

CYBERLINK CORP. AND SUBSIDIARIES

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

DECEMBER 31, 2007 AND 2006

These English financial statements were translated from the financial statements originally prepared in Chinese.

Report of Independent Accountants

PWCR07000604

To the Board of Directors and Stockholders of CyberLink Corp.

We have audited the accompanying consolidated balance sheets of CyberLink Corp. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CyberLink Corp. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended 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 its subsidiaries as of and for the years ended December 31, 2007 and 2006 expressed in United States dollars were translated from the New Taiwan dollars financial statements using the exchange rates of NT\$32.43:US\$1 and NT\$32.595: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.

February 15, 2008

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
DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

	2007			2006		
	Amount		%	Amount		%
	NT\$	US\$		NT\$	US\$	
		(Unaudited - Note 2)			(Unaudited - Note 2)	
<u>ASSETS</u>						
<u>Current Assets</u>						
Cash and cash equivalents (Note 4(1))	\$ 1,265,180	\$ 39,013	23	\$ 795,090	\$ 24,393	17
Financial assets at fair value through profit or loss-current (Note 4(2))	3,420,599	105,476	63	3,059,427	93,862	64
Notes receivable, net (Note 4(3))	6,819	210	-	2,367	73	-
Accounts receivable, net (Note 4(3))	256,068	7,896	5	409,333	12,558	9
Other receivables	26,335	812	1	73,619	2,259	1
Inventories	5,798	179	-	4,079	125	-
Deferred income tax assets-current (Note 4(7))	3,249	100	-	6,477	199	-
Other current assets	8,851	273	-	4,749	147	-
	<u>4,992,899</u>	<u>153,959</u>	<u>92</u>	<u>4,355,141</u>	<u>133,616</u>	<u>91</u>
<u>Funds and Investments</u>						
Financial assets carried at cost-non current (Note 4(4))	-	-	-	1,943	60	-
<u>Property, Plant and Equipment (Note 4(5))</u>						
Cost	368,152	11,352	7	359,900	11,042	8
Less: accumulated depreciation	(58,261)	(1,796)	(1)	(43,826)	(1,346)	(1)
	<u>309,891</u>	<u>9,556</u>	<u>6</u>	<u>316,074</u>	<u>9,696</u>	<u>7</u>
<u>Intangible Assets (Note 4(6))</u>						
Brand	1,407	43	-	-	-	-
Copyright	57,149	1,763	1	-	-	-
Other intangible assets	19,981	616	-	31,631	970	1
	<u>78,537</u>	<u>2,422</u>	<u>1</u>	<u>31,631</u>	<u>970</u>	<u>1</u>
<u>Other Assets</u>						
Refundable deposits	4,316	133	-	2,199	67	-
Deferred charges	414	13	-	282	9	-
Deferred income tax assets-non current (Note 4(7))	65,643	2,024	1	54,373	1,668	1
	<u>70,373</u>	<u>2,170</u>	<u>1</u>	<u>56,854</u>	<u>1,744</u>	<u>1</u>
TOTAL ASSETS	\$ 5,451,700	\$ 168,107	100	\$ 4,761,643	\$ 146,086	100

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CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)

DECEMBER 31,

(EXPRESSED IN THOUSANDS OF DOLLARS)

	2007			2006		
	Amount		%	Amount		%
	NT\$	US\$		NT\$	US\$	
		(Unaudited - Note 2)			(Unaudited - Note 2)	
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>						
<u>Current Liabilities</u>						
Accounts payable	\$ 6,358	\$ 196	-	\$ 7,238	\$ 222	-
Income tax payable (Note 4(7))	55,934	1,725	1	21,470	659	1
Accrued expenses (Note 4(8))	760,605	23,454	14	531,510	16,306	11
Other payables	93,081	2,870	2	29,518	906	1
Other current liabilities	7,973	246	-	6,993	215	-
	<u>923,951</u>	<u>28,491</u>	<u>17</u>	<u>596,729</u>	<u>18,308</u>	<u>13</u>
<u>Other Liabilities</u>						
Accrued pension liabilities (Note 4(9))	4,962	153	-	4,106	126	-
Deposits-in	351	11	-	351	11	-
	<u>5,313</u>	<u>164</u>	<u>-</u>	<u>4,457</u>	<u>137</u>	<u>-</u>
Total Liabilities	<u>929,264</u>	<u>28,655</u>	<u>17</u>	<u>601,186</u>	<u>18,445</u>	<u>13</u>
<u>Stockholders' Equity</u>						
Capital stock (Note 4(10))						
Common stock	1,071,495	33,040	20	1,027,681	31,529	22
Capital reserve (Note 4(11))						
Paid-in capital in excess of par value	503,213	15,517	9	503,213	15,438	11
Paid-in capital in excess of par, convertible bonds	867,363	26,746	16	867,363	26,610	18
Employee stock options	88,772	2,737	2	72,558	2,226	1
Retained earnings (Note 4(12))						
Legal reserve	347,552	10,717	6	257,399	7,897	5
Special reserve	7,097	219	-	7,097	218	-
Unappropriated earnings	1,641,871	50,628	30	1,431,342	43,913	30
Other adjustment						
Cumulative translation adjustment	(4,927)	(152)	-	(6,196)	(190)	-
Total Stockholders' Equity	<u>4,522,436</u>	<u>139,452</u>	<u>83</u>	<u>4,160,457</u>	<u>127,641</u>	<u>87</u>
<u>Commitments (Note 7)</u>						
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 5,451,700</u>	<u>\$ 168,107</u>	<u>100</u>	<u>\$ 4,761,643</u>	<u>\$ 146,086</u>	<u>100</u>

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

See report of independent accountants dated February 15, 2008.

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31,

(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

	2007			2006			
	Amount		%	Amount		%	
	NT\$	US\$		NT\$	US\$		
		(Unaudited - Note 2)			(Unaudited - Note 2)		
Operating revenues (Note 5)							
Sales revenue	\$ 3,736,972	\$ 115,232	101	\$ 3,126,611	\$ 95,923	101	
Less: Sales returns	(18,127)	(559)	(1)	(35,596)	(1,092)	(1)	
Sales allowances	(2,450)	(76)	-	(583)	(18)	-	
Net sales	3,716,395	114,597	100	3,090,432	94,813	100	
Gain from sale of portfolio securities (Note 1)	103	4	-	12	-	-	
	3,716,498	114,601	100	3,090,444	94,813	100	
Operating costs							
Cost of sales	(26,090)	(805)	(1)	(30,999)	(951)	(1)	
Gross profit	3,690,408	113,796	99	3,059,445	93,862	99	
Operating expenses (Notes 4(9) and (14))							
Selling	(2,018,877)	(62,253)	(54)	(1,698,050)	(52,095)	(55)	
General	(170,525)	(5,258)	(5)	(123,354)	(3,785)	(4)	
Research and development	(365,582)	(11,273)	(10)	(325,764)	(9,994)	(10)	
Total operating expenses	(2,554,984)	(78,784)	(69)	(2,147,168)	(65,874)	(69)	
Operating income	1,135,424	35,012	30	912,277	27,988	30	
Non-operating income							
Interest income	27,957	862	1	28,216	866	1	
Gain on financial assets at fair value through profit of loss (Note 4(2))	49,137	1,515	1	29,380	901	1	
Gain on disposal of investments	4,820	149	-	70,508	2,164	2	
Exchange gain-net	5,067	156	-	-	-	-	
Other income	14,475	446	1	28,808	884	1	
Total non-operating income	101,456	3,128	3	156,912	4,815	5	
Non-operating expenses							
Exchange loss-net	-	-	-	(21,348)	(655)	(1)	
Other expenses	(284)	(9)	-	(405)	(12)	-	
Total non-operating expenses	(284)	(9)	-	(21,753)	(667)	(1)	
Income before income tax	1,236,596	38,131	33	1,047,436	32,136	34	
Income tax expense (Note 4(7))	(164,413)	(5,070)	(4)	(145,900)	(4,477)	(5)	
Consolidated net income	\$ 1,072,183	\$ 33,061	29	\$ 901,536	\$ 27,659	29	
Attributable to:							
Equity holders of the Company	\$ 1,072,183	\$ 33,061	29	\$ 901,536	\$ 27,659	29	
	<u>Before tax</u> <u>After tax</u>	<u>Before tax</u> <u>After tax</u>		<u>Before tax</u> <u>After tax</u>	<u>Before tax</u> <u>After tax</u>	<u>Before tax</u> <u>After tax</u>	
Basic earnings per share (Note 4(13))							
(In dollars)	\$ 11.57	\$ 10.03	\$ 0.36	\$ 9.86	\$ 8.49	\$ 0.30	\$ 0.26
Diluted earnings per share (Note 4(13))							
(In dollars)	\$ 11.39	\$ 9.88	\$ 0.35	\$ 9.72	\$ 8.36	\$ 0.30	\$ 0.26

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

See report of independent accountants dated February 15, 2008.

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Retained earnings</u>					<u>Cumulative translation adjustment</u>	<u>Total</u>
	<u>Common stock</u>	<u>Capital reserve</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated earnings</u>		
Balance at January 1, 2006	\$ 972,708	\$1,407,616	\$ 184,814	\$ 7,097	\$ 1,179,327	(\$ 3,923)	\$3,747,639
Distribution of 2005 earnings:							
Legal reserve	-	-	72,585	-	(72,585)	-	-
Stock dividends	19,527	-	-	-	(19,527)	-	-
Cash dividends	-	-	-	-	(488,177)	-	(488,177)
Remunerations to directors and supervisors	-	-	-	-	(11,539)	-	(11,539)
Employees' stock bonus	25,962	-	-	-	(57,693)	-	(31,731)
Net income for 2006	-	-	-	-	901,536	-	901,536
Exercise of employee stock options	9,484	35,518	-	-	-	-	45,002
Cumulative translation adjustment	-	-	-	-	-	(2,273)	(2,273)
Balance at December 31, 2006	<u>1,027,681</u>	<u>1,443,134</u>	<u>257,399</u>	<u>7,097</u>	<u>1,431,342</u>	<u>(6,196)</u>	<u>4,160,457</u>
Distribution of 2006 earnings:							
Legal reserve	-	-	90,153	-	(90,153)	-	-
Stock dividends	10,287	-	-	-	(10,287)	-	-
Cash dividends	-	-	-	-	(668,634)	-	(668,634)
Remunerations to directors and supervisors	-	-	-	-	(15,430)	-	(15,430)
Employees' stock bonus	28,545	-	-	-	(77,150)	-	(48,605)
Net income for 2007	-	-	-	-	1,072,183	-	1,072,183
Exercise of employee stock options	4,982	16,214	-	-	-	-	21,196
Cumulative translation adjustment	-	-	-	-	-	1,269	1,269
Balance at December 31, 2007	<u>\$ 1,071,495</u>	<u>\$ 1,459,348</u>	<u>\$ 347,552</u>	<u>\$ 7,097</u>	<u>\$ 1,641,871</u>	<u>(\$ 4,927)</u>	<u>\$4,522,436</u>

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CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(EXPRESSED IN THOUSANDS OF US DOLLARS) (UNAUDITED-NOTE 2)

	Retained earnings					Cumulative translation adjustment	Total
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings		
Balance at January 1, 2006	\$ 29,611	\$ 42,850	\$ 5,626	\$ 216	\$ 35,900	(\$ 119)	\$ 114,084
Distribution of 2005 earnings:							
Legal reserve	-	-	2,227	-	(2,227)	-	-
Stock dividends	599	-	-	-	(599)	-	-
Cash dividends	-	-	-	-	(14,977)	-	(14,977)
Remunerations to directors and supervisors	-	-	-	-	(354)	-	(354)
Employees' bonus	797	-	-	-	(1,770)	-	(973)
Net income for 2006	-	-	-	-	27,659	-	27,659
Exercise of employee stock options	291	1,090	-	-	-	-	1,381
Cumulative translation adjustment	231	334	44	2	281	(71)	821
Balance at December 31, 2006	31,529	44,274	7,897	218	43,913	(190)	127,641
Distribution of 2006 earnings:							
Legal reserve	-	-	2,780	-	(2,780)	-	-
Stock dividends	317	-	-	-	(317)	-	-
Cash dividends	-	-	-	-	(20,618)	-	(20,618)
Remunerations to directors and supervisors	-	-	-	-	(476)	-	(476)
Employees' bonus	880	-	-	-	(2,379)	-	(1,499)
Net income for 2007	-	-	-	-	33,061	-	33,061
Exercise of employee stock options	154	500	-	-	-	-	654
Cumulative translation adjustment	160	226	40	1	224	38	689
Balance at December 31, 2007	\$ 33,040	\$ 45,000	\$ 10,717	\$ 219	\$ 50,628	(\$ 152)	\$ 139,452

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

See report of independent accountants dated February 15, 2008

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

	2007		2006	
	NT\$	US\$ (Unaudited - Note 2)	NT\$	US\$ (Unaudited - Note 2)
Cash flows from operating activities				
Net income	\$ 1,072,183	\$ 33,061	\$ 901,536	\$ 27,659
Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on financial assets at fair value through profit or loss	(49,137)	(1,515)	(29,380)	(901)
Gain on disposal of investments	(4,820)	(149)	(70,508)	(2,164)
Bad debts expense	1,106	34	1,001	31
Reversal of allowance for bad debts	-	-	(3,947)	(121)
Gain on liquidation of investee company	-	-	(187)	(6)
Loss on disposal of property, plant, and equipment	177	6	175	5
Depreciation	15,568	480	13,156	404
Amortization	31,369	967	26,535	814
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Notes and accounts receivable	156,681	4,832	(65,445)	(2,008)
Accounts receivable-related parties	-	-	10,056	309
Other receivables	47,221	1,456	(39,195)	(1,202)
Inventories	(1,719)	(53)	1,262	39
Other current assets	(2,911)	(90)	1,617	50
Deferred income tax assets	(8,042)	(248)	(3,706)	(114)
Increase (decrease) in liabilities:				
Notes and accounts payable	(2,051)	(63)	(17,363)	(533)
Income tax payable	34,464	1,063	(26,338)	(808)
Accrued expenses	230,193	7,098	128,262	3,935
Other payables	4,405	136	(15,634)	(480)
Other current liabilities	961	30	4,818	148
Accrued pension liabilities	856	26	(270)	(8)
Net cash provided by operating activities	<u>1,526,504</u>	<u>47,071</u>	<u>816,445</u>	<u>25,049</u>
Cash flows from investing activities				
Increase in financial assets at fair value through profit or loss	(312,035)	(9,622)	(2,535,761)	(77,796)
Proceeds from sale of long-term investments	-	-	103,401	3,172
Disposal of financial assets carried at cost-current	6,763	209	-	-
Disposal of investments in bonds without active market – noncurrent	500	15	-	-
Cash received from liquidation of investee company	-	-	336	10
Acquisition of property, plant, and equipment	(9,319)	(287)	(11,818)	(362)
Increase in brand	(1,876)	(58)	-	-
Increase in copyright	(76,199)	(2,350)	-	-
Increase in refundable deposits-net	(2,117)	(65)	(189)	(6)
Increase in deferred charges	(332)	(10)	(281)	(9)
Net cash used in investing activities	<u>(394,615)</u>	<u>(12,168)</u>	<u>(2,444,312)</u>	<u>(74,991)</u>

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CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31,
(EXPRESSED IN THOUSANDS OF DOLLARS)

	<u>2007</u>		<u>2006</u>	
	<u>NT\$</u>	<u>US\$</u> (Unaudited - Note 2)	<u>NT\$</u>	<u>US\$</u> (Unaudited - Note 2)
<u>Cash flows from financing activities</u>				
Payment of cash dividends	(\$ 668,634)	(\$ 20,618)	(\$ 488,177)	(\$ 14,977)
Payment of directors' and supervisors' remuneration and employees' bonus	(44,752)	(1,380)	(25,413)	(780)
Exercise of employee stock options	21,196	654	45,002	1,381
Decrease in deposit-in, net	<u>-</u>	<u>-</u>	<u>(309)</u>	<u>(9)</u>
Net cash used in financing activities	(692,190)	(21,344)	(468,897)	(14,385)
Effects of changes in exchange rates on foreign currency holdings	(2,854)	36	(2,154)	622
Effect of newly consolidated entity	<u>33,245</u>	<u>1,025</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	470,090	14,620	(2,098,918)	(63,705)
Cash and cash equivalents at beginning of the year	<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 year	<u>\$ 1,265,180</u>	<u>\$ 39,013</u>	<u>\$ 795,090</u>	<u>\$ 24,393</u>
<u>Supplemental disclosures of cash flow information:</u>				
Cash paid during the year for:				
Income tax	<u>\$ 78,138</u>	<u>\$ 2,409</u>	<u>\$ 97,280</u>	<u>\$ 2,985</u>
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating and financial activities which have no effect on cash flows:				
Unpaid employees' bonus	<u>\$ 29,487</u>	<u>\$ 909</u>	<u>\$ 17,857</u>	<u>\$ 548</u>
Leased assets transferred to fixed assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,180</u>	<u>\$ 1,816</u>

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

See report of independent accountants dated February 15, 2008

CYBERLINK CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

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 sales 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 December 31, 2007, the Company and its consolidated subsidiaries had approximately 500 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>December 31, 2007</u>	<u>December 31, 2006</u>	
CyberLink Corp.	CyberLink.Com Corp. (CyberLink-USA)	Sales of computer software	100%	100%	
"	CyberLink Europe B.V. (CyberLink-B.V.)	"	100%	100%	

Investor	Name of the subsidiary	Major operating activities	Ownership (%)		Note
			December 31, 2007	December 31, 2006	
CyberLink Corp.	CyberLink International Technology Corp. (CyberLink-B.V.I)	Investment activities	100%	100%	
"	CyberLink Investment Corp. (CyberLink Investment)	"	100%	100%	
CyberLink Investment Corp.	Tse-Lien Technology Corp. (Tse-Lien)	Sales of computer software	100%	100%	
"	Wasay Software Technology Inc. (Wasay)	"	100%	-	Note
CyberLink International Technology Corp.	CyberLink Inc. (CyberLink-Japan)	"	100%	100%	

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

3) Adjustment and approach for difference in accounting years 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 year ended December 31, 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 intercompany transactions and assets and liabilities arising from intercompany 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 is

carried forward from prior year's balance. Dividends are translated at the rates prevailing at the date of declaration. Profit and loss accounts are translated at weighted-average rates of the year. The resulting translation differences are included in "cumulative translation adjustments" under stockholders' equity.

3) Foreign currency transactions

- A. The Company and its subsidiaries maintain their accounts in New Taiwan dollars and their functional currencies, respectively. Transactions denominated in foreign currencies are translated into New Taiwan dollars and functional currencies at the spot exchange rates prevailing at the transaction dates.
- B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss. However, translation exchange gains or losses on intercompany accounts that are deemed long-term are accounted for as a reduction in stockholders' equity.
- C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

4) 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 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. The market value for finished goods inventories is determined based on net realizable value. Loss on decline in market value and obsolescence of inventories is charged to current income.

10) 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 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 expenses in the current year.

11) 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.

12) Deferred charges

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

13) 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.

14) 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.

15) Income tax

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

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

C. The R.O.C. imputation tax system requires that any undistributed current earnings, on a tax basis, of a company derived on or after January 1, 1998 be

subject 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.

16) 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.

17) Revenues 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.
- b) Income and cost from the sale of marketable securities is recognized on the transaction date for consolidated subsidiaries engaging primarily in investment activities.

18) 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.

19) Convenience translation to US dollars (unaudited)

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\$32.43 and US\$1:NT\$32.595 on December 31, 2007 and 2006, respectively. Such translation amounts are unaudited 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. EFFECT 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 \$25,217 (US\$774) as of December 31, 2006, and net income increased by \$25,217 (US\$774) whereas earnings per share increased by \$0.25 (USD 0.01) for the year ended December 31, 2006.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31,			
	2007		2006	
	NT\$	US\$	NT\$	US\$
		(Unaudited)		(Unaudited)
		(Note 2)		(Note 2)
Cash on hand	\$ 284	\$ 9	\$ 355	\$ 11
Demand deposits	1,008,588	31,101	736,130	22,584
Checking accounts	7,129	220	9,267	284
Time deposits	-	-	49,338	1,514
Cash equivalents-				
RP	149,703	4,616	-	-
Cash equivalents-				
ABCP	99,476	3,067	-	-
	<u>\$1,265,180</u>	<u>\$ 39,013</u>	<u>\$ 795,090</u>	<u>\$ 24,393</u>

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

	December 31,			
	2007		2006	
	NT\$	US\$	NT\$	US\$
		(Unaudited) (Note 2)		(Unaudited) (Note 2)
Financial assets held for trading				
Money market funds	\$ 3,389,860	\$ 104,529	\$ 3,034,210	\$ 93,088
Adjustment of financial assets held for trading	<u>30,739</u>	<u>947</u>	<u>25,217</u>	<u>774</u>
	<u>\$ 3,420,599</u>	<u>\$ 105,476</u>	<u>\$ 3,059,427</u>	<u>\$ 93,862</u>

The Group recognized a net gain of \$49,137 (US\$1,515) and \$29,380 (US\$901) for the years ended December 31, 2007 and 2006, respectively.

3) Notes and accounts receivable

	December 31,			
	2007		2006	
	NT\$	US\$	NT\$	US\$
		(Unaudited) (Note 2)		(Unaudited) (Note 2)
Notes receivable	\$ 6,850	\$ 211	\$ 2,397	\$ 74
Accounts receivable	<u>259,724</u>	<u>8,009</u>	<u>425,374</u>	<u>13,050</u>
	266,574	8,220	427,771	13,124
Less: Allowance for doubtful accounts	(<u>3,687</u>)	(<u>114</u>)	(<u>16,071</u>)	(<u>493</u>)
	<u>\$ 262,887</u>	<u>\$ 8,106</u>	<u>\$ 411,700</u>	<u>\$ 12,631</u>

4) Financial assets carried at cost

	December 31,			
	2007		2006	
	NT\$	US\$	NT\$	US\$
		(Unaudited) (Note 2)		(Unaudited) (Note 2)
Unlisted stocks	\$ -	\$ -	\$ 1,943	\$ 60

5) Property, plant and equipment

Item	December 31, 2007		
	Original cost	Accumulated depreciation	Net book value
Land	\$ 181,692	\$ -	\$ 181,692
Buildings	150,013	(36,844)	113,169
Machinery	21,649	(11,153)	10,496
Transportation equipment	1,430	(1,017)	413
Furniture and fixtures	13,368	(9,247)	4,121
	<u>\$ 368,152</u>	<u>(\$ 58,261)</u>	<u>\$ 309,891</u>

Item	December 31, 2006		
	Original cost	Accumulated depreciation	Net book value
Land	\$ 181,692	\$ -	\$ 181,692
Buildings	146,683	(27,661)	119,022
Machinery	19,054	(8,000)	11,054
Transportation equipment	1,430	(820)	610
Furniture and fixtures	11,041	(7,345)	3,696
	<u>\$ 359,900</u>	<u>(\$ 43,826)</u>	<u>\$ 316,074</u>

December 31, 2007

(US\$: Unaudited - Note 2)

<u>Item</u>	<u>Original cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Land	\$ 5,602	\$ -	\$ 5,602
Buildings	4,626	(1,136)	3,490
Machinery	668	(344)	324
Transportation equipment	44	(31)	13
Furniture and fixtures	<u>412</u>	<u>(285)</u>	<u>127</u>
	<u>\$ 11,352</u>	<u>(\$ 1,796)</u>	<u>\$ 9,556</u>

December 31, 2006

(US\$: Unaudited - Note 2)

<u>Item</u>	<u>Original cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Land	\$ 5,574	\$ -	\$ 5,574
Buildings	4,500	(849)	3,651
Machinery	585	(246)	339
Transportation equipment	44	(25)	19
Furniture and fixtures	<u>339</u>	<u>(226)</u>	<u>113</u>
	<u>\$ 11,042</u>	<u>(\$ 1,346)</u>	<u>\$ 9,696</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>
		(Unaudited) (Note 2)		(Unaudited) (Note 2)		(Unaudited) (Note 2)		(Unaudited) (Note 2)
Balance at January 1, 2007								
Cost	\$ -	\$ -	\$ -	\$ -	\$ 57,874	\$ 1,775	\$ 57,874	\$ 1,775
Accumulated amortization	-	-	-	-	(26,243)	(805)	(26,243)	(805)
Book value at January 1, 2007	-	-	-	-	31,631	970	31,631	970
Acquired during the year	1,876	58	76,199	2,350	-	-	78,075	2,408
Amortization	(469)	(15)	(19,050)	(587)	(11,650)	(354)	(31,169)	(956)
Book value at December 31, 2007	<u>\$ 1,407</u>	<u>\$ 43</u>	<u>\$ 57,149</u>	<u>\$ 1,763</u>	<u>\$ 19,981</u>	<u>\$ 616</u>	<u>\$ 78,537</u>	<u>\$ 2,422</u>

CyberLink Investment acquired Wasay in April 2007. The excess of the initial investment cost over the investor's share of owners' equity of the investee belonging to identifiable intangible assets-brand and copyright is based on the appraisal report prepared by China Evergreen Technology Co., Ltd., and are amortized over their estimated useful life using the straight-line method.

7) Income tax

	For the years ended December 31,			
	2007		2006	
	NT\$	US\$	NT\$	US\$
		(Unaudited) (Note 2)		(Unaudited) (Note 2)
Income tax expense	\$ 164,413	\$ 5,070	\$ 145,900	\$ 4,477
(Under) over				
provision of prior				
year's income tax	(2,116)	(65)	9,869	302
Effect of deferred				
income tax assets	8,042	248	3,706	114
Foreign royalty				
withholding tax	(112,641)	(3,473)	(76,361)	(2,343)
Short-term notes tax	(1,042)	(32)	(1,649)	(51)
Prepaid income tax	(<u>722</u>)	(<u>23</u>)	(<u>59,995</u>)	(<u>1,840</u>)
Income tax payable	<u>\$ 55,934</u>	<u>\$ 1,725</u>	<u>\$ 21,470</u>	<u>\$ 659</u>

A. As of December 31, 2007 and 2006, the deferred income tax assets (liabilities) were as follows:

	December 31,			
	2007		2006	
	NT\$	US\$	NT\$	US\$
		(Unaudited) (Note 2)		(Unaudited) (Note 2)
Total deferred income				
tax assets	<u>\$ 85,768</u>	<u>\$ 2,645</u>	<u>\$ 68,646</u>	<u>\$ 2,106</u>
Total deferred income				
tax liabilities	(<u>\$ 156</u>)	(<u>\$ 5</u>)	<u>\$ -</u>	<u>\$ -</u>
Valuation allowance	(<u>\$ 16,720</u>)	(<u>\$ 516</u>)	(<u>\$ 7,796</u>)	(<u>\$ 239</u>)

B. As of December 31, 2007 and 2006, details of deferred income tax assets and liabilities were as follows:

Items	December 31,			
	2007		2006	
	(NT\$)			
	Amount	Income tax effect	Amount	Income tax effect
Current:				
Unrealized exchange (gain) loss	(\$ 622)	(\$ 156)	\$ 1,186	\$ 296
Unrealized profit on intercompany sales	653	163	653	163
Bad debts expense	147	37	11,252	2,813
Loss carryforward	-	-	12,820	3,205
Others	12,820	<u>3,205</u>	-	<u>-</u>
		<u>3,249</u>		<u>6,477</u>
Non current:				
Investment tax credits		82,363		62,196
Valuation allowance		(<u>16,720</u>)		(<u>7,796</u>)
		<u>65,643</u>		<u>54,373</u>
		<u>\$ 68,892</u>		<u>\$ 60,850</u>

	December 31,			
	2007		2006	
	(US\$: Unaudited - Note 2)			
Items	Amount	Income tax effect	Amount	Income tax effect
Current:				
Unrealized exchange				
(gain) loss	(\$ 19)	(\$ 5)	\$ 36	\$ 9
Unrealized profit on				
intercompany sales	20	5	20	5
Bad debts expense	5	1	345	86
Loss carryforward	-	-	393	99
Others	395	99	-	-
		<u>100</u>		<u>199</u>
Non current:				
Investment tax credits		2,540		1,908
Valuation allowance		(516)		(240)
		<u>2,024</u>		<u>1,668</u>
		<u>\$ 2,124</u>		<u>\$ 1,867</u>

C. As of December 31, 2007, the Company's income tax returns for the years through 2003 have been assessed and approved by the Tax Authority.

D. As of December 31, 2007, details of the unused portion of the Company's income tax credits were as follows:

Item	Total amount	Unused amount	Expiry year
Statute for	NT\$ 51,892	NT\$ 11,527	2008
Upgrading	(US\$ 1,600)	(US\$ 355)	
Industries			
"	NT\$ 56,066	NT\$ 5,790	2009
	(US\$ 1,729)	(US\$ 179)	
"	NT\$ 88,338	NT\$ 47,546	2010
	(US\$ 2,724)	(US\$ 1,466)	
"	NT\$ 71,823	NT\$ 17,500	2011
	(US\$ 2,215)	(US\$ 540)	
		<u>NT\$ 82,363</u>	
		(US\$ 2,540)	

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

<u>Approval date and no.</u>	<u>Completion date of investment plan</u>	<u>Tax-exempt Years</u>	<u>Tax-exempt income for 2007</u>
Tai-Tsai-Shuey No. 09404154230 on December 19, 2005	December 31, 2004	January 1, 2006 – December 31, 2010	NT\$ 689,627 (US\$ 21,265)

<u>Approval date and no.</u>	<u>Completion date of investment plan</u>	<u>Tax-exempt Years</u>	<u>Tax-exempt income for 2006</u>
Tai-Tsai-Shuey No. 09404154230 on Dec. 19, 2005	December 31, 2004	January 1, 2006 – December 31, 2010	NT\$ 588,307 (US\$ 18,049)

F. For the years ended December 31, 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\$6,937 (US\$214) and \$9,418 (US\$289), respectively. These amounts were recognized based on the resolution adopted at the Company stockholders' meeting to retain the 2006 and 2005 earnings.

G. The Company's the 2003 income tax was assessed by the Tax Authority in 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\$12,444) to NT\$293,450 (US\$9,049). 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\$1,124) to NT\$116 (US\$4). The Company also has to pay additional \$16,453 (US\$507) tax expense but disagreed with the assessment and has requested for a reexamination. The Company received the reexamination result in February 2008. The Tax Authority increased the Company's five-year tax holiday from NT\$293,450 (US\$9,049) to NT\$369,612 (US\$ 11,397) and tax-exempt amount from NT\$116 (US\$4) to NT\$ 33,157 (US\$1,022). Accordingly, the Company will have to pay

additional NT\$4,242 (US\$131) tax expense.

H. The Company's 2001 income tax was assessed by the Tax Authority in November 2006. The Tax Authority considered the royalty which the Company had paid for sales of media products as outsourced manufacturing cost and made up 30% of the total cost. Therefore it did not meet the criteria for industry upgrading. As a result, the Company is not eligible for tax-exempt income under Note 5 of "The note of tax exempt amount count formula", hence, the tax-exempt income of NT\$126,778 (US\$ 3,909) was cancelled. The Company also has to pay a NT\$10,195 (US\$ 314) tax expense. However, the Company disagrees with the Tax Authority's opinion and has requested for a reexamination in December 2006. The Company received the reexamination result in October 2007. The Tax Authority finally recognized the tax-exempt income amounting to NT\$126,778 (US\$3,909), which was previously cancelled and refunded the tax expense of NT\$10,575 (US\$ 326).

8) Accrued expenses

	December 31,			
	2007		2006	
	NT\$	US\$	NT\$	US\$
		(Unaudited)		(Unaudited)
		(Note 2)		(Note 2)
Royalty expense	\$ 600,877	\$ 18,528	\$407,672	\$ 12,507
Commission expense	55,824	1,721	27,869	855
Payroll	46,808	1,443	36,621	1,124
Professional service fees	12,849	396	16,473	505
Others	<u>44,247</u>	<u>1,366</u>	<u>42,875</u>	<u>1,315</u>
	<u>\$ 760,605</u>	<u>\$ 23,454</u>	<u>\$531,510</u>	<u>\$ 16,306</u>

9) 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. No pension cost was recognized under the defined benefit pension plan for the years ended December 31, 2007 and 2006 (US\$0). The fund balance with Bank of Taiwan was NT\$13,414 (US\$414) and \$12,815 (US\$393) as of December 31, 2007 and 2006, respectively. The fund balance is not included in the financial statements.
- B. The related actuarial assumptions to calculate the accrued pension cost, based on the measurement dates as of December 31, 2007 and 2006, were as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Discount rate	3.50%	3.50%
Rate of salary increase	3.00%	3.00%
Expected return on plan assets	2.50%	2.50%

C. Reconciliations of the plan funded status and the accrued pension cost were as follows:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Benefit obligation:	(NT\$)	
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	(16,959)	(14,226)
Accumulated benefit obligation	(16,959)	(14,226)
Additional benefits based on future salaries	(12,940)	(11,534)
Projected benefit obligation	(29,899)	(25,760)
Plan assets at fair value	<u>13,414</u>	<u>13,045</u>
Funded status	(16,485)	(12,715)
Unrecognized net obligation at transition	247	288
Unrecognized pension loss	<u>11,276</u>	<u>8,321</u>
Accrued pension liabilities	(\$ 4,962)	(\$ 4,106)
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
	(US\$: Unaudited - Note 2)	
Benefit obligation:		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	(523)	(436)
Accumulated benefit obligation	(523)	(436)
Additional benefits based on future salaries	(399)	(354)
Projected benefit obligation	(922)	(790)
Plan assets at fair value	<u>414</u>	<u>400</u>
Funded status	(508)	(390)
Unrecognized net obligation at transition	8	9
Unrecognized pension loss	<u>347</u>	<u>255</u>
Accrued pension liabilities	(\$ 153)	(\$ 126)
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

- E. Effective July 1, 2005, the Company established a funded defined contribution pension plan (the “New Plan”) under the Labor Pension 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 the defined contribution pension plan for the years ended December 31, 2007 and 2006 were NT\$16,317 (US\$503) and NT\$11,675 (US\$358), respectively.
- F. Foreign subsidiaries have their contribution pension plans in accordance with local regulations.
- G. CyberLink Investment and Tse-Lien have no employees and do not have retirement plans.

10) Capital stock

- A. In accordance with 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\$317) and employees’ stock bonus of NT\$28,545 (US\$880). The registration of this capital increase has been completed on September 29, 2007.
- B. As of December 31, 2007, the Company’s authorized capital was NT\$1,400,000 (US\$43,170), the issued and outstanding capital was NT\$1,071,495 (US\$33,040) (including the exercise of employee stock options of NT\$21,906 (US\$675) and the conversion of bonds payable to capital stock amounting to NT\$132,611 (US\$4,089).
- 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 years ended December 31, 2007 and 2006 are as follows:

	For the years ended December 31,			
	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\$ 1.55)	3,762	NT\$ 56.41 (US\$ 1.73)
Options granted	440	NT\$123.80 (US\$ 3.82)	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	120	NT\$ 54.50 (US\$ 1.68)	173	NT\$ 45.35 (US\$ 1.39)
Options exercised	(489)	NT\$ 36.52 (US\$ 1.13)	(900)	NT\$ 44.10 (US\$ 1.35)
Options revoked	-	-	(65)	NT\$ 44.76 (US\$ 1.37)
Ending balance	<u>3,041</u>	NT\$ 55.36 (US\$ 1.71)	<u>2,970</u>	NT\$ 50.40 (US\$ 1.55)
Options exercisable at end of the year	<u>2,181</u>		<u>1,862</u>	
Options authorized but not granted at end of the year	<u>-</u>		<u>2,800</u>	

b) As of December 31, 2007, the details of the employee stock option plan are as follows:

Range of exercise price (in dollars)	Outstanding stock options		Exercisable stock options		
	No. of shares (in thousands)	Weighted average remaining vesting years	Weighted average exercise price (in dollars)	No. of shares (in thousands)	Weighted average exercise price (in dollars)
NT\$33.10~36.10	288	1.53	NT\$ 33.69 (US\$1.04)	288	NT\$ 33.69 (US\$1.04)
NT\$38.30	1,689	2.50	NT\$ 38.30 (US\$1.18)	1,689	NT\$ 38.30 (US\$1.18)
NT\$51.30~81.50	608	3.67	NT\$61.64 (US\$1.90)	204	NT\$ 66.71 (US\$2.06)
NT\$123.80	456	5.92	NT\$123.80 (US\$3.82)	-	-

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:

	For the year ended December 31, 2007	
	Financial statement information	Pro forma information
Net income	NT\$ 1,072,183 (US\$ 33,061)	NT\$ 1,059,608 (US\$ 32,674)
Basic earnings per share (in dollars)	NT\$ 10.03	NT\$ 9.91
Diluted earnings per share (in dollars)	NT\$ 9.88	NT\$ 9.76

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:

	<u>Date granted</u>		
	<u>September 7, 2004</u>	<u>August 9, 2005</u>	<u>January 30, 2007</u>
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%	1.98%
Expected vesting years	7 years	7 years	4.875 years
Options issued during the year	0 units	0 units	440,000 units
Average fair value (in NT\$dollars)	\$ 59.76	\$ 45.07	\$ 52.008

11) Capital reserve

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

12) 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 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 to directors and supervisors.
 - b) Employees' stock bonus shall not be lower than 8%.
 - c) Remuneration to directors and supervisors shall not be 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 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 stockholders, including foreign stockholders, against the withholding tax on dividends. In addition, the domestic stockholders 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 2007 was 4.46%. As of December 31, 2007, the imputation tax credit account balance was NT\$25,559 (US\$788). The estimated creditable tax ratio of distributed earnings in 2008 is 4.61%. As of December 31, 2007, the Company's undistributed earnings derived before and after the adoption of the imputation tax system were NT\$9,932 (US\$306) and NT\$1,631,939 (US\$50,322), respectively.
- C. In accordance with Article 41 of the ROC Securities and Exchange Act, in addition to the amount appropriated for legal reserve, the Company should set aside a special reserve from retained earnings for any reduction of the stockholders' equity as of the end of the current year.
- D. In 2007 and 2006, the Company's board of directors approved to appropriate cash dividends of NT\$6.4824 in 2007 and NT\$4.9917 in 2006, and stock dividends of NT\$0.0997 in 2007 and NT\$0.1997 in 2006 per share.

E. As of February 15, 2008, the board of directors had not approved the earnings distribution proposed by the management. The information regarding the board of directors' approval of earnings distribution will be posted to the Market Observation Post System of Taiwan Stock Exchange Corporation website when it is available. The amount of the retained earnings distributed in 2006 for employee bonuses and directors' and supervisors' remunerations are as follows:

	<u>Amount of actual earnings distribution approved by the board of directors and stockholders</u>
a) Appropriation of 2006 earnings	
Employees' stock bonus	
Number of shares (in thousands)	2,855
Amount	NT\$ 28,545 (US\$ 880)
Percentage of outstanding shares at December 31, 2006	2.67%
Employees' cash bonus	NT\$ 48,605 (US\$ 1,499)
Directors' and supervisors' remuneration	NT\$ 15,430 (US\$ 476)
b) Earnings per share (in dollars)	
Original earnings per common share	NT\$ 8.81
(Note a)	(US\$ 0.27)
Adjusted earnings per common share	NT\$ 8.19
(Note b)	(US\$ 0.25)

Note a: The amount is not adjusted for retained earnings capitalized in 2007.

Note b: Adjusted earnings per share=(Net income-Employees' bonus-Remunerations to directors and supervisors)/Weighted average outstanding common shares.

13) Earnings per common share

	For the year ended December 31, 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					
Basic earnings per share	NT\$1,236,596 (US\$38,131)	NT\$1,072,183 (US\$33,061)	106,882	<u>NT\$ 11.57</u> (US\$0.36)	<u>NT\$ 10.03</u> (US\$0.31)
Effect of dilutive common stock equivalent: Employees stock options	-	-	1,654		
Diluted earnings per share	<u>NT\$1,236,596</u> (US\$38,131)	<u>NT\$1,072,183</u> (US\$33,061)	<u>108,536</u>	<u>NT\$ 11.39</u> (US\$0.35)	<u>NT\$ 9.88</u> (US\$0.30)

	For the year ended December 31, 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	NT\$1,047,436 (US\$ 32,136)	NT\$ 901,536 (US\$ 27,659)	106,179	<u>NT\$ 9.86</u> (US\$0.30)	<u>NT\$ 8.49</u> (US\$0.26)
Basic earnings per share					
Effect of dilutive common stock equivalent: Employees stock options	-	-	1,611		
Diluted earnings per share	<u>NT\$1,047,436</u> (US\$ 32,136)	<u>NT\$ 901,536</u> (US\$ 27,659)	<u>107,790</u>	<u>NT\$ 9.72</u> (US\$0.30)	<u>NT\$ 8.36</u> (US\$0.26)

The above weighted-average outstanding common shares have been adjusted retroactively in proportion to retained earnings and employees' bonus capitalized during the year ended December 31, 2007.

14) Personnel, depreciation and amortization expenses

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

	For the year ended December 31, 2007					
	Operating costs		Operating expenses		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
		(Unaudited) (Note 2)		(Unaudited) (Note 2)		(Unaudited) (Note 2)
Personnel expenses						
Salaries	\$ -	\$ -	\$437,108	\$ 13,479	\$437,108	\$ 13,479
Insurance	-	-	36,321	1,120	36,321	1,120
Pension	-	-	17,173	530	17,173	530
Others	-	-	11,576	357	11,576	537
Depreciation	-	-	15,568	480	15,568	480
Amortization	-	-	31,369	967	31,369	967

	For the year ended December 31, 2006					
	Operating costs		Operating expenses		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
		(Unaudited) (Note 2)		(Unaudited) (Note 2)		(Unaudited) (Note 2)
Personnel expenses						
Salaries	\$ -	\$ -	\$346,423	\$10,628	\$346,423	\$10,628
Insurance	-	-	29,017	890	29,017	890
Pension	-	-	12,374	380	12,374	380
Others	-	-	8,632	265	8,632	265
Depreciation	-	-	13,156	404	13,156	404
Amortization	-	-	26,535	814	26,535	814

5. RELATED PARTY TRANSACTIONS

None.

6. DETAILS OF PLEDGED ASSETS

None.

7. COMMITMENTS AND CONTINGENT LIABILITIES

CyberLink-USA and CyberLink-Japan leases certain office space, and as of December 31, 2007, the total future minimum lease payments under the operating lease agreements amounted to NT\$4,388 (US\$135) and NT\$3,550 (US\$109), respectively. In 2007, CyberLink-USA and CyberLink-Japan paid NT\$3,826 (US\$118) and NT\$2,461 (US\$76), respectively, as lease expense.

8. SIGNIFICANT LOSS OR DAMAGE

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

None.

10. OTHERS

1) Financial statement presentation

Certain accounts in the 2006 financial statements were reclassified to conform with the 2007 financial statement presentation.

2) The fair values of the financial instruments

	<u>December 31, 2007 (NT\$)</u>			<u>December 31, 2006 (NT\$)</u>		
	<u>Book value</u>	<u>Fair value</u>		<u>Book value</u>	<u>Fair value</u>	
		<u>Quotations in an active market</u>	<u>Estimated using a valuation</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	\$ 1,554,402	\$ -	\$ 1,554,402	\$ 1,280,409	\$ -	\$ 1,280,409
Financial assets at fair value through profit or loss	3,420,599	3,420,599	-	3,059,427	3,059,427	-
Liabilities						
Financial liabilities with fair values equal to book values	924,302	-	924,302	597,080	-	597,080

	December 31, 2007 (US\$)			December 31, 2006 (US\$)		
	(Unaudited – Note 2)			(Unaudited – Note 2)		
	Book value	Fair value		Book value	Fair value	
		Quotations in an active market	Estimated using a valuation		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	\$ 47,931	\$ -	\$ 47,931	\$ 39,283	\$ -	\$ 39,283
Financial assets at fair value through profit or loss	105,476	105,476	-	93,862	93,862	-
Liabilities						
Financial liabilities with fair values equal to book values	28,502	-	28,502	18,319	-	18,319

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

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.

- 3) For the year ended December 31, 2007, total interest income on financial assets that are not at fair value through profit or loss amounted to NT\$249,179 (US\$7,684).
- 4) For the years ended December 31, 2007 and 2006, total interest income on financial assets that are not at fair value through profit or loss amount to NT\$27,957 (US\$862) and NT\$28,216 (US\$866).

5) Procedure of financial risk control and hedge

The main financial risk is 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 in attaining the best strategy.

6) Information of financial risk

A. Cash and cash equivalents

a) Market risk

Cash and cash equivalents 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, 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. 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 counterparties or third parties to the receivables are reputable international business institutions. Management believes its exposure to default by these parties is low.

c) Liquidity risk

Accounts receivable 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 its cash requirements. Therefore, the liquidity risk is low.

d) Cash flow risk

Accounts receivable 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.

D. Accounts and notes payable

a) Market risk

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

d) Cash flow risk

Accounts and notes payable 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.

		For the years ended December 31,			
		2007		2006	
		Amount		Amount	
Transactions	Subsidiaries	NT\$	US\$	NT\$	US\$
		(Unaudited)		(Unaudited)	
		(Note 2)		(Note 2)	
A) Elimination of long-term investments and stockholders' equity	CyberLink-USA	\$ 209,196	\$ 6,451	\$ 171,175	\$ 5,252
	CyberLink-B.V.	31,320	966	-	-
	CyberLink-B.V.I	118,053	3,640	114,197	3,504
	CyberLink-Investment	210,063	6,477	21,033	645
	CyberLink-B.V.I to CyberLink - Japan	23,300	718	5,068	155
	CyberLink-Investment to Tse-Lien	890	27	984	29
	Cyberlink Investment to Wasay	71,917	2,218	-	-
B) Elimination of balance sheet accounts					
Accounts receivable	CyberLink-USA	98,863	3,049	83,318	2,556
	CyberLink-B.V.	74,025	2,283	39,311	1,206
	CyberLink-Japan	46,310	1,428	37,090	1,138
Other receivables	CyberLink-USA	4,506	139	4,028	124
	CyberLink-B.V.	5,584	172	39,261	1,205
	CyberLink-Japan	3,482	107	716	22
Other liabilities	CyberLink-B.V.	-	-	27,117	832

		For the years ended December 31,			
		2007		2006	
		Amount		Amount	
Transactions	Subsidiaries	NT\$	US\$	NT\$	US\$
		(Unaudited)		(Unaudited)	
		(Note 2)		(Note 2)	
C) Elimination of					
income statement					
accounts					
Sales	CyberLink-USA	\$ 342,838	10,572	\$ 309,960	\$ 9,509
	CyberLink-B.V.	294,453	9,080	190,142	5,833
	CyberLink-Japan	109,637	3,381	79,660	2,444
Other income	CyberLink-USA	19,612	605	11,805	362
	CyberLink-B.V.	21,913	676	21,011	645
	CyberLink-Japan	5,484	169	1,909	59
Commission expense	CyberLink-B.V.	3,268	101	3,337	102
	CyberLink-Japan	47	1	78	2
Realized profit on	CyberLink-USA	-	-	101	3
intercompany	CyberLink-B.V.	-	-	660	20
transactions	CyberLink-Japan	-	-	26	1
Unrealized profit on	CyberLink-USA	-	-	85	3
intercompany	CyberLink-B.V.	-	-	552	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 December 31, 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 value
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Long-term equity investments accounted for under the equity method	4,000,000	\$ 209,196	100.00	\$ 209,196
"	CyberLink Europe B.V.	"	"	1,500,000	31,320	100.00	31,320
"	CyberLink International Technology Corp.	"	"	2,000,000	118,053	100.00	118,053
"	CyberLink Investment Corp.	"	"	12,000,000	210,063	100.00	210,063
"	PCA Well Pool Fund	None	Financial assets at fair value through profit or loss-current	38,427,934	488,988	-	488,988
"	Fuh-Hwa Bond Fund	"	"	33,757,983	457,309	-	457,309
"	Dresdner Bond DAM Fund	"	"	24,863,561	292,738	-	292,738
"	HSBC Taiwan Money Management Bond Fund	"	"	7,855,380	118,479	-	118,479
"	HSBC Money Management II Fund	"	"	4,128,170	58,929	-	58,929
"	HSBC Dragon Fund	"	"	17,568,528	275,137	-	275,137
"	UPAMC James Bond Fund	"	"	25,303,186	396,567	-	396,567
"	CHB-PCA Well Pool Fund	"	"	15,820,031	201,307	-	201,307
"	Polaris Di-Bo Fund	"	"	40,818,935	459,801	-	489,207
"	Mega Diamond Bond Fund	"	"	41,596,067	486,370	-	486,370
CyberLink Investment Corp.	ING Taiwan Bond Fund (Original name: ABN Amro Bond Fund)	"	"	11,560,562	176,963	-	176,963
"	Tse-Lien Technology Corp.	A subsidiary of CyberLink Investment Corp.	Long-term equity investments accounted for under the equity method	100,000	890	100.00	890
"	Wasay Software Technology Inc.	"	"	1,000,000	71,917	100.00	71,917
Wasay Software Technology Inc.	PCA Well Pool Fund	None	Financial assets at fair value though profit or loss- current	629,561	8,011	-	8,011
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\$711,962	100.00	US\$ 711,962

(US\$ Unaudited – 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	\$ 6,451	100.00	\$ 6,451
"	CyberLink Europe B.V.	"	"	1,500,000	966	100.00	966
"	CyberLink International Technology Corp.	"	"	2,000,000	3,640	100.00	3,640
"	CyberLink Investment Corp.	"	"	12,000,000	6,477	100.00	6,477
"	PCA Well Pool Fund	None	Financial assets at fair value through profit or loss-current	38,427,934	15,078	-	15,078
"	Fuh-Hwa Bond Fund	"	"	33,757,983	14,101	-	14,101
"	Dresdner Bond DAM Fund	"	"	24,863,561	9,027	-	9,027
"	HSBC Taiwan Money Management Bond Fund	"	"	7,855,380	3,653	-	3,653
"	HSBC Money Management II Fund	"	"	4,128,170	1,817	-	1,817
"	HSBC Dragon Fund	"	"	17,568,528	8,484	-	8,484
"	UPAMC James Bond Fund	"	"	25,303,186	12,228	-	12,228
"	CHB-PCA Well Pool Fund	"	"	15,820,031	6,208	-	6,208
"	Polaris Di-Bo Fund	"	"	40,818,935	14,178	-	14,178
"	Mega Diamond Bond Fund	"	"	41,596,067	14,998	-	14,998
CyberLink Investment Corp.	ING Taiwan Bond Fund (Original name: ABN Amro Bond Fund)	"	"	11,560,562	5,457	-	5,457
"	Tse-Lien Techonology Corp.	A subsidiary of CyberLink Investment Corp.	Long-term equity investments accounted for under the equity method	100,000	27	100.00	27
"	Wasay Software Technology Inc.	"	"	1,000,000	2,218	100.00	2,218
Wasay Software Technology Inc.	PCA Well Pool Fund	None	Financial assets at fair value though profit or loss- current	629,561	247	-	247
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	712	100.00	712

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

January 1, 2007 – December 31, 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.	JF (Taiwan) First Bond Fund	Financial assets at fair value through profit or loss-current	-	-	8,919	\$ 125,342	-	\$ -	8,919	\$ 126,526	\$ 125,342	\$ 1,184	-	\$ -
"	JF (Taiwan) Bond Fund	"	-	-	24,835	378,922	-	-	24,835	382,568	378,922	3,646	-	-
"	Dresdner Bond DAM Fund	"	-	-	28,669	332,198	37,616	439,900	41,421	484,399	479,360	5,039	24,864	292,738
"	Fuh-Hwa Bond Fund	"	-	-	22,347	297,898	83,275	1,122,872	71,864	967,891	963,461	4,430	33,758	457,309
"	ING Taiwan Select Bond Fund (Original name: ABN Amro Select Bond Fund)	"	-	-	18,644	211,306	5,886	67,000	24,530	279,323	278,306	1,017	-	-
"	ING Taiwan Bond Fund (Original name: ABN Amro Bond Fund)	"	-	-	23,903	360,204	-	-	23,903	362,608	360,204	2,404	-	-
"	UPAMC James Bond Fund	"	-	-	1,687	26,029	37,431	582,000	13,815	214,665	211,462	3,203	25,303	396,567
"	NITC Bond Fund	"	-	-	1,641	270,086	152	25,000	1,793	297,037	295,086	1,951	-	-
"	PCA Well Pool Fund	"	-	-	14,465	181,080	51,087	645,000	27,124	342,390	337,092	5,298	38,428	488,988
"	AIG Taiwan Bond Fund	"	-	-	17,244	219,873	16,008	205,000	33,252	426,071	424,873	1,198	-	-
"	CHB-Prudential Financial Bond Fund	"	-	-	12,482	182,424	-	-	12,482	184,187	182,424	1,763	-	-
"	CHB-PCA Well Pool Fund	"	-	-	-	-	15,820	201,307	-	-	-	-	15,820	201,307
"	Mega Diamond Bond Fund	"	-	-	-	-	41,596	486,370	-	-	-	-	41,596	486,370
"	Polaris Di-Bo Fund	"	-	-	-	-	40,819	459,801	-	-	-	-	40,819	459,801
CyberLink Investment Corp.	ING Taiwan Bond Fund (Original name: ABN Amro Bond Fund)	"	-	-	1,304	19,652	13,231	200,738	2,975	45,000	43,427	1,573	11,560	176,963

Note: including valuation amount.

(US\$ Unaudited – 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	Number of shares (thousand units)	Sales price	Book value	Gain (loss) from disposal	Number of shares (thousand units)	Amount
CyberLink Corp.	JF (Taiwan) First Bond Fund	Financial assets at fair value through profit or loss-current	-	-	8,919	\$ 3,845	-	\$ -	8,919	\$ 3,902	\$ 3,845	\$ 57	-	\$ -
"	JF (Taiwan) Bond Fund	"	-	-	24,835	11,626	-	-	24,835	11,797	11,626	171	-	-
"	Dresdner Bond DAM Fund	"	-	-	28,669	10,192	37,616	13,565	41,421	14,937	14,730	207	24,864	9,027
"	Fuh-Hwa Bond Fund	"	-	-	22,347	9,139	83,275	34,624	71,864	29,846	29,662	184	33,758	14,101
"	ING Taiwan Select Bond Fund (Original name: ABN Amro Select Bond Fund)	"	-	-	18,644	6,483	5,886	2,066	24,530	8,613	8,549	64	-	-
"	ING Taiwan Bond Fund (Original name: ABN Amro Bond Fund)	"	-	-	23,903	11,051	-	-	23,903	11,181	11,051	130	-	-
"	UPAMC James Bond Fund	"	-	-	1,687	799	37,431	17,946	13,815	6,619	6,517	102	25,303	12,228
"	NITC Bond Fund	"	-	-	1,641	8,286	152	771	1,793	9,159	9,057	102	-	-
"	PCA Well Pool Fund	"	-	-	14,465	5,555	51,087	19,889	27,124	10,558	10,366	192	38,428	15,078
"	AIG Taiwan Bond Fund	"	-	-	17,244	6,746	16,008	6,321	33,252	13,138	13,067	71	-	-
"	CHB-Prudential Financial Bond Fund	"	-	-	12,482	5,597	-	-	12,482	5,680	5,597	3	-	-
"	CHB-PCA Well Pool Fund	"	-	-	-	-	15,820	6,208	-	-	-	-	15,820	6,208
"	Mega Diamond Bond Fund	"	-	-	-	-	41,596	14,998	-	-	-	-	41,596	14,998
"	Polaris Di-Bo Fund	"	-	-	-	-	40,819	14,178	-	-	-	-	40,819	14,178
CyberLink Investment Corp.	ING Taiwan Bond Fund (Original name: ABN Amro Bond Fund)	"	-	-	1,304	603	13,231	6,190	2,975	1,388	1,336	52	11,560	5,457

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 – December 31, 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	
			Sales	Amount	% of total Sales	Credit terms (Note)	Unit price	Credit terms	Balance	% of total accounts or notes receivable
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Sales	NT\$ 342,838 (US\$ 10,572)	15	Note	The same as those with third parties	Note	NT\$ 98,863 (US\$ 3,049)	31
"	CyberLink Europe B.V.	"	"	NT\$ 294,453 (US\$ 9,080)	13	Note	"	"	NT\$ 74,025 (US\$ 2,286)	23
"	CyberLink Inc.	A subsidiary of CyberLink International Technology Corp.	"	NT\$109,637 (US\$ 3,381)	5	Note	"	"	NT\$ 46,310 (US\$ 1,428)	15

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

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

I. Information as to transaction of derivatives: None.

2) Relevant information regarding investee companies as of December 31, 2007:

(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)	Relationship with the Company
				December 31, 2007	December 31, 2006	Shares	Percentage (%)	Book value			
CyberLink Corp.	CyberLink.Com Corp.	America	Sales of software	\$ 136,327	\$136,327	4,000,000	100.00	\$ 209,196	\$ 39,391	\$ 39,391	A subsidiary of the Company
"	CyberLink Europe B.V.	Europe	"	64,770	11,874	1,500,000	100.00	31,320	3,885	3,885	"
"	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	64,821	64,821	2,000,000	100.00	118,053	2,873	2,873	"
"	CyberLink Investment Corp.	Taipei	"	220,000	20,000	12,000,000	100.00	210,063	(10,970)	(10,970)	"
CyberLink Investment Corp.	Tse-Lien Technology Corp.	Taipei	Sales of software	1,000	1,000	100,000	100.00	890	(94)	(94)	A subsidiary of CyberLink Investment Corp.
"	Wasay Software Technology Inc.	Taipei	"	84,875	-	1,000,000	100.00	71,917	3,471	(12,958)	"
"									(Note)		
CyberLink International Technology Corp.	CyberLink Inc.	Japan	"	US\$847,919	US\$478,469	1,900	100.00	US\$ 711,962	US\$ 137,777	US\$ 137,777	A subsidiary of CyberLink International Technology Corp.

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

(US\$ Unaudited – Note 2)

Name of the company	Name of the investee companies	Address	Major operating activities	Original investment amount		Holding status			Net income (loss) of investee company	Recognized investment income (loss)	Relationship with the Company
				December 31, 2007	December 31, 2006	Shares	Percentage (%)	Book value			
CyberLink Corp.	CyberLink.Com Corp.	America	Sales of software	\$ 4,204	\$ 4,182	4,000,000	100.00	\$ 6,451	\$ 1,215	\$ 1,215	A subsidiary of the Company
"	CyberLink Europe B.V.	Europe	"	1,997	364	1,500,000	100.00	966	120	120	"
"	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	1,999	1,989	2,000,000	100.00	3,640	89	89	"
"	CyberLink Investment Corp.	Taipei	"	6,784	609	12,000,000	100.00	6,477	(338)	(338)	"
CyberLink Investment Corp.	Tse-Lien Technology Corp.	Taipei	Sales of software	31	31	100,000	100.00	27	(3)	(3)	A subsidiary of CyberLink Investment Corp.
"	Wasay Software Technology Inc.	Taipei	"	2,617	-	1,000,000	100.00	2,218	107	(400) (Note)	"
CyberLink International Technology Corp.	CyberLink Inc.	Japan	"	848	478	1,900	100.00	712	138	138	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 ~ December 31, 2007

Number of the Company (Note 1)	Company	Name 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	\$ 342,838	\$ 10,572	Sales to Subsidiary are at normal selling price and are collected 90 days after the delivery of goods.	9
			"	Accounts receivable	98,863	3,049		2
"	"	CyberLink Europe B.V.	"	Sales revenue	294,453	9,080		8
			"	Accounts receivable	74,025	2,283		1
"	"	CyberLink Inc.	"	Sales revenue	109,637	3,381		3
			"	Accounts receivable	46,310	1,428		1

January 1, 2006 ~ December 31, 2006

Number of the Company (Note 1)	Company	Name 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	\$ 309,960	\$ 9,509	Sales to Subsidiary are at normal selling price and are collected 90 days after the delivery of goods.	10
			"	Accounts receivable	83,318	2,556		2
"	"	CyberLink Europe B.V.	"	Sales revenue	190,142	5,833		6
			"	Accounts receivable	39,311	1,206		1
"	"	CyberLink Inc.	"	Sales revenue	79,660	2,444		3
			"	Accounts receivable	37,090	1,138		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 were numbered from 1.

Note 2 : Relationships between the counterparties :

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

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

12. SEGMENTAL REPORTING

Financial information by business segments: The Company is engaged only in software design.

Financial information by geographic area: The financial information of the Company and its consolidated subsidiaries by geographic area in 2007 and 2006 are as follows:

	2007											
	Taiwan		America		Asia		Europe		Elimination		Consolidated	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Sales to unaffiliated customers	\$ 1,558,017	\$ 48,043	\$1,557,061	\$ 48,013	\$ 229,214	\$ 7,068	\$ 372,206	\$ 11,477	\$ -	\$ -	\$ 3,716,498	\$ 114,601
Sales to the Company and its consolidated subsidiaries	747,845	23,060	-	-	47	1	-	-	(747,892)	(23,061)	-	-
Total sales	<u>\$ 2,305,862</u>	<u>\$ 71,103</u>	<u>\$1,557,061</u>	<u>\$ 48,013</u>	<u>\$ 229,261</u>	<u>\$ 7,069</u>	<u>\$ 372,206</u>	<u>\$ 11,477</u>	<u>(\$ 747,892)</u>	<u>(\$ 23,061)</u>	<u>\$ 3,716,498</u>	<u>\$ 114,601</u>
Operating income	<u>\$ 237,061</u>	<u>\$ 7,310</u>	<u>\$ 427,374</u>	<u>\$ 13,179</u>	<u>\$ 121,223</u>	<u>\$ 3,738</u>	<u>\$ 349,766</u>	<u>\$ 10,785</u>			\$ 1,135,424	\$ 35,012
Investment income under the equity method											-	-
Other non-operating income, net											101,172	3,119
Income before income tax											<u>\$ 1,236,596</u>	<u>\$ 38,131</u>
Identifiable assets	<u>\$ 4,579,501</u>	<u>\$ 141,212</u>	<u>\$ 648,801</u>	<u>\$ 20,006</u>	<u>\$ 106,650</u>	<u>\$ 3,289</u>	<u>\$ 116,748</u>	<u>\$ 3,600</u>			\$ 5,451,700	\$ 168,107
Long-term investments under the equity method											-	-
Total assets											<u>\$ 5,451,700</u>	<u>\$ 168,107</u>
	2006											
	Taiwan		America		Asia		Europe		Elimination		Consolidated	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Sales to unaffiliated customers	\$ 1,371,118	\$ 42,065	\$1,336,789	\$ 41,012	\$ 159,558	\$ 4,895	\$ 222,979	\$ 6,841	\$ -	\$ -	\$ 3,090,444	\$ 94,813
Sales to the Company and its consolidated subsidiaries	579,762	17,787	-	-	79	2	3,337	102	(583,178)	(17,891)	-	-
Total sales	<u>\$ 1,950,880</u>	<u>\$ 59,852</u>	<u>\$1,336,789</u>	<u>\$ 41,012</u>	<u>\$ 159,637</u>	<u>\$ 4,897</u>	<u>\$ 226,316</u>	<u>\$ 6,943</u>	<u>(\$ 583,178)</u>	<u>(\$ 17,891)</u>	<u>\$ 3,090,444</u>	<u>\$ 94,813</u>
Operating income	<u>\$ 258,070</u>	<u>\$ 7,917</u>	<u>\$ 392,761</u>	<u>\$ 12,050</u>	<u>\$ 66,135</u>	<u>\$ 2,029</u>	<u>\$ 195,311</u>	<u>\$ 5,992</u>			\$ 912,277	\$ 27,988
Investment income under the equity method											-	-
Other non-operating income, net											135,159	4,148
Income before income tax											<u>\$ 1,047,436</u>	<u>\$ 32,136</u>
Identifiable assets	<u>\$ 4,301,943</u>	<u>\$ 131,982</u>	<u>\$ 382,586</u>	<u>\$ 11,738</u>	<u>\$ 20,177</u>	<u>\$ 619</u>	<u>\$ 56,937</u>	<u>\$ 1,747</u>			\$ 4,761,643	\$ 146,086
Long-term investments under the equity method											-	-
Total assets											<u>\$ 4,761,643</u>	<u>\$ 146,086</u>

- 3) Information about the Company's export sales: For the years ended December 31, 2007 and 2006, the Company's export sales were NT\$2,964,962 (US\$91,427) and NT\$2,523,172 (US\$77,410), respectively. The information on export sales are as follows:

	<u>2007</u>		<u>2006</u>	
	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
America	\$ 1,571,637	\$ 48,462	\$1,363,298	\$ 41,825
Asia	849,173	26,185	634,012	19,451
Europe	329,099	10,148	360,422	11,058
Others	<u>215,053</u>	<u>6,632</u>	<u>165,440</u>	<u>5,076</u>
	<u>\$ 2,964,962</u>	<u>\$ 91,427</u>	<u>\$2,523,172</u>	<u>\$ 77,410</u>

- 4) Information regarding important customers: Sales to customers constituting more than 10% of the Company's total sales were as follows:

<u>Customer</u>	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Customer A	NT\$ 967,452 (US\$ 29,832)	26%	NT\$ 882,390 (US\$ 27,071)	29%
Customer B	NT\$ 507,732 (US\$ 15,656)	14%	NT\$ 257,133 (US\$ 7,889)	8%
Customer C	NT\$ 475,013 (US\$ 14,647)	<u>13%</u>	NT\$ 316,611 (US\$ 9,713)	<u>10%</u>
	<u>NT\$1,950,197</u> (US\$ 60,135)	<u>53%</u>	<u>NT\$1,456,134</u> (US\$ 44,674)	<u>47%</u>