 the Company entered into

forward exchange contracts with Bank SinoPac and Chinatrust Commercial Bank. The forward exchange contracts are mainly used to hedge foreign exchange fluctuations of foreign currency assets and liabilities. As of June 30, 2006, the contract amount is US\$2,000 and the loss is NT\$34(US\$1) for the six-month period ended June 30,2006.

b) Market risk

The forward exchange contracts are mainly used to hedge foreign exchange fluctuations of foreign currency-denominated assets and liabilities. Therefore, the market risk of forward exchange contracts will be offset by the foreign exchange risk of these assets and liabilities, and the market risk is low.

c) Credit risk

Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breach the contracts. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing derivative financial instruments are reputable financial institutions. Management believes its exposure to default by these parties is low.

d) Liquidity risk

The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments. Therefore, the liquidity risk is low.

e) Cash flow risk

The forward exchange contracts held by the Company are not interest-bearing debt instruments, so there is no cash flow risk due to changes in market interest rates.

D. Accounts and notes receivable

a) Market risk

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

d) Cash flow risk

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

E. Accounts and notes payable

a) Market risk

Accounts and notes payable of the Company 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 Company, so there is no credit risk.

c) Liquidity risk

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

d) Cash flow risk

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

7) Elimination of transactions between the Company and its subsidiaries.

Transactions	Subsidiaries	For the six-month period ended June 30, 2007		For the six-month period ended June 30, 2006	
		Amount		Amount	
		NT\$	US\$	NT\$	US\$
			(Unreviewed)		(Unreviewed)
			(Note 2)		(Note 2)
A) Elimination of long-term investments and stockholders' equity	CyberLink-USA	\$ 190,361	\$ 5,793	\$ 148,191	\$ 4,578
	CyberLink-B.V.	26,783	815	-	-
	CyberLink-B.V.I	113,095	3,442	45,374	1,402
	CyberLink-Investment	218,062	6,636	20,836	644
	Tse-Lien	-	-	939	29
	CyberLink-B.V.I to CyberLink - Japan	13,965	425	2,726	84
	CyberLink-Investment to Tse-Lien	970	30	-	-
	Cyberlink-Investment to Wasay	86,309	2,627	-	-
B) Elimination of balance sheet accounts					
Accounts receivable	CyberLink-USA	81,682	2,486	62,674	1,936
	CyberLink-B.V.	69,960	2,129	43,771	1,352
	CyberLink-Japan	23,896	727	15,433	477
Other receivables	CyberLink-USA	8,074	246	5,592	173
	CyberLink-B.V.	6,196	189	13,918	430
	CyberLink-Japan	3,809	116	8,187	253
Other liabilities	CyberLink-B.V.	-	-	14,292	442
C) Elimination of income statement accounts					
Sales	CyberLink-USA	158,089	4,811	143,792	4,442
	CyberLink-B.V.	152,110	4,629	114,242	3,529
	CyberLink-Japan	40,996	1,248	22,647	700
Other income	CyberLink-USA	12,952	394	4,571	141
	CyberLink-B.V.	11,281	343	10,472	324
	CyberLink-Japan	2,263	69	507	16
Commission expense	CyberLink-B.V.	1,335	41	1,446	45

Transactions	Subsidiaries	For the six-month period ended June 30, 2007		For the six-month period ended June 30, 2006	
		Amount		Amount	
		NT\$	US\$	NT\$	US\$
			(Unreviewed)		(Unreviewed)
			(Note 2)		(Note 2)
	CyberLink-Japan	\$ 33	\$ 1	\$ 30	\$ 1
Realized profit on	CyberLink-USA	-	-	101	3
intercompany	CyberLink-B.V.	-	-	660	20
transactions	CyberLink-Japan	-	-	26	1
Unrealized profit on	CyberLink-USA	-	-	84	3
intercompany	CyberLink-B.V.	-	-	551	17
transactions	CyberLink-Japan	-	-	16	1

8) Other significant disclosure or description: None.

11. ADDITIONAL DISCLOSURE 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, 2007:

(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
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Long-term equity investments accounted for under the equity method	4,000,000	\$ 190,361	100.00	\$ 190,361
"	CyberLink Europe B.V.	"	"	1,500,000	26,783	100.00	26,783
"	CyberLink International Technology Corp.	"	"	2,000,000	113,095	100.00	113,095
"	CyberLink Investment Corp.	"	"	12,000,000	218,062	100.00	218,062
"	JF First Bond Fund	None	Financial assets at value-through profit or loss-current	8,919,475	126,262	-	126,262
"	JF Taiwan Bond Fund	"	"	24,835,484	381,766	-	381,766
"	HSBC Taiwan Money Management Band Fund	"	"	9,519,739	142,410	-	142,410
"	HSBC Taiwan Dragon Bond Fund	"	"	17,568,528	272,848	-	272,848
"	Prudential Bond Fund	"	"	12,482,163	183,800	-	183,800
"	ABN AMRO Select Bond Fund etc.	"	"	-	121,726	-	121,726
CyberLink Investment Corp.	ABN Amro Bond Fund	"	"	11,560,562	175,508	-	175,508
"	Tse-Lien Technology Corp.	A subsidiary of CyberLink Investment Corp.	Long-term equity investments accounted for under the equity method	100,000	970	100.00	970
"	Wasay Software Technology Inc.	"	"	1,000,000	86,309	100.00	86,309
CyberLink International Technology Corp.	CyberLink Inc.	A subsidiary of CyberLink International Technology Corp.	"	1,900	13,977	100.00	13,977

(US\$)

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
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Long-term equity investments accounted for under the equity method	4,000,000	\$ 5,793	100.00	\$ 5,793
"	CyberLink Europe B.V.	"	"	1,500,000	815	100.00	815
"	CyberLink International Technology Corp.	"	"	2,000,000	3,442	100.00	3,442
"	CyberLink Investment Corp.	"	"	12,000,000	6,636	100.00	6,636
"	JF First Bond Fund	None	Financial assets at value-through profit or loss-current	8,919,475	3,842	-	3,842
"	JF Taiwan Bond Fund	"	"	24,835,484	11,618	-	11,618
"	HSBC Taiwan Money Management Band Fund	"	"	9,519,739	4,334	-	4,334
"	HSBC Taiwan Dragon Bond Fund	"	"	17,568,528	8,303	-	8,303
"	Prudential Bond Fund	"	"	12,482,163	5,593	-	5,593
"	ABN Amro Select Bond Fund etc.	"	"	-	3,704	-	3,704
CyberLink Investment Corp.	ABN Amro Bond Fund	"	"	11,560,562	5,341	-	5,341
"	Tse-Lien Technonology Corp.	A subsidiary of CyberLink Investment Corp.	Long-term equity investments accounted for under the equity method	100,000	30	100.00	30
"	Wasay Software Technology Inc.	"	"	1,000,000	2,627	100.00	2,627
CyberLink International Technology Corp.	CyberLink Inc.	A subsidiary of CyberLink International Technology Corp.	"	1,900	425	100.00	425

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

January 1, 2007 – June 30, 2007

(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	Number of shares (thousand units)	Sales price	Book value (Note)	Gain (loss) from disposal	Number of shares (thousand units)	Amount
CyberLink Corp.	Dresdner Bond DAM Fund	Financial assets at fair value through profit or loss-current	-	-	28,669	\$ 332,198	-	\$ -	28,669	\$ 334,399	\$ 332,198	\$ 2,201	-	\$ -
"	Fuh-Hwa Bond Fund	"	-	-	22,347	297,898	-	-	22,347	299,891	297,898	1,993	-	-
"	ABN Amro Select Bond Fund	"	-	-	18,644	211,306	5,886	67,000	17,595	200,000	199,137	863	6,935	79,169
"	ABN Amro Bond Fund	"	-	-	23,903	360,204	-	-	23,903	362,608	360,204	2,404	-	-
"	PCA Well Pool Fund	"	-	-	14,465	181,080	7,624	96,000	22,089	278,390	277,080	1,310	-	-
"	NITC Bond Fund	"	-	-	1,641	270,086	152	25,000	1,793	297,037	295,086	1,951	-	-
"	UPAMC James Bond Fund	"	-	-	1,687	26,029	9,568	148,000	11,255	174,665	174,029	636	-	-
"	AIG Domestic Bond Fund	"	-	-	17,244	219,873	16,008	205,000	33,252	426,071	424,873	1,198	-	-
Cyberlink Investment Corp.	ABN Amro Bond Fund	"	-	-	1,304	19,652	13,231	200,000	2,975	45,000	44,144	856	11,560	175,508

Note: including valuation amount.

January 1, 2007– June 30, 2007

(US\$)

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	Number of shares (thousand units)	Sales price	Book value	Gain (loss) from disposal	Number of shares (thousand units)	Amount
CyberLink Corp.	Dresdner Bond DAM Fund	Financial assets at fair value through profit or loss-current	-	-	28,669	\$ 10,109	-	\$ -	28,669	\$ 10,176	\$ 10,109	\$ 67	-	\$ -
"	Fuh-Hwa Bond Fund	"	-	-	22,347	9,066	-	-	22,347	9,126	9,066	60	-	-
"	ABN Amro Select Bond Fund	"	-	-	18,644	6,430	5,886	2,039	17,595	6,086	6,060	26	6,935	2,409
"	ABN Amro Bond Fund	"	-	-	23,903	10,962	-	-	23,903	11,035	10,962	73	-	-
"	PCA Well Pool Fund	"	-	-	14,465	5,511	7,624	2,921	22,089	8,472	8,432	40	-	-
"	NITC Bond Fund	"	-	-	1,641	8,219	152	761	1,793	9,039	8,980	59	-	-
"	UPAMC James Bond Fund	"	-	-	1,687	792	9,568	4,504	11,255	5,315	5,296	19	-	-
"	AIG Domestic Bond Fund	"	-	-	17,244	6,691	16,008	6,239	33,252	12,966	12,930	36	-	-
CyberLink Investment Corp.	ABN Amro Bond Fund	"	-	-	1,304	598	13,231	6,086	2,975	1,369	1,343	26	11,560	5,341

E. Additions of real estate exceeding NT\$100,000 or 20% of contributed capital: 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, 2007 – June 30, 2007

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 (payable)
CyberLink Corp.	CyberLink.Com Corp	A subsidiary of the Company	Sales	NT\$158,089 (US\$ 4,811)	15	Note	The same as those with third-parties	Note	NT\$ 81,682 (US\$ 2,486)	19
"	CyberLink Europe B.V.	"	"	NT\$152,110 (US\$ 4,629)	14	Note	"	Note	NT\$ 69,960 (US\$ 2,129)	17

Note: Sales to CyberLink.Com Corp. and CyberLink Europe B.V. are at normal selling price and are collected 90 days after the delivery of goods are made.

H. Receivables from related parties exceeding NT\$100,000 or above 20% of contributed capital: None.

I. Transactions of financial instruments: None.

2) Relevant information regarding investee companies as of June 30, 2007:

(NT\$)

Name of the company	Name of the invested 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, 2007	June 30, 2006	Shares	Percentage (%)	Book value			
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	\$ 136,327	\$ 136,327	4,000,000	100.00	\$ 190,361	\$ 17,882	\$ 17,882	A subsidiary of the Company
"	CyberLink Europe B.V.	Europe	"	64,770	11,874	1,500,000	100.00	26,783	1,639	1,639	"
"	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	64,821	64,821	2,000,000	100.00	113,095	(1,787)	(1,787)	"
"	CyberLink Investment Corp.	Taipei	"	220,000	20,000	12,000,000	100.00	218,062	(2,972)	(2,972)	"
CyberLink Investment Corp.	Tse-Lien Technology Corp.	Taipei	Sale of software	1,000	1,000	100,000	100.00	970	(15)	(15)	A subsidiary of CyberLink Investment Corp.
"	Wasay Software Technology Inc.	Taipei	"	90,000	-	1,000,000	100.00	86,309	(1,109)	(3,690) (Note)	"
CyberLink International Technology Corp.	CyberLink Inc.	Japan	"	US\$847,919	US\$478,469	1,900	100.00	US\$425,335	(US\$ 92)	(US\$ 92)	A subsidiary of CyberLink International Technology Corp.

Note: Cyberlink Investment acquired all shares of Wasay in April, 2007.

(US\$)

Name of the company	Name of the invested 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, 2007	June 30, 2006	Shares	Percentage (%)	Book value			
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	\$ 4,212	\$ 4,212	4,000,000	100.00	\$ 5,793	\$ 544	\$ 544	A subsidiary of the Company
"	CyberLink Europe B.V.	Europe	"	1,971	367	1,500,000	100.00	815	50	50	"
"	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	2,003	2,003	2,000,000	100.00	3,442	(54)	(54)	"
"	CyberLink Investment Corp.	Taipei	"	6,695	618	12,000,000	100.00	6,636	(90)	(90)	"
CyberLink Investment Corp.	Tse-Lien Technology Corp.	Taipei	Sale of software	31	31	100,000	100.00	30	(1)	(1)	A subsidiary of CyberLink Investment Corp.
"	Wasay Software Technology Inc.	Taipei	"	2,739	-	1,000,000	100.00	2,627	(34)	(112) (Note)	"
CyberLink International Technology Corp.	CyberLink Inc.	Japan	"	848	478	1,900	100.00	425	(1)	(1)	A subsidiary of CyberLink International Technology Corp.

Note: CyberLink Investment acquired all shares of Wasay in April, 2007.

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

4) Transactions of intercompanies

January 1, 2007 ~ June 30, 2007

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	\$ 158,089	\$ 4,811	Sales to Subsidiaries are at normal selling price and are collected 90 days after the delivery of goods are made.	9
			"	Accounts receivable	81,682	2,486		2
"	"	CyberLink Europe B.V.	"	Sales revenue	152,110	4,629		9
			"	Accounts receivable	69,960	2,129		1
"	"	CyberLink Inc.	"	Sales revenue	40,996	1,248		2
			"	Accounts receivable	23,896	727		0.4

January 1, 2006 ~ June 30, 2006

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	\$ 143,792	\$ 4,442	Sales to Subsidiaries are at normal selling price and are collected 90 days after the delivery of goods are made.	10
			"	Accounts receivable	62,674	1,936		1
"	"	CyberLink Europe B.V.	"	Sales revenue	114,242	3,529		8
			"	Accounts receivable	43,771	1,352		1
"	"	CyberLink Inc.	"	Sales revenue	22,647	700		2
			"	Accounts receivable	15,433	476		0.3

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 were numbered from 1.

Note 2 : Relationships between the counterparties :

- A. Parent company to subsidiary.
- B. Subsidiary to parent company.
- C. Subsidiary to subsidiaries.

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

12. SEGMENTAL REPORTING

Not applied to interim financial reports.