

CYBERLINK CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2008 AND 2007

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

Report of Independent Accountants

PWCR08000112

To the Board of Directors and Stockholders of CyberLink Corp.

We have reviewed the accompanying consolidated balance sheets of CyberLink Corp. and its subsidiaries as of June 30, 2008 and 2007, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the six-months period 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.

As disclosed in Note 3, effective January 1, 2008, Cyberlink Corp. and its subsidiaries adopted EITF 96-052 of the Accounting Research and Development Foundation, R.O.C. "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration". The costs are accounted for as expenses and liabilities.

The consolidated financial statements of the Company and its subsidiaries as of and for the six-months period ended June 30, 2008 and 2007 expressed in United States dollars were translated from the New Taiwan dollars financial statements using the exchange rates of NT\$30.34:US\$1 and NT\$32.86: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 7, 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
JUNE 30,
(EXPRESSED IN THOUSANDS OF DOLLARS)
(UNAUDITED)

	2008			2007				
	Amount		%	Amount		%		
	NT\$	US\$ (Unreviewed-Note 2)		NT\$	US\$ (Unreviewed-Note 2)			
ASSETS								
Current Assets								
Cash and cash equivalents (Note 4(1))	\$ 1,487,974	\$ 49,043	24	\$ 2,987,824	\$ 90,926	56		
Financial assets at fair value through profit or loss - current (Note 4(2))	3,449,057	113,680	55	1,404,320	42,737	27		
Notes receivable, net (Note 4(3))	11,543	380	-	3,823	116	-		
Accounts receivable, net (Note 4(3))	249,603	8,227	4	369,159	11,234	7		
Other receivables	21,989	725	-	40,746	1,240	1		
Other financial assets – current (Note 6)	1,900	63	-					
Inventories	7,547	249	-	5,138	156	-		
Deferred income tax assets - current (Note 4(6))	3,237	107	-	7,373	224	-		
Other current assets - others	16,720	551	-	10,323	314	-		
	<u>5,249,570</u>	<u>173,025</u>	<u>83</u>	<u>4,828,706</u>	<u>146,947</u>	<u>91</u>		
Funds and Investments								
Other financial assets - non current (Notes 6 and 7)	10,000	330	-	-	-	-		
	<u>10,000</u>	<u>330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Property, Plant and Equipment (Note 4(4))								
Cost	372,104	12,264	6	361,875	11,013	7		
Less: accumulated depreciation	(63,852)	(2,104)	(1)	(51,391)	(1,564)	(1)		
Construction in progress and prepayments for equipment	<u>564,818</u>	<u>18,616</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>		
	<u>873,070</u>	<u>28,776</u>	<u>14</u>	<u>310,484</u>	<u>9,449</u>	<u>6</u>		
Intangible Assets (Note 4(5))								
Brand	1,105	36	-	1,839	56	-		
Copyright	44,871	1,479	1	74,661	2,272	1		
Other intangible assets	14,769	487	-	25,193	767	1		
	<u>60,745</u>	<u>2,002</u>	<u>1</u>	<u>101,693</u>	<u>3,095</u>	<u>2</u>		
Other Assets								
Refundable deposits	9,094	300	-	2,645	81	-		
Deferred charges	312	10	-	527	16	-		
Deferred income tax assets-non current (Note 4(6))	121,821	4,015	2	69,673	2,120	1		
	<u>131,227</u>	<u>4,325</u>	<u>2</u>	<u>72,845</u>	<u>2,217</u>	<u>1</u>		
TOTAL ASSETS	\$ 6,324,612	\$ 208,458	100	\$ 5,313,728	\$ 161,708	100		

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

	2008			2007			
	Amount		%	Amount		%	
	NT\$	US\$		(Unreviewed-Note 2)	NT\$	US\$	
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current Liabilities							
Notes payable	\$ -	\$ -	-	\$ 120	\$ 3	-	
Accounts payable	7,233	238	-	6,233	190	-	
Income tax payable (Note 4(6))	45,408	1,497	1	37,880	1,153	1	
Accrued expenses (Note 4(7))	870,824	28,702	14	533,097	16,223	10	
Other payables (Note 4(8))	1,270,484	41,875	20	794,370	24,174	15	
Other current liabilities	14,572	480	-	10,246	312	-	
	<u>2,208,521</u>	<u>72,792</u>	<u>35</u>	<u>1,381,946</u>	<u>42,055</u>	<u>26</u>	
Other Liabilities							
Accrued pension liabilities (Note 4(9))	4,962	164	-	4,106	125	-	
Deposits - in	352	12	-	351	11	-	
	<u>5,314</u>	<u>176</u>	<u>-</u>	<u>4,457</u>	<u>136</u>	<u>-</u>	
Total Liabilities	<u>2,213,835</u>	<u>72,968</u>	<u>35</u>	<u>1,386,403</u>	<u>42,191</u>	<u>26</u>	
Stockholders' Equity							
Capital stock (Notes 4(10) and (13))							
Common stock	1,074,744	35,423	17	1,029,354	31,325	19	
Stock dividend distributable	47,621	1,570	1	38,832	1,182	1	
Capital reserve (Note 4(11))							
Paid-in capital in excess of par value	503,213	16,585	8	503,213	15,314	10	
Paid-in capital in excess of par, convertible bonds	867,363	28,588	14	867,363	26,396	16	
Employee stock option	97,619	3,218	1	78,301	2,383	1	
Retained earnings (Note 4(12))							
Legal reserve	454,770	14,989	7	347,552	10,577	7	
Special reserve	7,097	234	-	7,097	216	-	
Unappropriated earnings	1,084,012	35,729	17	1,060,454	32,272	20	
Other adjustments							
Cumulative translation adjustment	(25,662)	(846)	-	(4,841)	(148)	-	
Total Stockholders' Equity	<u>4,110,777</u>	<u>135,490</u>	<u>65</u>	<u>3,927,325</u>	<u>119,517</u>	<u>74</u>	
Commitments and Contingent Liabilities (Notes 4(4) and 7)							
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 6,324,612</u>	<u>\$ 208,458</u>	<u>100</u>	<u>\$ 5,313,728</u>	<u>\$ 161,708</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-MONTHS PERIOD ENDED JUNE 30,
 (EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)
 (UNAUDITED)

	2008			2007		
	Amount			Amount		
	NT\$	US\$ (Unreviewed - Note 2)	%	NT\$	US\$ (Unreviewed - Note 2)	%
Operating revenues						
Sales revenue	\$ 2,104,842	\$ 69,375	100	\$ 1,732,389	\$ 52,720	102
Less: Sales returns	(7,294)	(240)	-	(29,488)	(897)	(2)
Sales allowances	(1,090)	(36)	-	(1,410)	(43)	-
Net sales	2,096,458	69,099	100	1,701,491	51,780	100
Gain from sales of portfolio securities (Note 1)	647	21	-	103	3	-
	2,097,105	69,120	100	1,701,594	51,783	100
Operating costs						
Cost of sales	(11,322)	(373)	(1)	(11,334)	(345)	-
Gross profit	2,085,783	68,747	99	1,690,260	51,438	100
Operating expenses (Notes 4(9), (12) and (15))						
Selling	(1,176,990)	(38,793)	(56)	(928,314)	(28,351)	(55)
General	(111,361)	(3,671)	(5)	(68,850)	(2,095)	(4)
Research and development	(293,327)	(9,668)	(14)	(171,316)	(5,214)	(10)
Operating expenses	(1,581,678)	(52,132)	(75)	(1,168,480)	(35,560)	(69)
Operating income	504,105	16,615	24	521,780	15,878	31
Non-operating income						
Interest income	8,407	277	1	14,714	448	1
Gain on financial assets at fair value through profit or loss (Note 4(2))	28,873	952	1	21,852	665	1
Gain on disposal of investments	-	-	-	4,820	147	-
Exchange gain - net	-	-	-	2,509	76	-
Other income	5,958	196	-	1,209	37	-
Non-operating income	43,238	1,425	2	45,104	1,373	2
Non-operating expenses						
Exchange loss - net	(20,174)	(665)	(1)	-	-	-
Other expenses	(1,313)	(43)	-	(92)	(3)	-
Non-operating expenses	(21,487)	(708)	(1)	(92)	(3)	-
Income before income tax	525,856	17,332	25	566,792	17,248	33
Income tax expense (Note 4(6))	(54,403)	(1,793)	(3)	(76,026)	(2,314)	(4)
Consolidated net income	\$ 471,453	\$ 15,539	22	\$ 490,766	\$ 14,934	29
Attributable to:						
Equity holders of the Company	\$ 471,453	\$ 15,539	22	\$ 490,766	\$ 14,934	29
Basic earnings per share (Note 4(14)) (In dollars)	\$ 4.90	\$ 4.39	\$ 0.16	\$ 0.14	\$ 5.31	\$ 4.60
Diluted earnings per share (Note 4(14)) (In dollars)	\$ 4.81	\$ 4.31	\$ 0.16	\$ 0.14	\$ 5.23	\$ 4.53
	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</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-MONTHS PERIOD ENDED JUNE 30, 2008 AND 2007
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	Capital stock		Retained earnings				Cumulative translation	
	Common stock	distributable	Capital reserve	Legal reserve	Special reserve	earnings	adjustment	Total
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-months 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>
Balance at January 1, 2008	\$1,071,495	\$ -	\$1,459,348	\$ 347,552	\$ 7,097	\$1,641,871	(\$ 4,927)	\$4,522,436
Distribution of 2007 earnings:								
Legal reserve	-	-	-	107,218	-	(107,218)	-	-
Stock dividends	-	10,737	-	-	-	(10,737)	-	-
Cash dividends	-	-	-	-	-	(805,315)	-	(805,315)
Remunerations for directors and supervisors	-	-	-	-	-	(13,832)	-	(13,832)
Employees' stock bonus	-	36,884	-	-	-	(92,210)	-	(55,326)
Net income for the six-months period ended June 30, 2008	-	-	-	-	-	471,453	-	471,453
Exercise of employee stock options	3,249	-	8,847	-	-	-	-	12,096
Cumulative translation adjustment	-	-	-	-	-	-	(20,735)	(20,735)
Balance at June 30, 2008	<u>\$1,074,744</u>	<u>\$ 47,621</u>	<u>\$1,468,195</u>	<u>\$ 454,770</u>	<u>\$ 7,097</u>	<u>\$1,084,012</u>	<u>(\$ 25,662)</u>	<u>\$4,110,777</u>

(Continued)

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2008 AND 2007
(EXPRESSED IN THOUSANDS OF US DOLLARS) (UNREVIEWED-NOTE 2)
(UNAUDITED)

	Capital stock				Retained earnings				Cumulative	
	Stock dividend				Unappropriated				translation	
	Common stock	distributable	Capital reserve	Legal reserve	Special reserve	earnings	adjustment	Total		
Balance at January 1, 2007	\$ 31,529	\$ -	\$ 44,274	\$ 7,897	\$ 218	\$ 43,913	(\$ 190)	\$ 127,641		
Distribution of 2005 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-months 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	\$ 31,325	\$ 1,182	\$ 44,093	\$ 10,577	\$ 216	\$ 32,272	(\$ 148)	\$ 119,517		
Balance at January 1, 2008	\$ 33,040	\$ -	\$ 45,000	\$ 10,717	\$ 219	\$ 50,628	(\$ 152)	\$ 139,452		
Distribution of 2007 earnings:										
Legal reserve	-	-	-	3,534	-	(3,534)	-	-	-	-
Stock dividends	-	354	-	-	-	(354)	-	-	-	-
Cash dividends	-	-	-	-	-	(26,543)	-	(26,543)	-	-
Remunerations for directors and supervisors	-	-	-	-	-	(456)	-	(456)	-	-
Employees' stock bonus	-	1,216	-	-	-	(3,039)	-	(1,823)	-	-
Net income for the six-months period ended June 30, 2008	-	-	-	-	-	15,539	-	15,539		
Exercise of employee stock options	107	-	292	-	-	-	-	-	399	
Cumulative translation adjustment	2,276	-	3,099	738	15	3,488	(694)	8,922		
Balance at June 30, 2008	\$ 35,423	\$ 1,570	\$ 48,391	\$ 14,989	\$ 234	\$ 35,729	(\$ 846)	\$ 135,490		

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

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

	(UNAUDITED)			
	2008		2007	
	NT\$	US\$ (Unreviewed-Note 2)	NT\$	US\$ (Unreviewed- Note 2)
Cash flows from operating activities				
Net income	\$ 471,453	\$ 15,539	\$ 490,766	\$ 14,934
Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
Gain on financial assets at fair value through profit or loss	(28,873)	(952)	(21,852)	(665)
Gain on disposal investment	-	-	(4,820)	(147)
Depreciation	8,172	269	7,490	228
Amortization	18,450	608	13,225	402
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Notes and accounts receivable	(6,075)	(200)	46,746	1,423
Other receivables	3,767	124	33,315	1,014
Inventories	(1,749)	(57)	(1,059)	(32)
Deferred income tax assets	(56,166)	(1,851)	(16,170)	(492)
Other current assets - others	(8,035)	(265)	(4,335)	(132)
Increase (decrease) in liabilities:				
Notes and accounts payable	872	29	(2,069)	(63)
Income tax payable	(10,526)	(347)	16,410	499
Accrued expenses	133,011	4,384	(637)	(19)
Other payables	321,700	10,603	(2,612)	(79)
Other current liabilities	<u>7,916</u>	<u>261</u>	<u>3,208</u>	<u>98</u>
Net cash provided by operating activities	<u>853,917</u>	<u>28,145</u>	<u>557,606</u>	<u>16,969</u>
Cash flows from investing activities				
Decrease in financial assets at fair value through profit or loss	415	13	1,676,959	51,033
Disposal of financial assets carried at cost - current	-	-	6,763	206
Disposal of investments in bonds without active market - non current	-	-	500	15
Increase in other financial assets	(11,900)	(392)	-	-
Acquisition of property, plant, and equipment	(572,248)	(18,861)	(1,864)	(57)
Increase in brand	(13)	-	(2,000)	(61)
Increase in copyright	(543)	(18)	(81,200)	(2,471)
Increase in refundable deposits - net	(4,778)	(157)	(446)	(14)
Increase in deferred charges	-	-	(332)	(10)
Net cash (used in) provided by investing activities	<u>(589,067)</u>	<u>(19,415)</u>	<u>1,598,380</u>	<u>48,641</u>

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

	(UNAUDITED)			
	2008		2007	
	NT\$	US\$ (Unreviewed-Note 2)	NT\$	US\$ (Unreviewed-Note 2)
<u>Cash flows from financing activities</u>				
Increase in deposits	\$ 1	\$ -	\$ -	\$ -
Payment of employees' bonus	(18,465)	(609)	(10,205)	(311)
Exercise of employee stock options	<u>12,096</u>	<u>399</u>	<u>7,416</u>	<u>226</u>
Net cash used in financing activities	(6,368)	(210)	(2,789)	(85)
Effects of changes in exchange rates of foreign currency holdings	(35,688)	1,510	1,167	(160)
Effect of first-time consolidated entity	-	-	38,370	1,168
Net increase in cash and cash equivalents	222,794	10,030	2,192,734	66,533
Cash and cash equivalents at beginning of the period	<u>1,265,180</u>	<u>39,013</u>	<u>795,090</u>	<u>24,393</u>
Cash and cash equivalents at end of the period	<u>\$1,487,974</u>	<u>\$ 49,043</u>	<u>\$2,987,824</u>	<u>\$ 90,926</u>
<u>Supplemental disclosure of cash flows information:</u>				
Cash paid during the period for:				
Income taxes	\$ 79,692	\$ 2,627	\$ 38,477	\$ 1,171
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
Add: unpaid portion of the beginning of the period	40,431	1,333	-	-
Less: unpaid portion at the end of the period	<u>-</u>	<u>-</u>	(45,000)	(1,369)
Cash paid	<u>\$ 40,431</u>	<u>\$ 1,333</u>	<u>\$ 45,000</u>	<u>\$ 1,370</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>\$ 874,473</u>	<u>\$ 28,822</u>	<u>\$ 732,669</u>	<u>\$ 22,297</u>

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

CYBERLINK CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(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, 2008, the Company and its subsidiaries had approximately 580 employees.

2) Consolidated subsidiaries:

Investor	Name of the subsidiary	Major operating activities	Ownership (%)		
			June 30, 2008	June 30, 2007	Note
CyberLink Corp.	CyberLink.Com Corp. (CyberLink-USA)	Sales of computer software	100%	100%	
”	CyberLink Europe B.V. (CyberLink-B.V.)	”	100%	100%	
”	CyberLink International Technology Corp. (CyberLink-B.V.I)	Investment activities	100%	100%	

Investor	Name of the subsidiary	Major operating activities	Ownership (%)		Note
			June 30, 2008	June 30, 2007	
CyberLink Corp.	CyberLink Investment Corp. (CyberLink Investment)	Investment activities	100%	100%	
CyberLink Investment Corp.	Tse-Lien Technology Corp. (Tse-Lien)	Sales of computer software	100%	100%	
"	Wasay Software Technology Inc.(Wasay)	"	100%	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) Subsidiaries not include in the consolidated financial statmets: None.
- 4) Adjustment and approach for differences in accounting period and policy of subsidiaries: None.
- 5) 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-months period ended June 30, 2008.
- 6) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.
- 7) Contents of subsidiaries' securities issued by the parent company: None.
- 8) Information on convertible bonds and common stock issued by subsidiaries: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its' subsidiaries (collectively referred herein as the Group) are prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", "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. All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares consolidation financial statements on a quarterly basis. 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 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 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) 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.

8) 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.

9) 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 residual value. Residual values of fixed assets still in use after the end of their original estimated useful lives are depreciated based on their newly estimated remaining useful lives. The estimated useful lives of the assets are 50 years for buildings and 3 to 5 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.

10) Intangible assets

- A. Brand and Copyright are amortized on a straight-line basis over 3 years.
- B. Other intangible assets represent royalties paid for software patents and for website domain name which are amortized over their estimated useful lives using the straight-line method.

11) Deferred charges

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

12) 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.

13) Share-based payment – employee compensation plan

- A. The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF92-070, EITF92-071 and EITF92-072 of the Accounting Research and Development Fundation, R.O.C., dated March 17, 2003, “Accounting for Employee Stock Options”, prescribed by the R.O.C. Accounting Research and Development Foundation. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share is prepared under the fair value method.
- B. For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

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

Effective January 1, 2008, pursuant to EITF96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such a recognition is required under legal obligation or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008. "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

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 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. Valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized. Deferred income tax is classified as current or non-current based on the classification of the related assets or liabilities or the period when the temporary differences are expected to reverse. Income tax credits are charged to deferred income tax assets and credited to income tax expense in the year the tax credits arise.

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

C. The R.O.C. imputation tax system requires that any undistributed current earnings, on a tax basis, of a company derived on or after January 1, 1998 be subjected to an additional 10% corporate income tax if the earnings are not

distributed before a specific time. This additional 10% corporate income tax is included in income tax expense in the following year when the stockholders approve a resolution to retain the earnings.

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) 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.

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 (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\$30.34 and US\$1:NT\$32.86 at June 30, 2008 and 2007, 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

1) Share-based payments – employee compensation plan

Effective January 1, 2008, the Company adopted R.O.C. SFAS No. 39 “Accounting for share based payment”. The adoption of SFAS No.39, had no significant effect on net income and earnings per share as of and for the six-months period ended June 30, 2008.

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

Effective January 1, 2008, the Company adopted EITF 96-052 of the Accounting Research and Development Foundation, R.O.C. As a result of the adoption of EITF 96-052, net income decreased by \$112,382 (US\$ 3,704) and earnings per share decreased by \$1.05 (US\$0.03) as of and for the six-months period ended June 30, 2008.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	June 30,			
	2008		2007	
	NT\$	US\$ (Unreviewed) (Note 2)	NT\$	US\$ (Unreviewed) (Note 2)
Cash on hand	\$ 419	\$ 14	\$ 365	\$ 11
Demand deposits	1,478,325	48,725	853,244	25,966
Checking deposits	9,230	304	6,127	187
Time deposits	-	-	146,532	4,459
Cash equivalents- redeemable bonds	-	-	1,981,556	60,303
	<u>\$1,487,974</u>	<u>\$ 49,043</u>	<u>\$ 2,987,824</u>	<u>\$ 90,926</u>

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

	June 30,			
	2008		2007	
	NT\$	US\$	NT\$	US\$
Financial assets held for trading-Money market funds			(Unreviewed) (Note 2)	(Unreviewed) (Note 2)
	\$ 3,409,923	\$ 112,390	\$ 1,383,837	\$ 42,114
Adjustment of financial assets held for trading	<u>39,134</u>	<u>1,290</u>	<u>20,483</u>	<u>623</u>
	<u><u>\$ 3,449,057</u></u>	<u><u>\$ 113,680</u></u>	<u><u>\$ 1,404,320</u></u>	<u><u>\$ 42,737</u></u>

The Group recognized a net gain of \$28,873 (US\$952) and \$21,852 (US\$ 665) for the six-months period ended June 30, 2008 and 2007, respectively.

3) Notes and accounts receivable

	June 30,			
	2008		2007	
	NT\$	US\$	NT\$	US\$
			(Unreviewed) (Note 2)	(Unreviewed) (Note 2)
Notes receivable	\$ 11,573	\$ 380	\$ 3,853	\$ 116
Accounts receivable	<u>253,298</u>	<u>8,350</u>	<u>385,200</u>	<u>11,723</u>
	<u>264,871</u>	<u>8,730</u>	<u>389,053</u>	<u>11,839</u>
Less: Allowance for doubtful accounts	(<u>3,725</u>)	(<u>123</u>)	(<u>16,071</u>)	(<u>489</u>)
	<u><u>\$ 261,146</u></u>	<u><u>\$ 8,607</u></u>	<u><u>\$ 372,982</u></u>	<u><u>\$ 11,350</u></u>

4) Property, plant and equipment

Item	June 30, 2008		
	(NT\$)		
	Original cost	Accumulated depreciation	Net
Land	\$ 181,692	\$ -	\$ 181,692
Buildings	149,826	(41,243)	108,583
Machinery	27,747	(13,528)	14,219
Transportation equipment	1,430	(1,115)	315
Furniture and fixtures	11,409	(7,966)	3,443
Construction in progress and prepayments for equipment	564,818	-	564,818
	<u>\$ 936,922</u>	<u>(\$ 63,852)</u>	<u>\$ 873,070</u>
	June 30, 2007		
	(NT\$)		
Item	Accumulated		
	Original cost	depreciation	Net
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	11,585	(8,202)	3,383
	<u>\$ 361,875</u>	<u>(\$ 51,391)</u>	<u>\$ 310,484</u>

Item	June 30, 2008		
	Original cost	Accumulated depreciation	Net Book value
Land	\$ 5,989	\$ -	\$ 5,989
Buildings	4,938	(1,359)	3,579
Machinery	914	(445)	469
Transportation equipment	47	(37)	10
Furniture and fixtures	376	(263)	113
Construction in progress and prepayments for equipment	<u>18,616</u>	<u>-</u>	<u>18,616</u>
	<u>\$ 30,880</u>	<u>(\$ 2,104)</u>	<u>\$ 28,776</u>

Item	June 30, 2007		
	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	<u>353</u>	<u>(250)</u>	<u>103</u>
	<u>\$ 11,013</u>	<u>(\$ 1,564)</u>	<u>\$ 9,449</u>

The Company entered into an agreement with Founding Construction & Development Co., Ltd. to purchase its real estate on March 27, 2008. The agreement includes purchasing land located in Nei-Hu district and the B-building from 1F to 9F in “Sun-Tech plaza”. The purchase price was based upon appraisal reports prepared by Lee & Lin Real Estate consultant office and China Prudence Property Appraisement Co., Ltd. The total purchase price including tax is \$1,376,940 (US\$45,384). As of June 30, 2008, the Company had paid \$577,000 (US\$19,018) including tax. The remaining balance will be paid according to the agreement.

5) Intangible assets

	June 30, 2008			
	(NT\$)			
	Other			
	<u>Brand</u>	<u>Copyright</u>	<u>intangible assets</u>	<u>Total</u>
Balance at January 1, 2008				
Cost	\$ 1,876	\$ 76,199	\$ 31,631	\$ 109,706
Less: Accumulated amortization	(469)	(19,050)	(11,650)	(31,169)
Book value at January 1, 2008	1,407	57,149	19,981	78,537
Acquired during the period	13	543	-	556
Amortization	(315)	(12,821)	(5,212)	(18,348)
Book value at June 30, 2008	<u>\$ 1,105</u>	<u>\$ 44,871</u>	<u>\$ 14,769</u>	<u>\$ 60,745</u>
	June 30, 2007			
	(NT\$)			
	Other			
	<u>Brand</u>	<u>Copyright</u>	<u>intangible assets</u>	<u>Total</u>
Balance at January 1, 2007				
Cost	\$ -	\$ -	\$ 57,874	\$ 57,874
Less: Accumulated amortization	- -	- -	(26,243)	(26,243)
Book value at January 1, 2007	- -	- -	31,631	31,631
Acquired during the period	2,000	81,200	-	83,200
Amortization	(161)	(6,539)	(6,438)	(13,138)
Book value at June 30, 2007	<u>\$ 1,839</u>	<u>\$ 74,661</u>	<u>\$ 25,193</u>	<u>\$ 101,693</u>

<u>June 30, 2008</u>					
<u>(US\$: Unreviewed – Note 2)</u>					
	<u>Brand</u>	<u>Copyright</u>	<u>intangible assets</u>	<u>Other</u>	<u>Total</u>
Balance at January 1, 2008					
Cost	\$ 58	\$ 2,350	\$ 970	\$ 3,378	
Less: Accumulated amortization	(15)	(587)	(354)	(956)	
Book value at January 1, 2008	43	1,763	616	2,422	
Acquired during the period	-	18	-	18	
Amortization	(7)	(302)	(129)	(438)	
Book value at June 30, 2008	<u>\$ 36</u>	<u>\$ 1,479</u>	<u>\$ 487</u>	<u>\$ 2,002</u>	
<u>June 30, 2007</u>					
<u>(US\$: Unreviewed – Note 2)</u>					
	<u>Brand</u>	<u>Copyright</u>	<u>intangible assets</u>	<u>Other</u>	<u>Total</u>
Balance at January 1, 2007					
Cost	\$ -	\$ -	\$ 1,761	\$ 1,761	
Less: Accumulated amortization	- -	- -	(798)	(798)	
Book value at January 1, 2007	- -	- -	963	963	
Acquired during the period	61	2,471	-	2,532	
Amortization	(5)	(199)	(196)	(400)	
Book value at June 30, 2007	<u>\$ 56</u>	<u>\$ 2,272</u>	<u>\$ 767</u>	<u>\$ 3,095</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.

6) Income tax

	For the six-months period ended June 30,			
	2008		2007	
	NT\$	US\$ (Unreviewed)	NT\$	US\$ (Unreviewed)
Income tax expense	\$ 54,403	\$ 1,793	\$ 76,026	\$ 2,314
Under provision of prior year's income tax	(1,772)	(58)	(2,116)	(64)
Effect of deferred income tax assets	56,166	1,851	16,170	492
Foreign royalty withholding tax	(63,232)	(2,084)	(51,420)	(1,565)
Separate income tax from short-term notes	(105)	(3)	(319)	(10)
Prepaid income tax	(52)	(2)	(461)	(14)
Income tax payable	<u>\$ 45,408</u>	<u>\$ 1,497</u>	<u>\$ 37,880</u>	<u>\$ 1,153</u>

A. As of June 30, 2008 and 2007, the deferred income tax assets (liabilities) were as follows:

	June 30,			
	2008		2007	
	NT\$	US\$ (Unreviewed)	NT\$	US\$ (Unreviewed)
Total deferred income tax assets	\$ 142,294	\$ 4,690	\$ 97,856	\$ 2,977
Total deferred income tax liabilities	(\$ 516)	(\$ 17)	\$ -	\$ -
Valuation allowance of deferred income tax assets	(\$ 16,720)	(\$ 551)	(\$ 20,810)	(\$ 633)

B. As of June 30, 2008 and 2007, details of deferred income tax assets and liabilities were as follows:

Items	June 30,			
	2008		2007	
	Amount	Income tax effect	Amount	Income tax effect
Current:				
Unrealized exchange (gain) loss	(\$ 2,062)	(\$ 516)	\$ 4,664	\$ 1,166
Unrealized profit on intercompany sales	653	163	653	163
Bad debt expenses	147	37	11,252	2,813
Others	14,212	<u>3,553</u>	12,924	<u>3,231</u>
		<u>3,237</u>		<u>7,373</u>
Non current:				
Investment tax credits		138,541		90,483
Valuation allowance	(<u>16,720</u>)	<u>121,821</u>	(<u>20,810</u>)	<u>69,673</u>
		<u>\$ 125,058</u>		<u>\$ 77,046</u>

Items	June 30,			
	2008		2007	
	(US\$: Unreviewed - Note 2)			
Current:				
Unrealized exchange (gain) loss	(\$ 68)	(\$ 17)	\$ 142	\$ 35
Unrealized profit on intercompany sales	22	6	20	5
Bad debts expense	5	1	342	86
Others	468	<u>117</u>	393	<u>98</u>
		<u>107</u>		<u>224</u>
Non current:				
Investment tax credits		4,566		2,753
Valuation allowance	(<u>551</u>)	<u>4,015</u>	(<u>633</u>)	<u>2,120</u>
		<u>\$ 4,122</u>		<u>\$ 2,344</u>

- C. As of June 30, 2008, 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, 2008, details of the unused portion of the Company's investment tax credits were as follows:

Item	Total amount	Unused amount	Expiry year
Statute for	NT\$51,892	NT\$ 11,527	2008
Upgrading	(US\$ 1,710)	(US\$ 380)	
Industries			
"	NT\$56,066	NT\$ 5,790	2009
	(US\$ 1,848)	(US\$ 191)	
"	NT\$88,338	NT\$ 47,546	2010
	(US\$ 2,912)	(US\$ 1,567)	
"	NT\$88,518	NT\$ 45,624	2011
	(US\$ 2,917)	(US\$ 1,504)	
"	NT\$48,857	NT\$ 28,054	2012
	(US\$ 1,610)	(US\$ 924)	
		<u>NT\$138,541</u>	
		(US\$ 4,566)	

- 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:

Approval date and no.	Completion date of investment plan	Tax-exempt period	2008.1.1 ~ 2008.6.30 Tax-exempt income
Tai-Tsai-Shuey No 09404154230 on Dec. 19, 2005	December 31, 2004	January 1, 2006 – December 31, 2010	NT\$ 301,230 (US\$ 9,928)

- F. For the six-months period ended June 30, 2008 and 2007, the income tax expense included the additional 10% corporate income tax related to the 2007 and 2006 undistributed earnings amounting to NT\$4,287 (US\$141) and \$6,937 (US\$214), respectively. These amounts were recognized based on the resolution adopted in the Company stockholders' meeting to retain the 2007

and 2006 earnings.

- G. The Company's 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\$13,301) to NT\$293,450 (US\$9,672). 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\$1,202) to NT\$116 (US\$4). The Company also had to pay a \$16,453 (US\$542) 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 from NT\$293,450 (US\$9,672) to NT\$369,612 (US\$12,182) and tax-exempt amount from NT\$116 (US\$4) to NT\$33,157 (US\$ 1,093) and the Company had to pay an additional NT\$4,242 (US\$140) tax expense. As of February 2008, the Company had paid the tax expense according to the reexamination result.
- H. The Company's 2001 income tax was assessed by Tax Authority in 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\$ 4,179) to zero. The Company also has to pay a NT\$ 10,195 (US\$ 336) tax expense. However, the Company disagrees with the Tax Authority's opinion and has already requested for a reexamination in December, 2006. The Tax Authority finally recognized the tax-exempt income amounting to NT\$126,778 (US\$4,179), which was previously cancelled and refunded the tax expense of NT\$10,575 (US\$349). The receivable on the tax return was subsequently collected.

7) Accrued expenses

	June 30,			
	2008		2007	
	NT\$	US\$	NT\$	US\$
	(Unreviewed)	(Unreviewed)	(Unreviewed)	(Unreviewed)
	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Royalty expense	\$611,057	\$ 20,140	\$420,608	\$ 12,800
Employees' bonuses and directors' and supervisors' remuneration	112,382	3,704	-	-
Professional service fees	60,847	2,006	38,166	1,161
Payroll	30,016	989	22,444	683
Commission expense	13,446	443	12,507	381
Others	<u>43,076</u>	<u>1,420</u>	<u>39,372</u>	<u>1,198</u>
	<u>\$870,824</u>	<u>\$ 28,702</u>	<u>\$533,097</u>	<u>\$ 16,223</u>

8) Other payables

	June 30,			
	2008		2007	
	NT\$	US\$	NT\$	US\$
	(Unreviewed)	(Unreviewed)	(Unreviewed)	(Unreviewed)
	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Cash dividends payable	\$ 805,315	\$ 26,543	\$668,634	\$ 20,348
Overpayment from customer	372,900	12,291	-	-
Employees' bonuses payables	77,000	2,538	59,256	1,803
Long-term investments payable	-	-	45,000	1,369
Remuneration payable for directors and supervisors	13,832	456	15,430	470
Others	<u>1,437</u>	<u>47</u>	<u>6,050</u>	<u>184</u>
	<u>\$1,270,484</u>	<u>\$ 41,875</u>	<u>\$794,370</u>	<u>\$ 24,174</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 (formerly 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-months period ended June 30, 2008 and 2007 was \$0. The fund balance with Bank of Taiwan was \$13,595 (US\$448) and \$13,142 (US\$400) as of June 30, 2008 and 2007, respectively. The fund balance is not included in the financial statements.

- B. Effective July 1, 2005, the Company established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable when the employment is terminated. The pension costs under the defined contribution pension plan for the six-months period ended June 30, 2008 and 2007 was \$11,463 (US\$378) and \$7,635 (US \$ 232), respectively.
- C. Foreign subsidiaries have their contribution pension plans according to local policies.
- D. CyberLink Investment and Tse-Lien have no employees and do not have retirement plans.

10) Capital stock

- A. According to the resolution adopted at the stockholders' meeting in June 2008 and as approved by the R.O.C. SFC, the Company issued common stock by capitalizing the unappropriated retained earnings of NT\$10,737 (US\$354) and employees' stock bonus of NT\$36,884 (US\$1,216). The registration for this capital increase is still in process.
- B. As of June 30, 2008, the Company's authorized capital was NT\$1,400,000 (US\$46,144), the issued and outstanding capital was NT\$1,074,744 (US\$35,423) (including exercise of employee stock options of NT\$25,155 (US\$829) and the conversion of bonds payable to capital stock amounted to NT\$132,611 (US\$4,371)).

11) 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.

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 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 2007 was 4.46 %. As of June 30, 2008, the imputation tax credit account balance was NT\$59,687 (US\$1,967). The estimate creditable tax ratio of distributed earnings in 2009 is 3.66%. As of June 30, 2008, the Company's undistributed earnings derived before and after the adoption of the imputation tax system were NT\$9,932 (US\$327) and NT\$1,074,080 (US\$35,402), respectively.

C. In accordance with 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 for any reduction of the stockholders' equity as of the end of the current year.

D. The appropriation of 2007 and 2006 earnings had been resolved at the stockholders' meeting on June 13, 2008 and June 21, 2007, respectively. Details are summarized below:

	2008		2007	
	NT\$	Dividends per share (in dollars)	NT\$	Dividends per share (in dollars)
Legal reserve	\$ 107,218	\$ -	\$ 90,153	\$ -
Stock dividends	10,737	0.10	10,287	0.10
Cash dividends	805,315	7.50	668,634	6.48
Remunerations for directors and supervisors	13,832	-	15,430	-
Employees' stock bonus	36,884	0.34	28,545	0.28
Employees' cash bonus	55,326	-	48,605	-
Total	<u>\$1,029,312</u>	<u>\$ 7.94</u>	<u>\$ 861,605</u>	<u>\$ 6.86</u>

	2007		2006	
	US\$	Dividends per share (in dollars)	US\$	Dividends per share (in dollars)
Legal reserve	\$ 3,534	\$ -	\$ 2,744	\$ -
Stock dividends	354	-	313	-
Cash dividends	26,543	0.25	20,348	0.20
Remunerations for directors and supervisors	456	-	470	-
Employees' stock bonus	1,216	0.01	869	0.01
Employees' cash bonus	1,823	-	1,479	-
Total	\$ 33,926	\$ 0.26	\$ 26,223	\$ 0.21

There was no difference between the appropriation of 2007 earnings by stockholders' meeting with the Board of directors' resolution in March 26,2008.

- E. The estimated amounts of employees' bonus and directors' and supervisors' remuneration for 2008 are \$106,021 (US\$3,494) and \$6,361 (US\$210), based on net income in 2008 after taking into account the legal reserve and other factors which are estimated according to the distribution percentage from the resolution by the Boards of Directors at April 28, 2008 (25% and 1.5%, respectively), and are recognized as operating costs or operating expenses for 2008. The calculation of shares of stock bonus distributed is based on the closing price of the Company's common stock at the previous day of the 2009 stockholders' meeting after taking into account the effects of ex-rights and ex-dividends. While, if the estimated amounts are different from the amounts approved by the stockholders subsequently, the difference is recognized as gain or loss in 2009.
- F. Information on the appropriation of the Company's employees' bonus and directors' and supervisors' remuneration as resolved by the Board of Directors' and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

13) Share-based payment-employee compensation plan

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

a) The amount and aggregate exercise price of the stock options for the compensation employee stock option plan for the six-months period ended June 30, 2008 and 2007 are as follows:

	For the six-months period ended June 30,			
	2008		2007	
	No. of shares (in thousands)	Weighted - average exercise price (in dollars)	No. of shares (in thousands)	Weighted - average exercise price (in dollars)
Beginning balance	3,041	NT\$ 55.36 (US\$ 1.82)	2,970	NT\$ 50.40 (US\$ 1.53)
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	(324)	NT\$ 37.23 (US\$ 1.23)	(148)	NT\$ 44.51 (US\$ 1.35)
Options revoked	-	-	-	-
Ending balance	<u>2,717</u>	NT\$ 57.53 (US\$ 1.90)	<u>3,262</u>	NT\$ 62.08 (US\$ 1.89)
Options exercisable at end of the period	<u>1,857</u>		<u>2,333</u>	
Options authorized but not granted at end of the period	<u>-</u>		<u>-</u>	

b) As of June 30, 2008, the details of the employee stock option plans are as follows:

Range of exercise price (in dollars)	No. of shares (in thousands)	Outstanding ending balance		Exercisable ending balance	
		Weighted average		Weighted average	
		remaining vesting period	exercise price (in dollars)	No. of shares (in thousands)	exercise price (in dollars)
\$33.10~36.20	221	1.03	NT\$ 33.86 (US\$ 1.12)	221	NT\$ 33.86 (US\$ 1.12)
\$38.30	1,432	2.00	NT\$ 38.30 (US\$ 1.26)	1,432	NT\$ 38.30 (US\$ 1.26)
\$51.30~81.50	608	3.17	NT\$ 61.64 (US\$ 2.03)	204	NT\$ 66.71 (US\$ 2.20)
\$123.80	456	5.42	NT\$123.80 (US\$ 4.08)	-	-

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

	Period ended June 30, 2008			
	Financial statement information		Pro forma information	
	NT\$	US\$	NT\$	US\$
Net income	471,453	15,539	465,873	15,355
Basic earnings per share (in dollars)	NT\$ 4.39	NT\$ 4.34	NT\$ 4.26	NT\$ 4.26
Diluted earnings per share (in dollars)	NT\$ 4.31	NT\$ 4.26	NT\$ 4.26	NT\$ 4.26

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>
Dividend yield rate	0%	0%	0%
Expected price volatility	62.22%	33.66%	41.59%
Risk-free rate	2.33%	1.92%	1.98%
Expected vesting period	7 years	7 years	4.875 years
Options issued during the period	0 units	0 units	0 units
Average fair value (in NT\$ dollars)	NT\$ 59.76	NT\$ 45.07	NT\$ 52.008

14) Earnings per common share

	<u>For the six-months period ended June 30, 2008</u>				
	<u>Amount</u>		<u>Weighted average outstanding</u>	<u>Earnings per common share (in dollars)</u>	
	<u>Before income tax</u>	<u>After income tax</u>	<u>common shares (in thousands)</u>	<u>Before income tax</u>	<u>After income tax</u>
Net income	\$ 525,856 (US\$ 17,332)	\$ 471,453 (US\$ 15,539)			
Basic earnings per share			107,363	\$ 4.90 (US\$0.16)	\$ 4.39 (US\$0.14)
Effect of diluted common stock equivalent:	-	-			
Employees' stock options	-	-	1,572		
Employees' bonus	-	-	325		
Diluted earnings per share	\$ 525,856 (US\$ 17,332)	\$ 471,453 (US\$ 15,539)	109,260	\$ 4.81 (US\$0.16)	\$ 4.31 (US\$0.14)

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated

shares that would be increased from employees' stock bonus issuance in the weighted-average number of common shares outstanding during the reporting year, which taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends (or retained earnings and capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively. However, the accounting treatment for the appropriation of employees' bonus for 2007 earnings resolved at the stockholders' meeting held in 2008 is still in accordance with the regulations on capitalization of employees' bonus under paragraphs 19 and 39 of R.O.C. SFAS No. 24, "Earnings per Share".

For the six-months period ended June 30, 2007

	Amount		Weighted average outstanding (in thousands)	Earnings per common share (in dollars)	
	Before income tax	After income tax		common shares (in thousands)	Before income tax
					After income tax
Net income	\$ 566,792	\$ 490,766			
	(US\$ 17,248)	(US\$ 14,934)			
Basic earnings per share			106,730	<u>\$ 5.31</u>	<u>\$ 4.60</u>
				(US\$0.16)	(US\$0.14)
Effect of diluted common stock equivalent:					
Employees' stock options	-	-	1,714		
Diluted earning per share	<u>\$ 566,792</u>	<u>\$ 490,766</u>	<u>108,444</u>	<u>\$ 5.23</u>	<u>\$ 4.53</u>
	(US\$ 17,248)	(US\$ 14,934)		(US\$0.16)	(US\$0.14)

The above weighted-average outstanding common shares have been adjusted retroactively in proportion to retained earnings and employees' bonus capitalized during the six-months period ended June 30, 2007.

The effective date for capital increase due to the distribution of stock dividends for 2007 earnings, has been resolved at the stockholders' meeting on June 13, 2008. The following sets forth the pro forma information taking into account the effect of the distribution of stock dividends on earnings per share:

For the six-months period ended June 30, 2008						
	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	\$ 525,856 (US\$ 17,332)	\$ 471,453 (US\$ 15,539)				
Basic earnings per share			112,125	\$ 4.69 (US\$0.15)	\$ 4.20 (US\$0.14)	
Effect of diluted common stock equivalent:						
Employees' stock options	-	-	1,572			
Employees' bonus	-	-	325			
Diluted earnings per share	\$ 525,856 (US \$17,332)	\$ 471,453 (US\$ 15,539)	114,022	\$ 4.69 (US\$0.15)	\$ 4.13 (US\$0.14)	
For the six-months 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			111,488	\$ 5.08 (US\$0.16)	\$ 4.40 (US\$0.13)	
Effect of diluted common stock equivalent:						
Employees' stock options	-	-	1,714			
Diluted earning per share	\$ 566,792 (US\$ 17,248)	\$ 490,766 (US\$ 14,934)	113,202	\$ 5.01 (US\$0.15)	\$ 4.34 (US\$0.13)	

15) Personnel, depreciation and amortization expense

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

For the six-months period ended June 30, 2008						
	Operating costs		Operating expenses		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
	(Unreviewed)		(Unreviewed)		(Unreviewed)	
Personnel expenses						
Salaries	\$ -	\$ -	\$ 376,064	\$ 12,395	\$ 376,064	\$ 12,395
Insurance	-	-	18,392	606	18,392	606
Pension	-	-	11,463	378	11,463	378
Others	-	-	7,168	236	7,168	236
Depreciation	-	-	8,172	269	8,172	269
Amortization	-	-	18,450	608	18,450	608

For the six-months period ended June 30, 2007						
	Operating costs		Operating expenses		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
	(Unreviewed)		(Unreviewed)		(Unreviewed)	
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

5. RELATED PARTY TRANSACTIONS

None.

6. DETAILS OF PLEDGED ASSETS

The Company's assets pledged as collateral as of June 30, 2008 and 2007 are as follows:

	<u>Book value</u>		<u>Purpose</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
Other financial assets – current –certificate of deposit	\$ 1,900 (US\$ 63)	\$ - (US\$ -)	Contract bond
Other financial assets – non-current – certificate of deposit	10,000 (US\$ 330)	- (US\$ -)	Guarantee for sequestration
	<u>\$ 11,900</u> (US\$ 393)	<u>\$ -</u> (US\$ -)	

7. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2008, except for those stated in Note 4(4), significant commitments and contingent liabilities were as follows:

- A. In December 2007, the Company found that FormosaSoft. Co., Ltd. sold a software named "PowerCam 5.0" and allowed anyone to download and install a trial version of "PowerCam 5.0" from its internet website without the Company's authority. This action violated the Company's patents. In 2008, the Company had a Certificate of Deposit amounting to NT\$10,000 (US\$330) as guarantee and authorized Li&Cai International Law Office to apply for sequestration of the assets of FormosaSoft. Co., Ltd. and its person-in-charge. As of June 30, 2008, the sequestration is still in process.
- B. CyberLink-USA and Cyberlink-Japan leases certain office space. The total future minimum lease payments under the operating lease agreement amounted to NT\$2,533 (US \$83) and NT\$ 12,782 (US \$421). In 2008, Cyberlink-USA and CyberLink-Japan paid as lease expense, NT\$ 2,419 (US\$80) and NT\$ 1,553 (US\$51), respectively.

8. SIGNIFICANT LOSS OR DAMAGE

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

None.

10. OTHERS

1) Financial statement presentation

Certain accounts in the June 30, 2007 financial statements have been reclassified to conform to the June 30, 2008 financial statements.

2) The fair values of the financial instruments

	June 30, 2008 (NT\$)			June 30, 2007 (NT\$)		
	Quotations in an active market		Estimated using a valuation technique	Quotations in an active market		Estimated using a valuation technique
	Book value	active market	valuation technique	Book value	active market	valuation technique
<u>Financial instruments</u>						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	\$ 1,780,203	\$ -	\$ 1,780,203	\$ 3,404,197	\$ -	\$ 3,404,197
Financial assets at fair value through profit or loss-current	3,449,057	3,449,057	-	1,404,320	1,404,320	-
Financial assets carried at cost-current	1,900	-	1,900	-	-	-
Financial assets carried at cost-non-current	10,000	-	10,000	-	-	-
Liabilities						
Financial liabilities with fair values equal to book values	2,194,301	-	2,194,301	1,372,051	-	1,372,051

	June 30, 2008 (US\$)			June 30, 2007 (US\$)		
	Book value	Quotations in an active market	Estimated using a valuation technique	Book value	Quotations in an active market	Estimated using a valuation technique
<u>Financial instruments</u>						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	\$ 58,675	\$ -	\$ 58,675	\$ 103,597	\$ -	\$ 103,597
Financial assets at fair value through profit or loss-current	113,680	113,680	-	42,737	42,737	-
Financial assets carried at cost-current	63	-	63			
Financial assets carried at cost- non-current	330	-	330	-	-	-
Liabilities						
Financial liabilities with fair values equal to book values	72,324	-	72,324	41,754	-	41,754

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

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

3) As of June 30, 2008 and 2007 the financial assets with fair value risk due to the change of interest amounted to \$0 (US\$0) and \$1,981,556 (US\$60,303), respectively.

4) For the six-months period ended June 30, 2008 and 2007, total interest income for financial assets or financial liabilities that are not at fair value through profit or loss amounted to \$8,407 (US\$277) and \$14,714 (US\$448), 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. Thus, 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 are fixed interest-bearing assets, 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. Therefore, there is no cash flow risk due to changes in market interest rates.

C. Forward exchange contracts

For the six-months period ended June 30, 2008 the Company entered into forward exchange contracts with Taishin Bank. The forward exchange contracts are mainly used to hedge foreign exchange fluctuations of foreign currency assets and liabilities. The realized loss amounted to NT\$796 (US\$26) for the six-months period ended June 30, 2008.

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. Therefore, 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. In addition, 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-months period ended June 30, 2008		For the six-months period ended June 30, 2007	
		Amount		Amount	
		NT\$	US\$ (Unreviewed) (Note 2)	NT\$	US\$ (Unreviewed) (Note 2)
A) Elimination of long-term investments and stockholders' equity	CyberLink-USA	\$ 216,352	\$ 7,131	\$ 190,361	\$ 5,793
	CyberLink-B.V.	35,689	1,176	26,783	815
	CyberLink-B.V.I	99,235	3,271	113,095	3,442
	CyberLink-Investment	203,044	6,692	218,062	6,636
	CyberLink-B.V.I to CyberLink - Japan	19,033	627	13,965	425
	CyberLink-Investment to Tse-Lien	\$ 859	\$ 28	\$ 970	\$ 30
A) Elimination of long-term investments and stockholders' equity	Cyberlink-Investment to Wasay	64,271	2,118	86,309	2,627
	B) Elimination of balance sheet accounts				
	Accounts receivable	CyberLink-USA	116,556	3,842	81,682
		CyberLink-B.V.	64,453	2,124	69,960
		CyberLink-Japan	40,708	1,342	23,896
	Other receivables	CyberLink-USA	5,341	176	8,074
C) Elimination of income statement accounts		CyberLink-B.V.	10,039	331	6,196
		CyberLink-Japan	5,062	167	3,809
	Sales	CyberLink-USA	226,914	7,479	158,089
		CyberLink-B.V.	131,089	4,321	152,110
		CyberLink-Japan	56,359	1,858	40,996
	Other income	CyberLink-USA	7,465	246	12,952
C) Elimination of income statement accounts		CyberLink-B.V.	9,954	328	11,281
		CyberLink-Japan	3,089	102	2,263
	Commission expense	CyberLink-B.V.	1,147	38	1,335
		CyberLink-Japan	8	-	33
					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, 2008:

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	\$ 216,352	100.00	\$ 216,352
"	CyberLink Europe B.V.	"	"	1,500,000	35,689	100.00	35,689
"	CyberLink International Technology Corp.	"	"	2,000,000	99,235	100.00	99,235
"	CyberLink Investment Corp.	"	"	12,000,000	203,044	100.00	203,044
"	Polaris Di-Bo Fund	None	Financial assets at fair value through profit or loss-current	5,022,320	57,051		57,051
"	Dresdner Bond DAM Fund	"	"	33,462,436	397,069	-	397,069
"	HSBC Taiwan Money Management Bond Fund	"	"	7,855,380	119,436	-	119,436
"	HSBC Money Management II Fund	"	"	26,302,706	378,525	-	378,525
"	Fuh-Hwa Bond Fund	"	"	48,429,237	661,582	-	661,582
"	UPAMC James Bond Fund	"	"	27,176,204	429,493		429,493
"	PCA Well Pool Fund	"	"	54,605,226	700,705	-	700,705
"	Mega Diamond Bond Fund	"	"	13,076,594	154,117		154,117
"	Yuanta Wan-Tai Fund	"	"	14,241,960	203,825	-	203,825
"	CHB-PCA Well Pool Fund	"	"	15,820,031	203,006		203,006
CyberLink Investment Corp.	ING Taiwan Bond Fund (Original name: ABN Amro Bond Fund)	"	"	8,924,694	137,772	-	137,772
"	Tse-Lien Technology Corp.	A subsidiary of CyberLink Investment Corp.	Long-term equity investments accounted for under the equity method	100,000	859	100.00	859
"	Wasay Software Technology Inc.	"	"	1,000,000	64,271	100.00	64,271
Wasay Software Technology Inc.	PCA Well Pool Fund	None	Financial assets at fair value though profit or loss- current	504,614	6,476	-	6,476
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\$571,335	100.00	US\$ 571,335

(US\$ Unaudited and unreviewed-Note 2)

Name of the investor	Type and name of marketable securities	Relationship with the issuer	General ledger account	Number of shares	Book value	Percentage	Market value or net asset
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Long-term equity investments accounted for under the equity method	4,000,000	\$ 7,131	100.00	\$ 7,131
"	CyberLink Europe B.V.	"	"	1,500,000	1,176	100.00	1,176
"	CyberLink International Technology Corp.	"	"	2,000,000	3,271	100.00	3,271
"	CyberLink Investment Corp.	"	"	12,000,000	6,692	100.00	6,692
"	Polaris Di-Bo Fund	None	Financial assets at fair value through profit or loss-current	5,022,320	1,880	-	1,880
"	Dresdner Bond DAM Fund	"	"	33,462,436	13,087	-	13,087
"	HSBC Taiwan Money Management Bond Fund	"	"	7,855,380	3,937	-	3,937
"	HSBC Money Management II Fund	"	"	26,302,706	12,476	-	12,476
"	Fuh-Hwa Bond Fund	"	"	48,429,237	21,806	-	21,806
"	UPAMC James Bond Fund	"	"	27,176,204	14,156	-	14,156
"	PCA Well Pool Fund	"	"	54,605,226	23,095	-	23,095
"	Mega Diamond Bond Fund	"	"	13,076,594	5,080	-	5,080
"	Yuanta Wan-Tai Fund	"	"	14,241,960	6,718	-	6,718
"	CHB-PCA Well Pool Fund	"	"	15,820,031	6,691	-	6,691
CyberLink Investment Corp.	ING Taiwan Bond Fund (Original name: ABN Amro Bond Fund)	"	"	8,924,694	4,541	-	4,541
"	Tse-Lien Techonology Corp.	A subsidiary of CyberLink Investment Corp.	Long-term equity investments accounted for under the equity method	100,000	28	100.00	28
"	Wasay Software Technology Inc.	"	"	1,000,000	2,118	100.00	2,118
Wasay Software Technology Inc.	PCA Well Pool Fund	None	Financial assets at fair value though profit or loss- current	504,614	213	-	213
CyberLink International Technology Corp.	CyberLink Inc.	A subsidiary of CyberLink International Technology Corp.	"	1,900	571	100.00	571

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

January 1, 2008 – June 30, 2008

(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 (Note)	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	-	-	24,864	\$ 292,738	12,739	\$ 151,750	4,141	\$ 49,000	\$ 47,419	\$ 1,581	33,462	\$ 397,069
"	HSBC Money Management II Fund	"	-	-	4,128	58,929	22,175	319,596	-	-	-	-	26,303	378,525
"	HSBC Dragon Fund	"	-	-	17,569	275,137	-	-	17,569	275,415	275,137	278	-	-
"	UPAMC James Bond Fund	"	-	-	25,303	396,567	9,531	151,677	7,658	121,000	118,751	2,249	27,176	429,493
"	PCA Well Pool Fund	"	-	-	38,428	488,988	36,752	470,000	20,575	263,000	258,282	4,718	54,605	700,705
"	Mega Diamond Bond Fund	"	-	-	41,596	486,370	-	-	28,519	335,000	332,253	2,747	13,077	154,117
"	Yuanta Wan-Tai Fund	"	-	-	-	-	14,242	203,825	-	-	-	-	14,242	203,825
"	Fuh-Hwa Bond Fund	"	-	-	33,758	457,309	14,671	204,273	-	-	-	-	48,429	661,582
"	Polaris Di-Bo Fund	"	-	-	40,819	459,801	10,678	121,000	46,475	526,602	523,750	2,852	5,022	57,051

Note: Including valuation amount.

(US\$ Unaudited and unreviewed-Note 2)

Name of Company	Name of the security	Account used to record transaction	Counterparty	Relationship with the counterparty	Beginning balance		Additions		Disposals			Ending balance		
					Number of shares (thousand units)	Amount	Number of shares (thousand units)	Amount	Number of shares (thousand units)	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	-	-	24,864	\$ 9,027	12,739	\$ 5,002	4,141	\$ 1,615	\$ 942	\$ 673	33,462	\$ 13,087
"	HSBC Money Management II Fund	"	-	-	4,128	1,817	22,175	10,659	-	-	-	-	26,303	12,476
"	HSBC Dragon Fund	"	-	-	17,569	8,484	-	-	17,569	9,078	8,484	594	-	-
"	UPAMC James Bond Fund	"	-	-	25,303	12,228	9,531	4,999	7,658	3,988	3,071	917	27,176	14,156
"	PCA WellPool Fund	"	-	-	38,428	15,078	36,752	15,491	20,575	8,668	7,474	1,194	54,605	23,095
"	Mega Diamond Bond Fund	"	-	-	41,596	14,998	-	-	28,519	11,042	9,918	1,124	13,077	5,080
"	Yuanta Wan-Tai Fund	"	-	-	-	-	14,242	6,718	-	-	-	-	14,242	6,718
"	Fuh-Hwa Bond Fund	"	-	-	33,758	14,101	14,671	7,705	-	-	-	-	48,429	21,806
"	Polaris Di-Bo Fund	"	-	-	40,819	14,178	10,678	3,988	46,475	17,357	16,286	1,071	5,022	1,880

E. Acquisition of real estate properties exceeding NT\$100,000 or 20% of the Company's paid-in capital during the six-months period ended June 30, 2008

Property acquired by	Property acquired	Date of transaction	Transaction amount	Status of payment	Counterparty	Relationship with the company	If the counterparty is a related party, information as to the last transaction of the property is disclosed below:			Basis or reference used in setting the price	Reason for Acquisition of Properties and Status of the properties
							Original owner	Relationship of who sold the property to the original owner with the company	Date of the original transaction		
CyberLink Corp.	Land and building (Neihu , Taipei)	2008.3.7	NT\$1,376,940 (US\$ 45,384)	NT\$557,000 (US\$18,359)	Founding Construction & development Co.,Ltd.	-	(N o t A p p i c a b l e)			Based on appraisal reports prepared by Lee&Lin Real Estate Consultant Office and China Prudence property appraisalment Co., Ltd.	Office building

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, 2008 – June 30, 2008

Name of the Company	Name of the counterparty	Relationship	Description of the transactions				Description of and reasons for difference in transaction terms compared to non-related party transactions		Accounts or notes receivable (payable)	
			Purchases (Sales)	Amount	% of total purchases (Sales)	Credit terms (Note)	Unit price	Credit terms	Balance	% of total accounts or notes receivable
CyberLink Corp.	CyberLink.Com Corp	A subsidiary of the Company	Sales	NT\$226,914 (US\$ 7,479)	18	Note	The same as those with third-parties	Note	NT\$ 116,556 (US\$ 3,842)	35
"	CyberLink Europe B.V.	"	"	NT\$131,089 (US\$ 4,321)	10	Note	"	Note	NT\$ 64,453 (US\$ 2,124)	19

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 the Company's paid-in capital as at June 30,2008

Creditor	Counterparty	Relationship With the company	Balance as at June 30, 2008	Override receivable			Amount collected Subsequent to the Balance sheet date	Allowance for doubtful accounts
				Turnover rate	Amount	Action taken		
CyberLink Corp.	CyberLink Com Corp.	A subsidiary of the Company	NT\$ 116,556 (US\$ 3,842)	4.21	-	-	-	-

I. Information as to transaction of derivatives: Note 10.

2) Relevant information regarding investee companies as of June 30, 2008:

(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, 2008	Dec. 31, 2007	Shares	Percentage (%)	Book value			
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	\$ 136,327	\$ 136,327	4,000,000	100.00	\$ 216,352	\$ 21,660	\$ 21,660	A subsidiary of the Company
"	CyberLink Europe B.V.	Europe	"	64,770	64,770	1,500,000	100.00	35,689	4,292	4,292	"
"	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	64,821	64,821	2,000,000	100.00	99,235	(12,509)	(12,509)	"
"	CyberLink Investment Corp.	Taipei	"	220,000	220,000	12,000,000	100.00	203,044	(7,019)	(7,019)	"
CyberLink Investment Corp.	Tse-Lien Technology Corp.	Taipei	Sale of software	1,000	1,000	100,000	100.00	859	(31)	(31)	A subsidiary of CyberLink Investment Corp.
"	Wasay Software Technology Inc.	Taipei	"	85,431	84,875	1,000,000	100.00	64,271	4,934	(8,201)	"
CyberLink International Technology Corp.	CyberLink Inc.	Japan	"	US\$847,919	US\$847,919	1,900	100.00	US\$571,335	(US\$ 167)	(US\$ 167)	A subsidiary of CyberLink International Technology Corp.

(US\$ Unaudited and unreviewed-Note 2)

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	Dec. 31, 2006	Shares	Percentage (%)	Book value			
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	\$ 4,493	\$ 4,204	4,000,000	100.00	\$ 7,131	\$ 714	\$ 714	A subsidiary of the Company
"	CyberLink Europe B.V.	Europe	"	2,135	1,997	1,500,000	100.00	1,176	141	141	"
"	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	2,136	1,999	2,000,000	100.00	3,271	(412)	(412)	"
"	CyberLink Investment Corp.	Taipei	"	7,251	6,784	12,000,000	100.00	6,692	(231)	(231)	"
CyberLink Investment Corp.	Tse-Lien Technology Corp.	Taipei	Sale of software	33	31	100,000	100.00	28	(1)	(1)	A subsidiary of CyberLink Investment Corp.
"	Wasay Software Technology Inc.	Taipei	"	2,816	2,617	1,000,000	100.00	2,118	163	(270)	"
CyberLink International Technology Corp.	CyberLink Inc.	Japan	"	848	848	1,900	100.00	571	(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, 2008 ~ June 30, 2008

Number of the Company (Note 1)	Company	Names of Counterparty	Relationship with Company (Note 2)	Transaction				
				Subject	Amount (NT\$)	Amount (US\$ Unaudited and unreviewed- Note 2)	Terms of Transaction	Percentage of Consolidated Revenue or Assets (Note 3)
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	\$ 226,914	\$ 7,479	Sales to Subsidiaries are at normal selling price and are collected 90 days after the delivery of goods are made.	11
				Accounts receivable	116,556	3,842		2
"	"	CyberLink Europe B.V.	"	Sales revenue	131,089	4,321		6
				Accounts receivable	64,453	2,124		1
"	"	CyberLink Inc.	"	Sales revenue	56,359	1,858		3
				Accounts receivable	40,708	1,342		0.6

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\$ Unaudited and unreviewed- Note 2)	Terms of Transaction	Percentage of Consolidated Revenue or Assets (Note 3)
0	CyberLink Corp.	CyberLink.Com Corp.	I	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

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 applicable to interim financial reports.