

**CYBERLINK CORP. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND**

**REPORT OF INDEPENDENT ACCOUNTANTS**

**DECEMBER 31, 2008 AND 2007**

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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 audited the accompanying consolidated balance sheets of CyberLink Corp. and subsidiaries as of December 31, 2008 and 2007, 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, 2008 and 2007, 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" 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 years ended December 31, 2008 and 2007 expressed in United States dollars were translated from the New Taiwan dollar financial statements using the exchange rates of NT\$32.80:US\$1 and NT\$32.43: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 17, 2009

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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)

	2008			2007		
	Amount		%	Amount		%
	NT\$	US\$ (Unaudited-Note 2)		NT\$	US\$ (Unaudited-Note 2)	
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents (Note 4(1))	\$ 3,851,651	\$ 117,428	60	\$ 1,265,180	\$ 39,013	23
Financial assets at fair value through profit or loss - current (Note 4(2))	-	-	-	3,420,599	105,476	63
Notes receivable, net (Note 4(3))	1,601	49	-	6,819	210	-
Accounts receivable, net (Note 4(3))	495,012	15,092	8	256,068	7,896	5
Other receivables	42,239	1,288	-	26,335	812	1
Other financial assets – current (Note 6)	62,320	1,900	1	-	-	-
Inventories	9,863	301	-	5,798	179	-
Deferred income tax assets - current (Note 4(7))	7,377	225	-	3,249	100	-
Other current assets	10,532	321	-	8,851	273	-
	<u>4,480,595</u>	<u>136,604</u>	<u>69</u>	<u>4,992,899</u>	<u>153,959</u>	<u>92</u>
Other financial assets - non current (Note 6)	10,000	305	-	-	-	-
	<u>10,000</u>	<u>305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Property, Plant and Equipment (Note 4(4))</b>						
Cost	382,237	11,653	6	368,152	11,352	7
Less: accumulated depreciation	( 73,352)	( 2,236)	( 1)	( 58,261)	( 1,796)	( 1)
Construction in progress and prepayments for equipment	1,347,776	41,091	21	-	-	-
	<u>1,656,661</u>	<u>50,508</u>	<u>26</u>	<u>309,891</u>	<u>9,556</u>	<u>6</u>
<b>Intangible Assets (Note 4(5))</b>						
Brand	789	24	-	1,407	43	-
Copyright	32,051	977	1	57,149	1,763	1
Deferred pension cost	205	6	-	-	-	-
Other intangible assets	10,289	314	-	19,981	616	-
	<u>43,334</u>	<u>1,321</u>	<u>1</u>	<u>78,537</u>	<u>2,422</u>	<u>1</u>
<b>Other Assets</b>						
Refundable deposits	9,000	274	-	4,316	133	-
Deferred charges	65,810	2,006	1	414	13	-
Deferred income tax assets - non current (Note 4(7))	170,516	5,199	3	65,643	2,024	1
	<u>245,326</u>	<u>7,479</u>	<u>4</u>	<u>70,373</u>	<u>2,170</u>	<u>1</u>
<b>TOTAL ASSETS</b>	<u>6,435,916</u>	<u>196,217</u>	<u>100</u>	<u>\$ 5,451,700</u>	<u>\$ 168,107</u>	<u>100</u>

(Continued)

**CYBERLINK CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**DECEMBER 31**  
**(EXPRESSED IN THOUSANDS OF DOLLARS)**

	2008			2007			
	Amount		%	Amount		%	
	NT\$	US\$		(Unaudited-Note 2)	NT\$	US\$	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>							
<b>Current Liabilities</b>							
Short-term loans (Notes 4(6) and 6)	\$ 25,000	\$ 762	-	\$ -	\$ -	-	
Accounts payable	5,543	169	-	6,358	196	-	
Income tax payable (Note 4(7))	91,545	2,791	2	55,934	1,725	1	
Accrued expenses (Note 4(8))	1,445,476	44,069	23	760,605	23,454	14	
Other payables	74,407	2,269	1	93,081	2,870	2	
Other current liabilities	13,129	400	-	7,973	246	-	
	<u>1,655,100</u>	<u>50,460</u>	<u>26</u>	<u>923,951</u>	<u>28,491</u>	<u>17</u>	
<b>Other Liabilities</b>							
Accrued pension liabilities (Note 4(9))	7,994	244	-	4,962	153	-	
Deposits - in	352	11	-	351	11	-	
	<u>8,346</u>	<u>255</u>	<u>-</u>	<u>5,313</u>	<u>164</u>	<u>-</u>	
<b>Total Liabilities</b>	<u>1,663,446</u>	<u>50,715</u>	<u>26</u>	<u>929,264</u>	<u>28,655</u>	<u>17</u>	
<b>Stockholders' Equity</b>							
Capital stock (Notes 4(10) and (13))							
Common stock	1,124,158	34,273	17	1,071,495	33,040	20	
Capital reserve (Note 4(11))							
Paid-in capital in excess of par value	503,213	15,342	8	503,213	15,517	9	
Paid-in capital in excess of par, convertible bonds	867,363	26,444	13	867,363	26,746	16	
Employee stock option	101,292	3,088	2	88,772	2,737	2	
Retained earnings (Note 4(12))							
Legal reserve	454,770	13,865	7	347,552	10,717	6	
Special reserve	7,097	216	-	7,097	219	-	
Unappropriated earnings	1,713,356	52,236	27	1,641,871	50,628	30	
Other adjustments							
Cumulative translation adjustment	2,935	90	-	( 4,927)	( 152)	-	
Net loss not recognized as pension cost	( 1,714)	( 52)	-	-	-	-	
<b>Total Stockholders' Equity</b>	<u>4,772,470</u>	<u>145,502</u>	<u>74</u>	<u>4,522,436</u>	<u>139,452</u>	<u>83</u>	
<b>Commitments and Contingent Liabilities (Notes 4(4) and 7)</b>							
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 6,435,916</b>	<b>\$ 196,217</b>	<b>100</b>	<b>\$ 5,451,700</b>	<b>\$ 168,107</b>	<b>100</b>	

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

See report of independent accountants dated February 17, 2009.

**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)

	2008			2007		
	Amount		%	Amount		%
	NT\$	US\$ (Unaudited-Note 2)		NT\$	US\$ (Unaudited-Note 2)	
Operating revenues						
Sales revenue	\$ 4,721,880	\$ 143,960	101	\$ 3,736,972	\$ 115,232	101
Less: Sales returns	( 34,713)	( 1,058)	( 1)	( 18,127)	( 559)	( 1)
Sales allowances	( 8,928)	( 273)	-	( 2,450)	( 76)	-
Net sales	4,678,239	142,629	100	3,716,395	114,597	100
Gain from sales of portfolio securities (Note 1)	4,322	132	-	103	4	-
	4,682,561	142,761	100	3,716,498	114,601	100
Operating costs						
Cost of sales	( 22,664)	( 691)	-	( 26,090)	( 805)	( 1)
Gross profit	4,659,897	142,070	100	3,690,408	113,796	99
Operating expenses (Notes 4(9), (12) and (15))						
Selling	( 2,627,792)	( 80,116)	( 56)	( 2,018,877)	( 62,253)	( 54)
General	( 187,036)	( 5,702)	( 4)	( 170,525)	( 5,258)	( 5)
Research and development	( 659,075)	( 20,094)	( 14)	( 365,582)	( 11,273)	( 10)
Total operating expenses	( 3,473,903)	( 105,912)	( 74)	( 2,554,984)	( 78,784)	( 69)
Operating income	1,185,994	36,158	26	1,135,424	35,012	30
Non-operating income						
Interest income	27,806	848	1	27,957	862	1
Gain on financial assets at fair value through profit or loss (Note 4(2))	39,675	1,210	1	49,137	1,515	1
Gain on disposal of investments	-	-	-	4,820	149	-
Exchange gain - net	12,211	372	-	5,067	156	-
Other income	13,463	410	-	14,475	446	1
Total non-operating income	93,155	2,840	2	101,456	3,128	3
Non-operating expenses						
Other expenses	( 2,712)	( 82)	-	( 284)	( 9)	-
Income before income tax	1,276,437	38,916	28	1,236,596	38,131	33
Income tax expense (Note 4(7))	( 175,640)	( 5,355)	( 4)	( 164,413)	( 5,070)	( 4)
Consolidated net income	\$ 1,100,797	\$ 33,561	24	\$ 1,072,183	\$ 33,061	29
Attributable to:						
Equity holders of the Company	\$ 1,100,797	\$ 33,561	24	\$ 1,072,183	\$ 33,061	29
Basic earnings per share (Note 4(13)) (In dollars)	\$ 11.38	\$ 9.81	\$ 0.35	\$ 0.30	\$ 11.08	\$ 9.60
Diluted earnings per share (Note 4(13)) (In dollars)	\$ 11.11	\$ 9.58	\$ 0.34	\$ 0.29	\$ 10.91	\$ 9.46
	<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)	\$ 11.38	\$ 9.81	\$ 0.35	\$ 0.30	\$ 11.08	\$ 9.60
Diluted earnings per share (Note 4(13)) (In dollars)	\$ 11.11	\$ 9.58	\$ 0.34	\$ 0.29	\$ 10.91	\$ 9.46
	<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.

See Report of independent accountants dated February 17, 2009.

**CYBERLINK CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

	Retained earnings				Unappropriated earnings	Cumulative translation adjustment	Net loss not recognized as pension cost	Total
	Common stock	Capital reserve	Legal reserve	Special reserve				
Balance at January 1, 2007	\$1,027,681	\$ 1,443,134	\$ 257,399	\$ 7,097	\$ 1,431,342	(\$ 6,196)	\$ -	\$4,160,457
<b>Distribution of 2006 earnings:</b>								
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	1,071,495	1,459,348	347,552	7,097	1,641,871	( 4,927)	-	4,522,436
<b>Distribution of 2007 earnings:</b>								
Legal reserve	-	-	107,218	-	( 107,218)	-	-	-
Stock dividends	10,737	-	-	-	( 10,737)	-	-	-
Cash dividends	-	-	-	-	( 805,315)	-	-	( 805,315)
Remunerations to directors and supervisors	-	-	-	-	( 13,832)	-	-	( 13,832)
Employees' stock bonus	36,884	-	-	-	( 92,210)	-	-	( 55,326)
Net income for 2008	-	-	-	-	1,100,797	-	-	1,100,797
Exercise of employee stock options	5,042	12,520	-	-	-	-	-	17,562
Cumulative translation adjustment	-	-	-	-	-	7,862	-	7,862
Net loss not recognized as pension cost	-	-	-	-	-	-	( 1,714)	( 1,714)
Balance at December 31, 2008	<u>\$1,124,158</u>	<u>\$1,471,868</u>	<u>\$ 454,770</u>	<u>\$ 7,097</u>	<u>\$ 1,713,356</u>	<u>\$ 2,935</u>	<u>(\$ 1,714)</u>	<u>\$4,772,470</u>

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**CYBERLINK CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**  
**(EXPRESSED IN THOUSANDS OF US DOLLARS) (UNAUDITED-NOTE 2)**

	Retained earnings						Cumulative translation adjustment	Net loss not recognized as pension cost	Total			
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated							
					earnings	adjustment						
Balance at January 1, 2007	\$ 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' stock 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			
Distribution of 2007 earnings:												
Legal reserve	-	-	3,269	-	( 3,269)	-	-	-	-			
Stock dividends	327	-	-	-	( 327)	-	-	-	-			
Cash dividends	-	-	-	-	( 24,552)	-	-	( 24,552)				
Remunerations to directors and supervisors	-	-	-	-	( 422)	-	-	( 422)				
Employees' stock bonus	1,125	-	-	-	( 2,811)	-	-	( 1,686)				
Net income for 2008	-	-	-	-	33,561	-	-	33,561				
Exercise of employee stock options	154	382	-	-	-	-	-	-	536			
Net loss not recognized as pension cost	-	-	-	-	-	-	( 52)	( 52)				
Cumulative translation adjustment	( 373)	( 508)	( 121)	( 3)	( 572)	242	-	( 1,335)				
Balance at December 31, 2008	\$ 34,273	\$ 44,874	\$ 13,865	\$ 216	\$ 52,236	\$ 90	(\$ 52)	\$ 145,502				

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

See report of independent accountants dated February 17, 2009.

**CYBERLINK CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**  
**(EXPRESSED IN THOUSANDS OF DOLLARS)**

	2008		2007	
	NT\$	US\$ (Unaudited - Note 2)	NT\$	US\$ (Unaudited - Note 2)
<b><u>Cash flows from operating activities</u></b>				
Net income	\$ 1,100,797	\$ 33,561	\$ 1,072,183	\$ 33,061
Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on financial assets at fair value through profit or loss	( 39,675)	( 1,210)	( 49,137)	( 1,515)
Gain on disposal of investment	-	-	( 4,820)	( 149)
Bad debts expense	879	27	1,106	34
Loss on disposal of property, plant and equipment	-	-	177	6
Depreciation	17,355	529	15,568	480
Amortization	36,938	1,126	31,369	967
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Financial assets at fair value through profit or loss	3,460,274	105,496	( 312,035)	( 9,622)
Notes and accounts receivable	( 234,162)	( 7,139)	156,681	4,832
Other receivables	( 15,901)	( 485)	47,221	1,456
Inventories	( 4,065)	( 124)	( 1,719)	( 53)
Deferred income tax assets	( 1,611)	( 49)	( 2,911)	( 90)
Other current assets	( 109,001)	( 3,323)	( 8,042)	( 248)
Increase (decrease) in liabilities:				
Notes and accounts payable	( 815)	( 25)	( 2,051)	( 63)
Income tax payable	35,611	1,086	34,464	1,063
Accrued expenses	680,925	20,760	230,193	7,098
Other payables	( 34,451)	( 1,050)	4,405	136
Other current liabilities	5,183	158	961	30
Accrued pension liabilities	1,113	34	856	26
Net cash provided by operating activities	<u>4,899,394</u>	<u>149,372</u>	<u>1,214,469</u>	<u>37,449</u>
<b><u>Cash flows from investing activities</u></b>				
Disposal of financial assets carried at cost - current	-	-	6,763	209
Disposal of investments in bonds without active market – non current	-	-	500	15
Increase in other financial assets	( 72,320)	( 2,205)	-	-
Acquisition of property, plant, and equipment	( 1,363,902)	( 41,582)	( 9,319)	( 287)
Increase in brand	( 13)	-	( 1,876)	( 58)
Increase in copyright	( 543)	( 17)	( 76,199)	( 2,350)
Increase in refundable deposits - net	( 4,684)	( 143)	( 2,117)	( 65)
Increase in other intangible assets	( 770)	( 23)	-	-
Increase in deferred charges	( 65,600)	( 2,000)	( 332)	( 10)
Net cash used in investing activities	<u>( 1,507,832)</u>	<u>( 45,970)</u>	<u>( 82,580)</u>	<u>( 2,546)</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)**

	2008		2007	
	NT\$	US\$ (Unaudited - Note 2)	NT\$	US\$ (Unaudited - Note 2)
<b><u>Cash flows from financing activities</u></b>				
Increase in short-term loans	\$ 25,000	\$ 762	\$ -	\$ -
Increase in deposits	1	-	-	-
Payment of cash dividends	( 805,315)	( 24,552)	( 668,634)	( 20,618)
Payment of directors' and supervisors' remuneration and employees' bonus	( 53,443)	( 1,629)	( 44,752)	( 1,380)
Exercise of employee stock options	17,562	536	21,196	654
Net cash used in financing activities	( 816,195)	( 24,883)	( 692,190)	( 21,344)
Effects of changes in exchange rates of foreign currency holdings	11,104	( 104)	( 2,854)	36
Effect of first inclusion of a subsidiary in consolidation	-	-	33,245	1,025
Net increase in cash and cash equivalents	2,586,471	78,415	470,090	14,620
Cash and cash equivalents at beginning of the year	1,265,180	39,013	795,090	24,393
Cash and cash equivalents at end of the year	<u>\$ 3,851,651</u>	<u>\$ 117,428</u>	<u>\$ 1,265,180</u>	<u>\$ 39,013</u>
<b><u>Supplemental disclosures of cash flow information:</u></b>				
Cash paid during the year for:				
Income tax	\$ 240,173	\$ 7,322	\$ 133,292	\$ 4,110
Operating and financial activities which have no effect on cash flows:				
Unpaid employees' bonus	\$ 34,180	\$ 1,042	\$ 29,487	\$ 909

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

See report of independent accountants dated February 17, 2009.

**CYBERLINK CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**  
 (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 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 December 31, 2008, the Company and its subsidiaries had approximately 680 employees.

2) Consolidated subsidiaries:

Investor	Name of the subsidiary	Major operating activities	Ownership (%)		
			December 31, 2008	December 31, 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
			December 31, 2008	December 31, 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 acquired 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 included in the consolidated financial statements: None.
- 4) Adjustment and approach for differences in accounting period and policy of subsidiaries: None.
- 5) Special operating risks in foreign subsidiaries:
 

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, 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” and generally accepted accounting principles in the Republic of China. The Group’s significant accounting policies are summarized as follows:

### 1) Basis for preparation of consolidated financial statements

- A. All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares consolidated financial statements on a quarterly basis. 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 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) 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. 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 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 property, plant and equipment are recorded as non-operating income or expense 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 EITF 92-070, EITF 92-071 and EITF 92-072 of the Accounting Research and Development Foundation, R.O.C., dated March 17, 2003, “Accounting for Employee Stock Options”, prescribed by the R.O.C. Accounting Research and Development Foundation. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share 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 EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

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 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) 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 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\$32.80 and US\$1:NT\$32.43 at December 31, 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 year ended December 31, 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 \$241,005 (US\$ 7,348) and earnings per share decreased by \$2.15 (US\$0.07) for the year ended December 31, 2008.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31,			
	2008		2007	
	NT\$	US\$ (Unaudited) (Note 2)	NT\$	US\$ (Unaudited) (Note 2)
Cash on hand	\$ 386	\$ 12	\$ 284	\$ 9
Demand deposits	1,157,702	35,296	1,008,588	31,101
Checking deposits	5,637	171	7,129	220
Time deposits	1,293,026	39,422	-	-
Cash equivalents -RP	1,394,900	42,527	149,703	4,616
Cash equivalents-ABCP	-	-	99,476	3,067
	<u>\$3,851,651</u>	<u>\$ 117,428</u>	<u>\$ 1,265,180</u>	<u>\$ 39,013</u>

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

	December 31,			
	2008		2007	
	NT\$	US\$	NT\$	US\$
Financial assets held for trading-Money market funds	\$ -	\$ -	\$ 3,389,860	\$ 104,529
Adjustment of financial assets held for trading	<u>-</u>	<u>-</u>	<u>30,739</u>	<u>947</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,420,599</u>	<u>\$ 105,476</u>

The Group recognized a net gain of \$39,675 (US\$1,210) and \$49,137 (US\$1,515) for the years ended December 31, 2008 and 2007, respectively.

3) Notes and accounts receivable

	December 31,			
	2008		2007	
	NT\$	US\$	NT\$	US\$
Notes receivable	\$ 1,631	\$ 50	\$ 6,850	\$ 211
Accounts receivable	<u>499,442</u>	<u>15,227</u>	<u>259,724</u>	<u>8,009</u>
	<u>501,073</u>	<u>15,277</u>	<u>266,574</u>	<u>8,220</u>
Less: Allowance for doubtful accounts	( <u>4,460</u> )	( <u>136</u> )	( <u>3,687</u> )	( <u>114</u> )
	<u>\$ 496,613</u>	<u>\$ 15,141</u>	<u>\$ 262,887</u>	<u>\$ 8,106</u>

4) Property, plant and equipment

Item	December 31, 2008		
	(NT\$)		
	Original cost	Accumulated depreciation	Net book value
Land	\$ 181,692	\$ -	\$ 181,692
Buildings	153,663	(46,159)	107,504
Machinery	33,475	(17,008)	16,467
Transportation equipment	1,430	(1,207)	223
Furniture and fixtures	11,977	(8,978)	2,999
Construction in progress and prepayments for equipment	<u>1,347,776</u>	<u>-</u>	<u>1,347,776</u>
	<u>\$ 1,730,013</u>	<u>(\$ 73,352)</u>	<u>\$ 1,656,661</u>
December 31, 2007			
Item	(NT\$)		
	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	<u>13,368</u>	<u>(9,247)</u>	<u>4,121</u>
	<u>\$ 368,152</u>	<u>(\$ 58,261)</u>	<u>\$ 309,891</u>

Item	December 31, 2008		
	Original cost	Accumulated depreciation	Net book value
Land	\$ 5,539	\$ -	\$ 5,539
Buildings	4,685	(1,407)	3,278
Machinery	1,021	(519)	502
Transportation equipment	43	(37)	6
Furniture and fixtures	365	(273)	92
Construction in progress and prepayments for equipment	41,091	-	41,091
	<u>\$ 52,744</u>	<u>(\$ 2,236)</u>	<u>\$ 50,508</u>

Item	December 31, 2007		
	Original cost	Accumulated depreciation	Net book value
Land	\$ 5,602	\$ -	\$ 5,602
Buildings	4,626	(1,136)	3,490
Machinery	668	(344)	324
Transportation equipment	44	(31)	13
Furniture and fixtures	412	(285)	127
	<u>\$ 11,352</u>	<u>(\$ 1,796)</u>	<u>\$ 9,556</u>

The Company entered into an agreement with Founding Construction & Development Co., Ltd. to purchase 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\$41,980). As of December 31, 2008, the building was accounted for as "Construction in progress and prepayments for equipment" because of the ownership was transferred without inspection, and the Company had paid \$1,366,940 (US\$41,675) including tax. The remaining balance will be paid according to the agreement.

5) Intangible assets

	December 31, 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 year	13	543	770	1,326
Amortization	( 631)	( 25,641)	( 10,462)	( 36,734)
Book value at December 31, 2008	<u>\$ 789</u>	<u>\$ 32,051</u>	<u>\$ 10,289</u>	<u>\$ 43,129</u>
	December 31, 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 year	1,876	76,199	- -	78,075
Amortization	( 469)	( 19,050)	( 11,650)	( 31,169)
Book value at December 31, 2007	<u>\$ 1,407</u>	<u>\$ 57,149</u>	<u>\$ 19,981</u>	<u>\$ 78,537</u>

<u>December 31, 2008</u>						
<u>(US\$: Unaudited – Note 2)</u>						
	Other					
	<u>Brand</u>	<u>Copyright</u>	<u>intangible assets</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 year	-	17	23	40		
Amortization	( 19)	( 803)	( 325)	( 1,147)		
Book value at December 31, 2008	<u>\$ 24</u>	<u>\$ 977</u>	<u>\$ 314</u>	<u>\$ 1,315</u>		

<u>December 31, 2007</u>						
<u>(US\$: Unaudited – Note 2)</u>						
	Other					
	<u>Brand</u>	<u>Copyright</u>	<u>intangible assets</u>	<u>Total</u>		
Balance at January 1, 2007						
Cost	\$ -	\$ -	\$ 1,775	\$ 1,775		
Less: Accumulated amortization	- -	- -	( 805)	( 805)		
Book value at January 1, 2007	- -	- -	970	970		
Acquired during the year	58	2,350	-	2,408		
Amortization	( 15)	( 587)	( 354)	( 956)		
Book value at December 31, 2007	<u>\$ 43</u>	<u>\$ 1,763</u>	<u>\$ 616</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.

6) Short-term loans

	For the year ended December 31,			
	2008		2007	
	NT\$	US\$	NT\$	US\$
		(Unaudited)		
		(Note 2)		
Mortaged loans	\$ 25,000	\$ 762	\$ -	\$ -
Interest rate	2.50%	2.50%	-	-

The pledged asset for the above loan is disclosed in Note 6.

7) Income tax

	For the year ended December 31,			
	2008		2007	
	NT\$	US\$	NT\$	US\$
		(Unaudited)		
		(Note 2)		
Income tax expense	\$ 175,640	\$ 5,355	\$ 164,413	\$ 5,070
Under provision of prior year's income tax	( 4,067)	( 124)	( 2,116)	( 65)
Effect of deferred income tax assets	109,001	3,323	8,042	248
Foreign royalty withholding tax	( 129,535)	( 3,949)	( 112,641)	( 3,473)
Short-term notes tax	( 280)	( 9)	( 1,042)	( 32)
Prepaid income tax	( 59,214)	( 1,805)	( 722)	( 23)
Income tax payable	\$ 91,545	\$ 2,791	\$ 55,934	\$ 1,725

A. As of December 31, 2008 and 2007, the deferred income tax assets (liabilities) were as follows:

	December 31,			
	2008		2007	
	NT\$	US\$	NT\$	US\$
Total deferred income tax assets				
		(Unaudited) ( Note 2)		(Unaudited) ( Note 2)
\$ 188,892	\$ 5,759	\$ 85,768	\$ 2,645	
Total deferred income tax liabilities	(\$ 542)	(\$ 17)	(\$ 156)	(\$ 5)
Valuation allowance	(\$ 10,457)	(\$ 319)	(\$ 16,720)	(\$ 516)

B. As of December 31, 2008 and 2007, details of deferred income tax assets and liabilities were as follows:

Items	December 31,			
	2008		2007	
	(NT\$)			
Current:				
Unrealized exchange gain	(\$ 2,167)	(\$ 542)	(\$ 622)	(\$ 156)
Unrealized profit on intercompany sales	653	163	653	163
Bad debts expense	147	37	147	37
Others	30,880	7,719	12,820	3,205
		7,377		3,249
Non current:				
Investment tax credits		180,973		82,363
Valuation allowance		( 10,457)		( 16,720)
		170,516		65,643
		<u>\$ 177,893</u>		<u>\$ 68,892</u>

Items	December 31,			
	2008		2007	
	(US\$: Unaudited - Note 2)			
Items	Amount	Income tax effect	Amount	Income tax effect
<b>Current:</b>				
Unrealized exchange gain	(\$ 66)	(\$ 17)	(\$ 19)	(\$ 5)
Unrealized profit on intercompany sales	20	5	20	5
Bad debts expense	5	1	5	1
Others	941	236	395	99
		<u>225</u>		<u>100</u>
<b>Non current:</b>				
Investment tax credits		5,518		2,540
Valuation allowance		( 319)		( 516)
		<u>5,199</u>		<u>2,024</u>
		<u>\$ 5,423</u>		<u>\$ 2,124</u>

C. As of December 31, 2008, the Company's income tax returns through 2005 have been assessed and approved by the Tax Authority.

D. As of December 31, 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 Upgrading Industries	NT\$ 56,066 (US\$ 1,709)	NT\$ 5,791 (US\$ 177)	2009
"	NT\$ 88,338 (US\$ 2,693)	NT\$ 47,546 (US\$ 1,450)	2010
"	NT\$ 88,518 (US\$ 2,699)	NT\$ 45,624 (US\$ 1,391)	2011
"	NT\$134,012 (US\$ 4,086)	NT\$ 82,012 (US\$ 2,500)	2012
		<u>NT\$180,973</u>	
		(US\$ 5,518)	

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

Approval date and no.	Completion date of investment plan	Tax-exempt period	2008.1.1 ~ 2008.12.31 Tax- exempt income
Tai-Tsai-Shuey No. 09404154230 on Dec. 19, 2005	December 31, 2004	January 1, 2006 – December 31, 2010	NT\$ 679,422 (US\$ 20,714)

F. For the years ended December 31, 2008 and 2007, the income tax expense included the additional 10% corporate income tax related to the 2007 and 2006 undistributed earnings amounting to \$4,287 (US\$131) 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 exempt income for the Company's five-year tax holiday was reduced from \$403,548 (US\$12,303) to \$293,450 (US\$8,947). 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 \$36,461 (US\$1,112) to \$116 (US\$4). The Company also had to pay a \$16,453 (US\$502) tax expense but disagreed with the assessment and had requested for a reexamination. The Company received the reexamination result in February 2008. The Tax Authority increased the Company's five-year tax from \$293,450 (US\$8,947) to \$369,612 (US\$11,269) and tax-exempt amount from \$116 (US\$4) to \$33,157 (US\$ 1,011). Accordingly, the Company had to pay additional tax of NT\$4,242 (US\$129) which was paid in February 2008.

- 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 sale of 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 was 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 from \$126,778 (US\$ 3,865) to zero. The Company also had to pay a \$ 10,195 (US\$ 311) tax expense. However, the Company disagreed with the Tax Authority's opinion and had requested for a reexamination in December 2006. The Tax Authority finally recognized the tax-exempt income amounting to \$126,778 (US\$3,865), which was previously cancelled and refunded the tax expense of \$10,575 (US\$322). The receivable on the tax return was subsequently collected.
- I. The Company's 2005 income tax was assessed by the Tax Authority in September 2008. The Tax Authority considered that the available date in the market of products adopting the disc copy technique and packet writing technique of the Company indicated the products had been under mass production. Therefore, it did not meet the criteria for exemption of income tax. Accordingly, the Tax Authority decreased the Company's tax-exempt amount from \$50,330 (US\$1,534) to \$40,753 (US\$ 1,233) and the Company had to pay an additional tax of \$12,043 (US\$367). However, the Company disagreed with the Tax Authority's opinion and had requested for a reexamination in December 2008.

8) Accrued expenses

	<u>December 31,</u>			
	<u>2008</u>		<u>2007</u>	
	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
		(Unaudited)		(Unaudited)
		( Note 2)		( Note 2)
Royalty expense	\$1,014,458	\$ 30,929	\$ 600,877	\$ 18,528
Employees' bonuses and directors' and supervisors' remuneration	262,540	8,004	-	-
Payroll	61,952	1,889	46,808	1,443
Professional service fees	37,721	1,150	55,824	1,721
Commission expense	20,267	618	12,849	396
Others	<u>48,538</u>	<u>1,479</u>	<u>44,247</u>	<u>1,366</u>
	<u><u>\$1,445,476</u></u>	<u><u>\$ 44,069</u></u>	<u><u>\$ 760,605</u></u>	<u><u>\$ 23,454</u></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. The fund balance with Bank of Taiwan was \$13,904 (US\$424) and \$13,414 (US\$414) as of December 31, 2008 and 2007, 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, 2008 and 2007, were as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Discount rate	2.50%	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:

	December 31,	
	2008	2007
	(NT\$)	
<b>Benefit obligation:</b>		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	( 21,869)	( 16,959)
Accumulated benefit obligation	( 21,869)	( 16,959)
Additional benefits based on future salaries	( 19,626)	( 12,940)
Projected benefit obligation	( 41,495)	( 29,899)
Plan assets at fair value	<u>13,875</u>	<u>13,414</u>
Funded status	( 27,620)	( 16,485)
Unrecognized net obligation at transition	205	247
Unrecognized pension loss	21,340	11,276
Net loss not recognized as pension cost	( 1,919)	- -
Accrued pension liabilities	(\$ 7,994)	(\$ 4,962)
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

	December 31,	
	2008	2007
	(US\$: Unaudited – Note 2)	

<b>Benefit obligation:</b>		
Vested benefit obligation	\$ -	\$ -
Non-vested benefit obligation	( 667)	( 523)
Accumulated benefit obligation	( 667)	( 523)
Additional benefits based on future salaries	( 598)	( 399)
Projected benefit obligation	( 1,265)	( 922)
Plan assets at fair value	<u>423</u>	<u>414</u>
Funded status	( 842)	( 508)
Unrecognized net obligation at transition	6	8
Unrecognized pension loss	651	347
Net loss not recognized as pension cost	( 59)	- -
Accrued pension liabilities	(\$ 244)	(\$ 153)
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

D. In 2008 and 2007, the net periodic pension costs were as follows:

	2008	
	NT\$	US\$
	(Unaudited)	
	(Note 2)	
Service cost	\$ -	\$ -
Interest cost	1,046	32
Expected return on plan assets	(335)	(10)
Amortization of unrecognized transition obligation	41	1
Unrecognized pension loss	360	11
Net periodic pension cost	<u>\$ 1,112</u>	<u>\$ 34</u>

  

	2007	
	NT\$	US\$
	(Unaudited)	
	(Note 2)	
Service cost	\$ -	\$ -
Interest cost	902	28
Expected return on plan assets	(326)	(10)
Amortization of unrecognized transition obligation	41	1
Unrecognized pension loss	239	7
Net periodic pension cost	<u>\$ 856</u>	<u>\$ 26</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 employment is terminated. The pension costs under the defined contribution pension plan for the years ended December 31, 2008 and 2007 were \$21,874 (US\$667) and \$16,137 (US \$ 503), respectively.

F. Foreign subsidiaries have their contribution pension plans in accordance with

local policies.

G. 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 \$10,737 (US\$327) and employees' stock bonus of \$36,884 (US\$1,125). The registration of this capital increase has been completed on September 30, 2008.
- B. As of December 31, 2008, the Company's authorized capital was \$1,400,000 (US\$42,683), the issued and outstanding capital was \$1,124,158 (US\$34,273) (including exercise of employee stock options of \$26,948 (US\$822) and the conversion of bonds payable to capital stock amounted to \$132,611 (US\$4,043).

11) Capital reserve

According to 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 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 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 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 2008 was 3.66%. As of December 31, 2008, the imputation tax credit account balance was \$26,165 (US\$798). The estimated creditable tax ratio of distributed earnings for 2009 is 6.48%. As of December 31, 2008, the Company's undistributed earnings derived before and after the adoption of the imputation tax system were \$9,932 (US\$303) and \$1,703,424 (US\$51,934), respectively.

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

D. The appropriation of 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 to 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	-
	<u>\$1,029,312</u>	<u>\$ 7.94</u>	<u>\$ 861,654</u>	<u>\$ 6.86</u>

	2008		2007	
	US\$	Dividends per share (in dollars)	US\$	Dividends per share (in dollars)
Legal reserve	\$ 3,268		\$ 2,780	
Stock dividends	327	\$ -	317	\$ -
Cash dividends	24,552	0.23	20,618	0.20
Remunerations to directors and supervisors	422	-	475	-
Employees' stock bonus	1,125	0.01	880	0.01
Employees' cash bonus	1,687	-	1,498	-
	<u>\$ 31,381</u>	<u>\$ 0.24</u>	<u>\$ 26,568</u>	<u>\$ 0.21</u>

As of February 17, 2009, the appropriation of 2008 earnings had not been resolved by the Board of Directors. Information on the appropriation of the Company's earnings 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.

According to the resolution for the appropriation of 2007 earnings, employees' stock bonus of 3,688 shares, constituting 3.44% of the outstanding shares as at December 31, 2007, were distributed. The estimated earnings per share after accounting for the distribution of employees' bonus and directors' and supervisors' remuneration as expenses in 2007 is \$9.29 (US\$0.28).

- E. The estimated amounts of employees' bonus and directors' and supervisors' remuneration for 2008 are \$247,679 (US\$7,551) and \$14,861(US\$543), respectively, 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 Board of Directors on 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 employee stock option plan for the years ended December 31, 2008 and 2007 are as follows:

	For the years ended December 31,			
	2008		2007	
	Weighted -		Weighted -	
	No. of shares (in thousands)	average exercise price (in dollars)	No. of shares (in thousands)	average exercise price (in dollars)
Beginning balance	3,041	NT\$ 55.36 (US\$ 1.69)	2,970	NT\$ 50.40 (US\$ 1.55)
Options granted	-	-	440	NT\$124.00 (US\$ 3.82)
Distribution of stock dividends / adjustments for number of shares granted for one unit of options	171	NT\$ 42.67 (US\$ 1.30)	120	NT\$ 54.50 (US\$ 1.68)
Options exercised	( 504)	NT\$ 34.83 (US\$ 1.06)	( 489)	NT\$ 36.52 (US\$ 1.13)
Options revoked	-	-	-	-
Ending balance	<u>2,708</u>	NT\$ 48.70 (US\$ 1.48)	<u>3,041</u>	NT\$ 55.36 (US\$ 1.71)
Options exercisable at end of the year	<u>2,176</u>		<u>2,181</u>	
Options authorized but not granted at end of the year	<u>—</u>		<u>—</u>	

b) As of December 31, 2008, the details of the employee stock option plans are as follows:

Range of exercise price (in dollars)	Outstanding options			Exercisable options		
	No. of shares (in thousands)	Weighted average		No. of shares (in thousands)	Weighted average	
		remaining vesting period	exercise price (in dollars)		exercise price (in thousands)	exercise price (in dollars)
\$24.40~27.20	192	0.53	NT\$ 25.22 (US\$ 0.77)	192	NT\$ 25.22 (US\$ 0.77)	
\$29.20	1,403	1.50	NT\$ 29.20 (US\$ 0.89)	1,403	NT\$ 29.20 (US\$ 0.89)	
\$41.90~70.80	636	2.67	NT\$ 51.79 (US\$ 1.58)	581	NT\$ 50.01 (US\$ 1.52)	
\$111.40	477	4.92	NT\$111.40 (US\$ 3.40)	-	-	-

B. 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 effectivity of R.O.C. SFAS No. 39, "Accounting for Share-based Payment":

	For the year ended December 31, 2008	
	Financial statement information	Pro forma information
Net income	NT\$ 1,100,797 (US\$ 33,561)	NT\$ 1,087,852 (US\$ 33,166)
Basic earnings per share (in dollars)	NT\$ 9.81	NT\$ 9.70
Diluted earnings per share (in dollars)	NT\$ 9.58	NT\$ 9.47

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 year	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 year ended December 31, 2008</u>				
	<u>Amount</u>		<u>Weighted average outstanding common shares</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	\$1,276,437 (US\$ 38,916)	\$1,100,797 (US\$ 33,561)	112,207	<u>\$11.38</u> (US\$0.35)	<u>\$ 9.81</u> (US\$0.30)
Basic earnings per share					
Effect of dilutive common stock equivalent:					
Employees' stock options	-	-	1,743		
Employees' bonus	-	-	957		
Diluted earnings per share	<u>\$1,276,437</u> (US\$ 38,916)	<u>\$1,100,797</u> (US\$ 33,561)	<u>114,907</u>	<u>\$11.11</u> (US\$0.34)	<u>\$ 9.58</u> (US\$0.29)

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 increase from employees' stock bonus issuance in the calculation of weighted-average number of common shares outstanding during the reporting year, taking into account the dilutive effect 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 year ended December 31, 2007

	Amount		Weighted average outstanding	Earnings per common share (in dollars)	
	Before income tax	After income tax	common shares (in thousands)	Before income tax	After income tax
Net income	\$1,236,596 (US\$ 38,131)	\$1,072,183 (US\$ 33,061)			
Basic earnings per share			111,641	\$ 11.08 (US\$0.34)	\$ 9.60 (US\$0.30)
Effect of dilutive common stock equivalent:					
Employees' stock options	-	-	1,654		
Diluted earnings per share	\$1,236,596 (US \$38,131)	\$1,072,183 (US\$ 33,061)	113,295	\$ 10.91 (US\$0.34)	\$ 9.46 US\$0.29

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, 2008.

**15) Personnel, depreciation and amortization expenses**

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

<u>For the year ended December 31, 2008</u>						
	<u>Operating costs</u>		<u>Operating expenses</u>		<u>Total</u>	
	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
	(Unaudited) (Note 2)	(Unaudited) (Note 2)	(Unaudited) (Note 2)	(Unaudited) (Note 2)	(Unaudited) (Note 2)	(Unaudited) (Note 2)
<b>Personnel expenses</b>						
Salaries	\$ -	\$ -	\$ 837,680	\$ 25,539	\$ 837,680	\$ 25,539
Insurance	-	-	44,657	1,361	44,657	1,361
Pension	-	-	25,693	783	25,693	783
Others	-	-	15,283	466	15,283	466
Depreciation	-	-	17,355	529	17,355	529
Amortization	-	-	36,938	1,126	36,938	1,126
 <b>For the year ended December 31, 2007</b>						
	<u>Operating costs</u>		<u>Operating expenses</u>		<u>Total</u>	
	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>	<u>NT\$</u>	<u>US\$</u>
	(Unaudited) (Note 2)	(Unaudited) (Note 2)	(Unaudited) (Note 2)	(Unaudited) (Note 2)	(Unaudited) (Note 2)	(Unaudited) (Note 2)
<b>Personnel expenses</b>						
Salaries	\$ -	\$ -	\$ 435,528	\$ 13,430	\$ 435,528	\$ 13,430
Insurance	-	-	36,321	1,120	36,321	1,120
Pension	-	-	18,753	579	18,753	579
Others	-	-	11,576	357	11,576	357
Depreciation	-	-	15,568	480	15,568	480
Amortization	-	-	31,369	967	31,369	967

## 5. RELATED PARTY TRANSACTIONS

The salaries and bonuses information of the main management, such as directors, supervisors, general managers, vice general managers, etc.

	2008		2007	
	NT\$	US\$	NT\$	US\$
	(Unaudited)	(Note 2)	(Unaudited)	(Note 2)
Salaries	\$ 36,528	\$ 1,114	\$ 28,291	\$ 873
Bonuses	11,188	341	5,167	159
Service execution fees	36	1	32	1
Earning appropriation	<u>55,728</u>	<u>1,699</u>	<u>90,552</u>	<u>2,792</u>
Total	<u>\$ 103,480</u>	<u>\$ 3,155</u>	<u>\$ 124,042</u>	<u>\$ 3,825</u>

- (1)Salaries include regular wages, duty allowances, pensions, severance pay, etc.
- (2)Bonuses include various bonuses and rewards.
- (3)Service execution fees include travel allowances, special expenditures, various allowances, dorms and vehicles offering, etc.
- (4)Earnings appropriation represent directors' and supervisors' remuneration for the current year.
- (5)The amount of directors' and supervisors' remuneration for 2007 is disclosed in the Company's 2007 annual report. The 2008 amount represents estimated amount. The actual amount will be approved by the stockholders during their meeting in 2009.

## 6. DETAILS OF PLEDGED ASSETS

The Company's assets pledged as collateral as of December 31, 2008 and 2007 are as follows:

	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2008</u>	<u>December 31, 2007</u>	
Other financial assets –	\$ 62,320	\$	Short-term loans
current –	(US\$ 1,900)	(US\$ -)	and contract bond
certificate of deposit			
Other financial assets –			Guarantee for
non-current –	10,000		sequestration
certificate of deposit	(US\$ 305)	(US\$ -)	
	<u>\$ 72,320</u>	<u>\$ -</u>	
	(US\$ 2,205)	(US\$ -)	

## 7. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2008, except for those stated in Notes 4(4) and 4(7), 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 pledged a Certificate of Deposit amounting to \$10,000 (US\$305) as guarantee for sequestration of the assets of FormosaSoft. Co., Ltd. and its person-in-charge. As of December 31, 2008, the case is still in progress.
- B. CyberLink-USA and Cyberlink-Japan leases certain office space. The total future minimum lease payments under the operating lease agreement amounted to \$5,595 (US \$171) and \$11,923 (US \$364), respectively. In 2008, Cyberlink-USA and CyberLink-Japan paid lease expense of \$4,902 (US\$149) and \$5,374 (US\$164), respectively.

## 8. SIGNIFICANT LOSS OR DAMAGE

None.

## 9. SIGNIFICANT SUBSEQUENT EVENTS

None.

## 10. OTHERS

### 1) Financial statement presentation

Certain accounts in the 2007 financial statements were reclassified to conform with the 2008 financial statement presentation.

### 2) The fair values of the financial instruments

	December 31, 2008 (NT\$)			December 31, 2007 (NT\$)		
	Fair value		Quotations in an active market	Fair value		Quotations in an active market
	Book value	Estimated using a valuation technique		Book value	Estimated using a valuation technique	
<b>Financial instruments</b>						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	\$ 4,399,503	\$ -	\$ 4,399,503	\$ 1,558,718	\$ -	\$ 1,558,718
Financial assets at fair value through profit or loss-current	-	-	-	3,420,599	3,420,599	-
Other financial assets-current	62,320	-	62,320	-	-	-
Other financial assets-non current	10,000	-	10,000	-	-	-
Liabilities						
Financial liabilities with fair values equal to book values	1,655,452	-	1,655,452	924,302	-	924,302

	December 31, 2008 (US\$)			December 31, 2007 (US\$)		
	(Unaudited – Note 2)			(Unaudited – Note 2)		
	Fair value			Fair value		
	Quotations in an active market	Estimated using a valuation technique		Quotations in an active market	Estimated using a valuation technique	
	<u>Book value</u>			<u>Book value</u>		
<b>Financial instruments</b>						
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	\$ 134,131	\$ -	\$ 134,131	\$ 48,064	\$ -	\$ 48,064
Financial assets at fair value through profit or loss-current	-	-	-	105,476	105,476	-
Other financial assets-current	1,900	-	1,900	-	-	-
Other financial assets-non current	305	-	305	-	-	-
Liabilities						
Financial liabilities with fair values equal to book values	50,471	-	50,471	28,502	-	28,502

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 December 31, 2008 and 2007, the financial assets with fair value risk due to the change of interest amounted to \$1,394,900 (US\$42,527) and \$249,179 (US\$7,683), respectively.
- 4) For the years ended December 31, 2008 and 2007, total interest income for financial assets that are not at fair value through profit or loss amounted to \$27,806 (US\$848) and \$27,957 (US\$862), 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 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, 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 year ended December 31, 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 \$796 (US\$24) for the year ended December 31, 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 counterparties or thirdparties 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 years ended December 31,				
		2008		2007		
		NT\$	US\$	NT\$	US\$	
		(Unaudited)		(Unaudited)		
		(Note 2)		(Note 2)		
A) Elimination of long-term investments and stockholders' equity	CyberLink-USA	\$ 314,470	\$ 9,588	\$ 209,196	\$ 6,451	
	CyberLink-B.V.	33,997	1,036	31,320	966	
	CyberLink-B.V.I.	115,880	3,533	118,053	3,640	
	CyberLink- Investment	192,098	5,857	210,063	6,477	
	CyberLink-B.V.I. to CyberLink - Japan	21,898	668	23,300	718	
	CyberLink- Investment to Tse-Lien	780	24	890	27	
	Cyberlink- Investment to Wasay	52,498	1,601	71,917	2,218	
B) Elimination of balance sheet accounts						
Accounts receivable	CyberLink-USA	179,981	5,487	98,863	3,049	
	CyberLink-B.V.	58,002	1,768	74,025	2,283	
	CyberLink-Japan	65,085	1,984	46,310	1,428	
Other receivables	CyberLink-USA	15,821	482	4,506	139	
	CyberLink-B.V.	17,935	547	5,584	172	
	CyberLink-Japan	6,794	207	3,482	107	
	Wasay	1,543	47	-	-	
	CyberLink-B.V.I.	629	19	-	-	
C) Elimination of income						

Transactions	Subsidiaries	For the years ended December 31,				
		2008		2007		
		NT\$	US\$	NT\$	US\$	
		(Unaudited)		(Unaudited)		
		(Note 2)		(Note 2)		
statement accounts						
Sales	CyberLink-USA	\$ 601,185	\$ 18,329	\$ 342,838	10,572	
	CyberLink-B.V.	253,577	7,731	294,453	9,080	
	CyberLink-Japan	154,174	4,700	109,637	3,381	
Other income	CyberLink-USA	18,423	562	19,612	605	
	CyberLink-B.V.	21,617	659	21,913	676	
	CyberLink-Japan	6,969	212	5,484	169	
	Wasay	1,477	45	-	-	
Commission expense	CyberLink-B.V.	3,249	99	3,268	101	
	CyberLink-Japan	8	-	47	1	

8) Other significant disclosure or description: None.

11. ADDITIONAL DISCLOSURES REQUIRED BY SFC

1) Related information of significant transactions

- A. Lending to others: None.
- B. Guarantees on behalf of others: None.
- C. Marketable securities at December 31, 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	\$ 314,470	100.00	\$ 314,470
"	CyberLink Europe B.V.	"	"	1,500,000	33,997	100.00	33,997
"	CyberLink International Technology Corp.	"	"	2,000,000	115,880	100.00	115,880
"	CyberLink Investment Corp.	"	"	12,000,000	192,098	100.00	192,098
CyberLink Investment Corp.	Tse-Lien Technology Corp.	"	Long-term equity investments accounted for under the equity method	100,000	780	100.00	780
"	Wasay Software Technology Inc.	A subsidiary of CyberLink Investment Corp.	"	1,000,000	52,498	100.00	52,498
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\$ 667,636	100.00	US\$ 667,636

(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
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Long-term equity investments accounted for under the equity method	4,000,000	\$ 9,588	100.00	\$ 9,588
"	CyberLink Europe B.V.	"	"	1,500,000	1,036	100.00	1,036
"	CyberLink International Technology Corp.	"	"	2,000,000	3,533	100.00	3,533
"	CyberLink Investment Corp.	"	"	12,000,000	5,857	100.00	5,857
CyberLink Investment Corp.	Tse-Lien Techonology Corp.	A subsidiary of CyberLink Investment Corp.	Long-term equity investments accounted for under the equity method	100,000	24	100.00	24
"	Wasay Software Technology Inc.	"	"	1,000,000	1,601	100.00	1,601
CyberLink International Technology Corp.	CyberLink Inc.	A subsidiary of CyberLink International Technology Corp.	"	1,900	668	100.00	668

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

January 1, 2008 –December 31, 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)	Book value (Note)	Gain (loss) from disposal	Number of shares (thousand units)	Amount	
CyberLink Corp.	Yuanta Wan-Tai Fund	Financial assets at fair value through profit or loss-current	-	-	-	\$ -	24,681	\$353,000	24,681	\$354,773	\$ 353,000	\$ 1,773	-	-
"	Dresdner Bond DAM Fund	"			24,864	292,739	12,739	150,000	37,603	447,661	442,739	4,922	-	-
"	Fuh-hwa Bond Fund	"			33,758	457,309	14,671	200,000	48,429	663,970	657,309	6,661	-	-
"	UPAMC James Bond Fund	"	-	-	25,303	396,567	9,531	150,000	34,834	552,373	546,567	5,806	-	-
"	PCA Well Pool Fund	"	-	-	38,428	488,987	39,085	500,000	77,513	996,335	988,987	7,348	-	-
"	HSBC Money Management Fund	"			7,855	118,479	-	-	7,855	119,938	118,479	1,459	-	-
"	HSBC Money Management II Fund	"	-	-	4,128	58,929	35,649	510,995	39,777	574,840	569,924	4,916	-	-
"	HSBC Dragon Fund	"	-	-	17,569	275,137	-	-	17,569	275,415	275,137	278	-	-
"	Mega Diamond Bond Fund	"	-	-	41,596	486,370	-	-	41,596	489,722	486,370	3,352	-	-
"	Polaris Di-Bo Fund	"	-	-	40,819	459,801	23,001	261,000	63,820	723,730	720,801	2,929	-	-
"	CHB-PCA Well PoolFund	"	-	-	15,820	201,307	-	-	15,820	203,915	201,307	2,608	-	-
CyberLink Investment Corp.	ING Taiwan Bond Fund (Original name: ABN Amro Bond Fund)	"	-	-	11,560	176,963	-	-	11,560	178,805	176,963	1,842	-	-

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)	Book value (Note)	Gain (loss) from disposal	Number of shares (thousand units)	Amount	
CyberLink Corp.	Yuanta Wan-Tai Fund	Financial assets at fair value through profit or loss-current	-	-	-	\$ -	24,681	\$ 10,762	24,681	\$ 10,816	\$ 10,762	\$ 54	-	-
"	Dresdner Bond DAM Fund	"			24,864	9,027	12,739	4,573	37,603	13,648	13,600	48	-	-
"	Fuh-hwa Bond Fund	"			33,758	14,101	14,671	6,098	48,429	20,243	20,199	44	-	-
"	UPAMC James Bond Fund	"	-	-	25,303	12,228	9,531	4,573	34,834	16,841	16,801	40	-	-
"	PCA Well Pool Fund	"	-	-	38,428	15,078	39,085	15,244	77,513	30,376	30,322	54	-	-
"	HSBC Money Management Fund	"			7,855	3,653	-	-	7,855	3,657	3,653	4	-	-
"	HSBC Money Management II Fund	"	-	-	4,128	1,817	35,649	15,579	39,777	17,526	17,396	130	-	-
"	HSBC Dragon Fund	"	-	-	17,569	8,484	-	-	17,569	8,397	8,484	( 87)	-	-
"	Mega Diamond Bond Fund	"	-	-	41,596	14,998	-	-	41,596	14,931	14,998	( 67)	-	-
"	Polaris Di-Bo Fund	"	-	-	40,819	14,178	23,001	7,957	63,820	22,065	22,135	( 70)	-	-
"	CHB-PCA Well PoolFund	"	-	-	15,820	6,208	-	-	15,820	6,217	6,208	9	-	-
CyberLink Investment Corp.	ING Taiwan Bond Fund (Original name: ABN Amro Bond Fund)	"	-	-	11,560	5,457	-	-	11,560	5,451	5,457	( 6)	-	-

E. Acquisition of real estate properties exceeding \$100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2008

Property acquired by	Property acquired	Date of transaction	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	Other commitments
						Original owner who sold the property to the Company	Relationship of the original owner with the Company	Date of the original transaction	Amount			
CyberLink Corp.	Land and building (Neihu, Taipei)	2008.3.7	NT\$1,376,940 (US\$ 41,980)	NT\$1,366,940 (US\$ 41,675)	Founding Construction & Development Co., Ltd.	-	( N o t A p p l i c a b l e )			Based on appraisal reports prepared by Lee&Lin Real Estate Consultant Office and China Prudence Property Appraisement Co., Ltd.	Office building	-

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

G. Purchases and sales with related parties exceeding \$100,000 or 20% of contributed capital:

January 1, 2008 – December 31, 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\$601,185 (US\$ 18,329)	21	Note	The same as those with thirdparties	Note	NT\$179,981 (US\$ 5,487)	30
"	CyberLink Europe B.V.	"	"	NT\$253,577 (US\$ 7,731)	9	Note	"	Note	NT\$ 58,002 (US\$ 1,768)	9
"	CyberLink Inc.	A subsidiary of CyberLink International Technology Corp.	"	NT\$154,174 (US\$ 4,700)	5	Note	"	Note	NT\$ 65,085 (US\$ 1,984)	11

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 \$100,000 or 20% of the contributed capital:

Creditor	Counterparty	Relationship with the Company	Balance at December 31, 2008	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CyberLink Corp.	CyberLink. Com Corp.	A subsidiary of the Company	NT\$179,981 (US\$ 5,487)	4.31	-	-	NT\$ 46,445 (US\$ 1,416)	-

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

2) Relevant information regarding investee companies as of December 31, 2008:

(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, 2008	December 31, 2007	Shares	Percentage (%)	Book value			
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	\$ 136,327	\$ 136,327	4,000,000	100.00	\$ 314,470	\$ 99,679	\$ 99,679	A subsidiary of the Company
"	CyberLink Europe B.V.	Europe	"	64,770	64,770	1,500,000	100.00	33,997	3,760	3,760	"
"	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	64,821	64,821	2,000,000	100.00	115,880	( 5,523)	( 5,523)	"
"	CyberLink Investment Corp.	Taipei	"	220,000	220,000	12,000,000	100.00	192,098	( 17,965)	( 17,965)	"
CyberLink Investment Corp.	Tse-Lien Technology Corp.	Taipei	Sale of software	1,000	1,000	100,000	100.00	780	( 110)	( 110)	A subsidiary of CyberLink Investment Corp.
"	Wasay Software Technology Inc.	Taipei	"	85,431	84,875	1,000,000	100.00	52,498	6,297	( 20,086)	"
CyberLink International Technology Corp.	CyberLink Inc.	Japan	"	US\$847,919	US\$847,919	1,900	100.00	US\$667,636	(US\$130,416)	(US\$130,416)	A subsidiary of CyberLink International Technology Corp.

(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, 2008	December 31, 2007	Shares	Percentage (%)	Book value			
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	\$ 4,156	\$ 4,204	4,000,000	100.00	\$ 9,588	\$ 3,039	\$ 3,039	A subsidiary of the Company
"	CyberLink Europe B.V.	Europe	"	1,975	1,997	1,500,000	100.00	1,036	115	115	"
"	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	1,976	1,999	2,000,000	100.00	3,533	( 168)	( 168)	"
"	CyberLink Investment Corp.	Taipei	"	6,707	6,784	12,000,000	100.00	5,857	( 548)	( 548)	"
CyberLink Investment Corp.	Tse-Lien Technology Corp.	Taipei	Sale of software	30	31	100,000	100.00	24	( 3)	( 3)	A subsidiary of CyberLink Investment Corp.
"	Wasay Software Technology Inc.	Taipei	"	2,605	2,617	1,000,000	100.00	1,601	192	( 612)	"
CyberLink International Technology Corp.	CyberLink Inc.	Japan	"	848	848	1,900	100.00	668	( 130)	( 130)	A subsidiary of CyberLink International Technology Corp.

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

4) Intercompany transactions

January 1, 2008 ~ December 31, 2008

Number of the Company (Note 1)	Company	Names of Counterparty	Relationship with Company (Note 2)	Transaction				
				Subject	Amount (NT\$)	Amount (US\$)	Terms of Transaction	Percentage of Consolidated Revenue or Assets (Note 3)
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	\$ 601,185	\$ 18,329	Sales to Subsidiaries are at normal selling price and are collected 90 days after the delivery of goods.	13
				Accounts receivable	179,981	5,487		3
"	"	CyberLink Europe B.V.	"	Sales revenue	253,577	7,731		5
				Accounts receivable	58,022	1,768		1
"	"	CyberLink Inc.	"	Sales revenue	154,174	4,700		3
				Accounts receivable	65,085	1,984		1

January 1, 2007 ~ December 31, 2007

Number of the Company (Note 1)	Company	Names of Counterparty	Relationship with Company (Note 2)	Transaction				
				Subject	Amount (NT\$)	Amount (US\$ 2)	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 Subsidiaries 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

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

A. Parent Company: 0

B. Subsidiaries are numbered from 1.

Note 2 : Relationships between the counterparties:

A. Parent company to subsidiary.

B. Subsidiary to parent company.

C. Subsidiary to subsidiaries.

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. SEGMENT 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 2008 and 2007 are as follows:

	2008											
	Taiwan		America		Asia		Europe		Elimination		Consolidated	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Sales to unaffiliated customers	\$ 1,851,446	\$ 56,446	\$ 2,203,879	\$ 67,191	\$ 295,880	\$ 9,021	\$ 331,356	\$ 10,102	\$ -	\$ -	\$ 4,682,561	\$ 142,760
Sales to the Company and its consolidated subsidiaries	1,017,217	31,013	-	-	8	-	-	-	( 1,017,225)	( 31,013)	-	-
Total sales	\$ 2,868,663	\$ 87,459	\$ 2,203,879	\$ 67,191	\$ 295,888	\$ 9,021	\$ 331,356	\$ 10,102	( \$ 1,017,225)	( \$ 31,013)	\$ 4,682,561	\$ 142,760
Operating income	(\$ 71,918)	(\$ 2,193)	\$ 793,514	\$ 24,193	\$ 159,617	\$ 4,866	\$ 304,781	\$ 9,292			\$ 1,185,994	\$ 36,158
Investment income under the equity method											-	-
Other non-operating income, net											90,443	2,757
Income before income tax											\$ 1,276,437	\$ 38,915
Identifiable assets	\$ 5,169,446	\$ 157,605	\$ 1,007,532	\$ 30,718	\$ 141,253	\$ 4,306	\$ 117,685	\$ 3,588			\$ 6,435,916	\$ 196,217
Long-term investments under the equity method											-	-
Total assets											\$ 6,435,916	\$ 196,127
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	\$ 2,305,862	\$ 71,103	\$ 1,557,061	\$ 48,013	\$ 229,261	\$ 7,069	\$ 372,206	\$ 11,477	( \$ 747,892)	( \$ 23,061)	\$ 3,716,498	\$ 114,601
Operating income	\$ 237,061	\$ 7,310	\$ 427,374	\$ 13,179	\$ 121,223	\$ 3,738	\$ 349,766	\$ 10,785			\$ 1,135,424	\$ 35,012
Investment income under the equity method											-	-
Other non-operating income, net											101,172	3,119
Income before income tax											\$ 1,236,596	\$ 38,131
Identifiable assets	\$ 4,579,501	\$ 141,212	\$ 648,801	\$ 20,006	\$ 106,650	\$ 3,289	\$ 116,748	\$ 3,600			\$ 5,451,700	\$ 168,107
Long-term investments under the equity method											-	-
Total assets											\$ 5,451,700	\$ 168,107

3) Information about the Company's export sales: For the years ended December 31, 2008 and 2007, the Company's export sales were \$3,698,890 (US\$112,771) and \$2,964,962 (US\$91,427), respectively. The information on export sales are as follows:

	2008		2007	
	NT\$	US\$	NT\$	US\$
	(Unaudited)	(Note 2)	(Unaudited)	(Note 2)
America	\$ 2,235,773	\$ 68,164	\$ 1,571,637	\$ 48,462
Asia	919,296	28,027	849,173	26,185
Europe	305,565	9,316	329,099	10,148
Others	<u>238,256</u>	<u>7,264</u>	<u>215,053</u>	<u>6,632</u>
	<u><u>\$ 3,698,890</u></u>	<u><u>\$ 112,771</u></u>	<u><u>\$ 2,964,962</u></u>	<u><u>\$ 91,427</u></u>

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

Customer	2008		2007	
	Amount	Percentage	Amount	Percentage
Customer A	NT\$1,185,728 (US\$ 36,150)	25%	NT\$ 967,452 (US\$ 29,832)	26%
Customer B	NT\$ 940,367 (US\$ 28,670)	20%	NT\$ 507,732 (US\$ 15,656)	14%
Customer C	NT\$ 752,155 (US\$ 22,932)	16%	NT\$ 475,013 (US\$ 14,647)	13%
Customer D	NT\$ 469,013 (US\$ 14,299)	10%	NT\$ 499,089 (US\$ 15,390)	<u>13%</u>
	<u>NT\$3,347,263</u> (US\$ 102,051)	<u>71%</u>	<u>NT\$2,449,286</u> (US\$ 75,525)	<u>66%</u>