CYBERLINK CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2010 AND 2009

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Report of Independent Accountants

PWCR10000305

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, 2010 and 2009, 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, 2010 and 2009, 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.

The consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2010 and 2009 expressed in United States dollars were translated from the New Taiwan dollar financial statements using the exchange rates of NT$29.13: US$1 and NT$31.99: 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 14, 2011

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)

	2010			2009		
	Amount			Amount		
	NT$	US$ (Unaudited-Note 2)	%	NT$	US$ (Unaudited-Note 2)	%
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4(1))	$ 2,430,194	$ 83,426	36	$ 2,856,252	$ 89,286	42
Financial assets at fair value through profit or loss - current (Note 4(2))	1,931,694	66,313	29	1,387,767	43,381	20
Notes receivable, net (Note 4(3))	4,850	166	-	5,187	162	-
Accounts receivable, net (Note 4(3))	341,523	11,724	5	450,984	14,098	7
Other receivables	66,382	2,279	1	42,975	1,343	1
Other financial assets – current (Note 6)	-	-	-	420	13	-
Inventories	5,425	186	-	4,952	155	-
Other current assets (Note 4(8))	17,725	608	-	27,581	862	-
	4,797,793	164,702	71	4,776,118	149,300	70
Funds and Investments						
Financial assets carried at cost - non current	4,369	150	-	-	-	-
Other financial assets - non current (Note 6)	10,000	343	-	10,000	313	-
	14,369	493	-	10,000	313	-
Property, Plant, and Equipment (Note 4(4))						
Cost	453,495	15,568	7	413,934	12,939	6
Less: accumulated depreciation	(92,078)	(3,161)	(2)	(79,896)	(2,497)	(1)
	361,417	12,407	5	334,038	10,442	5
Intangible Assets (Note 4(5))						
Brand	-	-	-	158	5	-
Copyright	-	-	-	6,410	200	-
Deferred pension cost (Note 4(11))	123	4	-	164	5	-
Other intangible assets	2,784	96	-	35,960	1,124	1
	2,907	100	-	42,692	1,334	1
Other Assets						
Assets leased to others (Note 4(6))	179,133	6,149	3	-	-	-
Refundable deposits	7,275	250	-	8,128	254	-
Deferred charges	-	-	-	37	1	-
Deferred income tax assets - non current (Note 4(8))	253,662	8,708	4	293,943	9,189	4
Other assets – other (Note 4(7))	1,155,057	39,652	17	1,345,622	42,064	20
	1,595,127	54,759	24	1,647,730	51,508	24
TOTAL ASSETS	$ 6,771,613	$ 232,461	100	$ 6,810,578	$ 212,897	100

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

	2010 Amount NT$	2010 Amount US$ (Unaudited-Note 2)	2010 %	2009 Amount NT$	2009 Amount US$ (Unaudited-Note 2)	2009 %
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities						
Accounts payable	$ 4,805	$ 165	-	$ 1,481	$ 46	-
Income tax payable (Note 4(8))	25,222	866	1	35,117	1,098	-
Accrued expenses (Notes 4(9) and (14))	1,159,942	39,819	17	1,345,413	42,057	20
Other payables (Note 4(10))	388,577	13,339	6	396,080	12,382	6
Other current liabilities	11,345	389	-	7,016	219	-
	1,589,891	54,578	24	1,785,107	55,802	26
Other Liabilities						
Accrued pension liabilities (Note 4(11))	16,156	555	-	10,486	328	-
Deposits-in	1,443	50	-	-	-	-
	17,599	605	-	10,486	328	-
Total Liabilities	1,607,490	55,183	24	1,795,593	56,130	26
Stockholders' Equity						
Capital stock (Notes 4(12) and (15))						
Common stock	1,176,837	40,399	17	1,156,820	36,162	17
Capital reserve (Note 4(13))						
Paid-in capital in excess of par value	719,538	24,701	11	663,170	20,731	10
Paid-in capital in excess of par, convertible bonds	867,363	29,776	13	867,363	27,113	13
Employee stock option	171,949	5,903	2	119,492	3,735	2
Retained earnings (Note 4(14))						
Legal reserve	655,402	22,499	10	564,850	17,657	8
Special reserve	14,170	486	-	7,097	222	-
Unappropriated earnings	1,628,743	55,913	24	1,650,363	51,590	24
Other adjustments to stockholders' equity						
Cumulative translation adjustments	(62,860)	(2,158)	(1)	(11,315)	(354)	-
Net loss not recognized as pension cost (Note 4(11))	(7,019)	(241)	-	(2,855)	(89)	-
Total Stockholders' Equity	5,164,123	177,278	76	5,014,985	156,767	74
Commitments (Note 7)						
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,771,613	$ 232,461	100	$ 6,810,578	$ 212,897	100

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

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)

	2010			2009		
	Amount			Amount		
	NT$	US$ (Unaudited-Note 2)	%	NT$	US$ (Unaudited-Note 2)	%
Operating revenues						
Sales revenue	$ 4,565,742	$ 156,737	102	$ 4,623,775	$ 144,538	101
Less: Sales returns	(58,044)	(1,993)	(1)	(55,995)	(1,750)	(1)
Sales allowances	(22,684)	(779)	(1)	(8,730)	(273)	-
Net sales	4,485,014	153,965	100	4,559,050	142,515	100
Operating costs						
Cost of sales	(16,976)	(583)	-	(22,364)	(699)	-
Gross profit	4,468,038	153,382	100	4,536,686	141,816	100
Operating expenses (Notes 4(11), (14) and (17))						
Selling	(2,470,053)	(84,794)	(55)	(2,624,959)	(82,056)	(58)
General	(199,514)	(6,849)	(5)	(220,652)	(6,898)	(5)
Research and development	(683,130)	(23,451)	(15)	(646,975)	(20,224)	(14)
Total operating expenses	(3,352,697)	(115,094)	(75)	(3,492,586)	(109,178)	(77)
Operating income	1,115,341	38,288	25	1,044,100	32,638	23
Non-operating income						
Interest income	9,959	342	-	15,164	474	-
Gain on financial assets at fair value through profit or loss (Note 4(2))	4,448	153	-	1,067	33	-
Other income	18,981	652	-	14,201	444	-
Total non-operating income	33,388	1,147	-	30,432	951	-
Non-operating expenses						
Foreign exchange loss-net	(24,832)	(852)	(1)	(46,288)	(1,447)	(1)
Other expenses	(18,791)	(645)	-	(13,209)	(412)	-
Total non-operating expenses	(43,623)	(1,497)	(1)	(59,497)	(1,859)	(1)
Income before income tax	1,105,106	37,938	24	1,015,035	31,730	22
Income tax expense (Note 4(8))	(275,939)	(9,473)	(6)	(109,516)	(3,424)	(2)
Consolidated net income	$ 829,167	$ 28,465	18	$ 905,519	$ 28,306	20
Attributable to:						
Equity holders of the Company	$ 829,167	$ 28,465	18	$ 905,519	$ 28,306	20

	2010 NT$ Before tax	2010 NT$ After tax	2010 US$ Before tax	2010 US$ After tax	2009 NT$ Before tax	2009 NT$ After tax	2009 US$ Before tax	2009 US$ After tax
Basic earnings per share (Note 4(16)) (In dollars)	$ 9.44	$ 7.08	$ 0.32	$ 0.24	$ 8.80	$ 7.85	$ 0.28	$ 0.25
Diluted earnings per share (Note 4(16)) (In dollars)	$ 9.28	$ 6.96	$ 0.32	$ 0.24	$ 8.57	$ 7.65	$ 0.27	$ 0.24

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

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Retained earnings					
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Cumulative translation adjustments	Net loss not recognized as pension cost	Total
Balance at January 1, 2009	$ 1,124,158	$ 1,471,868	$ 454,770	$ 7,097	$ 1,713,356	$ 2,935	($ 1,714)	$4,772,470
Distribution of 2008 earnings (Note):								
Legal reserve	-	-	110,080	-	(110,080)	-	-	-
Stock dividends	11,295	-	-	-	(11,295)	-	-	-
Cash dividends	-	-	-	-	(847,137)	-	-	(847,137)
Employees' stock bonus	13,419	159,957	-	-	-	-	-	173,376
Exercise of employee stock options	7,948	18,200	-	-	-	-	-	26,148
Cumulative translation adjustments	-	-	-	-	-	(14,250)	-	(14,250)
Net loss not recognized as pension cost	-	-	-	-	-	-	(1,141)	(1,141)
Net income for 2009	-	-	-	-	905,519	-	-	905,519
Balance at December 31, 2009	$ 1,156,820	$1,650,025	$ 564,850	$ 7,097	$ 1,650,363	($ 11,315)	($ 2,855)	$5,014,985
Balance at January 1, 2010	$ 1,156,820	$ 1,650,025	$ 564,850	$ 7,097	$ 1,650,363	($ 11,315)	($ 2,855)	$5,014,985
Distribution of 2009 earnings (Note):								
Legal reserve	-	-	90,552	-	(90,552)	-	-	-
Special reserve	-	-	-	7,073	(7,073)	-	-	-
Stock dividends	9,038	-	-	-	(9,038)	-	-	-
Cash dividends	-	-	-	-	(744,124)	-	-	(744,124)
Employees' stock bonus	4,754	56,368	-	-	-	-	-	61,122
Exercise of employee stock options	6,225	52,457	-	-	-	-	-	58,682
Cumulative translation adjustments	-	-	-	-	-	(51,545)	-	(51,545)
Net loss not recognized as pension cost	-	-	-	-	-	-	(4,164)	(4,164)
Net income for 2010	-	-	-	-	829,167	-	-	829,167
Balance at December 31, 2010	$ 1,176,837	$1,758,850	$ 655,402	$ 14,170	$ 1,628,743	($ 62,860)	($ 7,019)	$5,164,123

Note: Remunerations to directors and supervisors of $12,225 and employees' bonus of $203,742 and remunerations to directors and supervisors of $14,861 and employees' bonus of $247,679 have been deducted from consolidated statements of income for 2009 and 2008, respectively.

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CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(EXPRESSED IN THOUSANDS OF US DOLLARS) (UNAUDITED-NOTE 2)

			Retained earnings			Cumulative translation adjustments	Net loss not recognized as pension cost	
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings			Total
Balance at January 1, 2009	$ 34,273	$ 44,874	$ 13,865	$ 216	$ 52,236	$ 90	($ 52)	$ 145,502
Distribution of 2008 earnings (Note) :								
Legal reserve	-	-	3,441	-	(3,441)	-	-	-
Stock dividends	353	-	-	-	(353)	-	-	-
Cash dividends	-	-	-	-	(26,481)	-	-	(26,481)
Employees' stock bonus	419	5,000	-	-	-	-	-	5,419
Exercise of employee stock options	248	569	-	-	-	-	-	817
Net loss not recognized as pension cost	-	-	-	-	-	-	(37)	(37)
Net income for 2009	-	-	-	-	28,306	-	-	28,306
Cumulative translation adjustments	869	1,136	351	6	1,323	(444)	-	3,241
Balance at December 31, 2009	$ 36,162	$ 51,579	$ 17,657	$ 222	$ 51,590	($ 354)	($ 89)	$ 156,767
Balance at January 1, 2010	$ 36,162	$ 51,579	$ 17,657	$ 222	$ 51,590	($ 354)	($ 89)	$ 156,767
Distribution of 2009 earnings (Note) :								
Legal reserve	-	-	3,109	-	(3,109)	-	-	-
Special reserve	-	-	-	243	(243)	-	-	-
Stock dividends	310	-	-	-	(310)	-	-	-
Cash dividends	-	-	-	-	(25,545)	-	-	(25,545)
Employees' stock bonus	163	1,935	-	-	-	-	-	2,098
Exercise of employee stock options	214	1,801	-	-	-	-	-	2,015
Net loss not recognized as pension cost	-	-	-	-	-	-	(143)	(143)
Net income for 2010	-	-	-	-	28,465	-	-	28,465
Cumulative translation adjustments	3,550	5,065	1,733	21	5,065	(1,804)	(9)	13,621
Balance at December 31, 2010	$ 40,399	$ 60,380	$ 22,499	$ 486	$ 55,913	($ 2,158)	($ 241)	$ 177,278

Note: Remunerations to directors and supervisors of $420 and employees' bonus of $6,994 and remunerations to directors and supervisors of $465 and employees' bonus of $7,742 have been deducted from consolidated statements of income for 2009 and 2008, respectively.

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

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

	2010		2009	
	NT$	US$ (Unaudited - Note 2)	NT$	US$ (Unaudited - Note 2)
Cash flows from operating activities				
Net income	$ 829,167	$ 28,465	$ 905,519	$ 28,306
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Gain on financial assets at fair value through profit or loss	(4,448)	(153)	(1,067)	(33)
Bad debts expense (transferred to other income)	518	18	(4,429)	(138)
Loss on disposal of inventory	679	23	2,337	73
(Gain) loss on disposal of property, plant and equipment	(111)	(4)	289	9
Construction in progress transferred to operating expense	-	-	1,674	52
Depreciation and other expenses	26,550	911	24,697	772
Amortization	42,155	1,447	67,172	2,100
Employees' stock option cost	32,120	1,103	4,030	126
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Financial assets at fair value through profit or loss	(539,479)	(18,520)	(1,386,700)	(43,348)
Notes and accounts receivable	89,232	3,063	40,177	1,256
Other receivables	(3,384)	(116)	63,234	1,977
Inventories	(1,152)	(40)	2,574	80
Other current assets	(5,426)	(186)	(5,244)	(164)
Deferred income tax assets	44,458	1,526	(127,934)	(3,999)
Increase (decrease) in liabilities:				
Accounts payable	3,324	114	(4,062)	(127)
Income tax payable	(9,895)	(340)	(56,428)	(1,764)
Accrued expenses	(75,470)	(2,591)	21,955	686
Other payables	14,680	504	342,203	10,697
Other current liabilities	4,524	155	(6,106)	(191)
Accrued pension liabilities	1,547	53	1,392	44
Net cash provided by (used in) operating activities	449,589	15,432	(114,717)	(3,586)
Cash flows from investing activities				
Decrease in other financial assets	420	14	61,900	1,935
Acquisition of financial assets carried at cost	(4,823)	(166)	-	-
Acquisition of property, plant, and equipment, assets leased to other and other asset	(43,785)	(1,503)	(50,017)	(1,564)
Disposal of property, plant and equipment	190	7	64	2
Increase in other intangible assets	(2,374)	(81)	(798)	(25)
Decrease in refundable deposits - net	853	29	872	27
Net cash (used in) provide by investing activities	(49,519)	(1,700)	12,021	375

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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)

	2010		2009	
	NT$	US$ (Unaudited - Note 2)	NT$	US$ (Unaudited - Note 2)
Cash flows from financing activities				
Decrease in short-term loans	$ -	$ -	($ 25,000)	($ 781)
Payment of cash dividends	(744,124)	(25,545)	(847,137)	(26,481)
Payment of employees' bonus	(13,972)	(480)	(20,364)	(637)
Increase in deposits	1,443	50	-	-
Exercise of employee stock options	26,562	912	22,118	691
Net cash used in financing activities	(730,091)	(25,063)	(870,383)	(27,208)
Effects of changes in exchange rates of foreign currency holdings	(85,268)	5,841	(22,320)	2,277
Effect of changes in consolidated entities	(10,769)	(370)	-	-
Net decrease in cash and cash equivalents	(426,058)	(5,860)	(995,399)	(28,142)
Cash and cash equivalents at beginning of the year	2,856,252	89,286	3,851,651	117,428
Cash and cash equivalents at end of the year	$ 2,430,194	$ 83,426	$ 2,856,252	$ 89,286
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Income tax	$ 247,506	$ 8,497	$ 291,133	$ 9,101
Interest	$ -	$ -	$ 10	$ -
Financing activities which have no effect on cash flows:				
Capital increased by employees' stock bonus	$ 61,122	$ 2,098	$ 173,376	$ 5,420

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

CYBERLINK CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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, 2010, the Company and its subsidiaries had approximately 700 employees.

2) Consolidated subsidiaries:

Investor	Name of the subsidiary	Major operating activities	Ownership (%) December 31, 2010	Ownership (%) December 31, 2009	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 (%) December 31, 2010	Ownership (%) December 31, 2009	Note
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%	Note
〃	Wasay Software Technology Inc. (Wasay)	〃	-	100%	Note
CyberLink International Technology Corp.	CyberLink Inc. (CyberLink-Japan)	〃	100%	100%	

Note：Tse-Lien and Wasay have been liquidated on December 28, 2010. The income (loss) of Tse-Lien and Wasay before the Company lost control over the subsidiaries is included in the consolidated statement of income.

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: None.

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

A. Financial assets and financial liabilities at fair value through profit or loss are recognized and derecognized using trade date accounting and are recognized initially at fair value.

B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.

6) 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.

7) Inventories

Inventories are stated at cost. The cost is determined using the weighted-average method. At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value should be based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expense.

8) 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.

9) 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.

10) Deferred charges

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

11) Pension plan

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Unrecognized net transition obligation is amortized on a straight-line basis over 10 years. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

12) Share-based payment – employee compensation plan

A. The employee stock options granted from January 1, 2004 through December 31, 2007 are accounted for in accordance with EITF 92-070, EITF 92-071 and EITF 92-072 of the Accounting Research and Development Foundation, R.O.C., dated March 17, 2003, "Accounting for Employee Stock Options", prescribed by the R.O.C. Accounting Research and Development Foundation. Under the share-based employee compensation plan, compensation cost is recognized using the intrinsic value method and pro forma disclosures of net income and earnings per share are prepared in accordance with the R.O.C. SFAS No. 39, "Accounting for share-based payments".

B. For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

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

Pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, “Criteria for Listed Companies in Calculating the Number of Shares of Employees’ Stock Bonus”, the Company calculates the number of shares of employees’ stock bonus based on the closing price of the Company’s common stock at the previous day of the stockholders’ meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

14) Income tax

A. Income tax is calculated based on accounting income after adjusting for permanent differences. 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.

D. When the income tax act is enacted, the Company shall recompute the deferred tax assets and liabilities based on the new regulation in the year the revision was announced. The change in deferred tax assets and liabilities shall be included in current year’s income tax of continuing operations.

15) 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.

16) 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.

17) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

18) 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$29.13 and US$1:NT$31.99 at December 31, 2010 and 2009, respectively. Such translation amounts are unaudited and should not be construed as representations that the NT dollar amounts represent, have been, or could be converted into US dollars at that or any other rate.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Effective January 1, 2009, the Group adopted the amendments to R.O.C SFAS No. 10, "Accounting for Inventories". The adoption of SFAS No. 10 had no significant effect on net income and earnings per share for the year ended December 31, 2009.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31,			
	2010		2009	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Cash on hand	$ 282	$ 10	$ 248	$ 8
Demand deposits	986,406	33,862	1,203,749	37,629
Checking deposits	1,938	67	2,687	84
Time deposits	1,441,568	49,487	1,649,568	51,565
	$ 2,430,194	$ 83,426	$ 2,856,252	$ 89,286

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

	December 31,			
	2010		2009	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Financial assets held for trading-Money market funds	$ 1,927,707	$ 66,176	$ 1,386,761	$ 43,350
Adjustment of financial assets held for trading	3,987	137	1,006	31
	$ 1,931,694	$ 66,313	$ 1,387,767	$ 43,381

The Group recognized a net gain of $4,448 (US$153) and $1,067 (US$33) for the years ended December 31, 2010 and 2009, respectively.

3) Notes and accounts receivable

	December 31,			
	2010		2009	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Notes receivable	$ 4,880	$ 168	$ 5,217	$ 163
Accounts receivable	342,041	11,742	451,030	14,099
	346,921	11,910	456,247	14,262
Less: Allowance for doubtful accounts	(548)	(20)	(76)	(2)
	$ 346,373	$ 11,890	$ 456,171	$ 14,260

4) Property, plant, and equipment

	December 31, 2010 (NT$)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 220,698	$ -	$ 220,698
Buildings	181,686	(60,325)	121,361
Machinery	37,173	(24,609)	12,564
Transportation equipment	5,092	(751)	4,341
Furniture and fixtures	8,846	(6,393)	2,453
	$ 453,495	($ 92,078)	$ 361,417

	December 31, 2009 (NT$)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 200,415	$ -	$ 200,415
Buildings	167,065	(52,976)	114,089
Machinery	31,003	(18,405)	12,598
Transportation equipment	5,115	(860)	4,255
Furniture and fixtures	10,336	(7,655)	2,681
	$ 413,934	($ 79,896)	$ 334,038

Item	December 31, 2010 (US$: Unaudited - Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 7,576	$ -	$ 7,576
Buildings	6,237	(2,071)	4,166
Machinery	1,276	(845)	431
Transportation equipment	175	(26)	149
Furniture and fixtures	304	(219)	85
	$ 15,568	($ 3,161)	$ 12,407

Item	December 31, 2009 (US$: Unaudited - Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 6,265	$ -	$ 6,265
Buildings	5,222	(1,656)	3,566
Machinery	969	(575)	394
Transportation equipment	160	(27)	133
Furniture and fixtures	323	(239)	84
	$ 12,939	($ 2,497)	$ 10,442

5) Intangible assets

	December 31, 2010 (NT$) Brand	Copyright	Other intangible assets	Total
Balance at January 1, 2010				
Cost	$ 1,889	$ 76,742	$ 86,788	$ 165,419
Less: Accumulated amortization	(1,731)	(70,332)	(50,828)	(122,891)
Book value at January 1, 2010	158	6,410	35,960	42,528
Acquired during the year	-	-	2,374	2,374
Amortization	(158)	(6,410)	(35,550)	(42,118)
Book value at December 31, 2010	$ -	$ -	$ 2,784	$ 2,784

	December 31, 2009 (NT$)			
	Brand	Copyright	Other intangible assets	Total
Balance at January 1, 2009				
Cost	$ 1,889	$ 76,742	$ 98,001	$ 176,632
Less: Accumulated amortization	(1,100)	(44,691)	(22,112)	(67,903)
Book value at January 1, 2009	789	32,051	75,889	108,729
Acquired during the year	-	-	798	798
Amortization	(631)	(25,641)	(40,727)	(66,999)
Book value at December 31, 2009	$ 158	$ 6,410	$ 35,960	$ 42,528

	December 31, 2010 (US$: Unaudited – Note 2)			
	Brand	Copyright	Other intangible assets	Total
Balance at January 1, 2010				
Cost	$ 65	$ 2,634	$ 2,979	$ 5,678
Less: Accumulated amortization	(60)	(2,414)	(1,745)	(4,219)
Book value at January 1, 2010	5	220	1,234	1,459
Acquired during the year	-	-	82	82
Amortization	(5)	(220)	(1,220)	(1,445)
Book value at December 31, 2010	$ -	$ -	$ 96	$ 96

	December 31, 2009 (US$: Unaudited – Note 2)			
	Brand	Copyright	Other intangible assets	Total
Balance at January 1, 2009				
Cost	$ 58	$ 2,367	$ 2,993	$ 5,418
Less: Accumulated amortization	(34)	(1,390)	(679)	(2,103)
Book value at January 1, 2009	24	977	2,314	3,315
Acquired during the year	-	-	25	25
Amortization	(19)	(777)	(1,215)	(2,011)
Book value at December 31, 2009	$ 5	$ 200	$ 1,124	$ 1,329

6) Assets leased to others

The Company leased part of its fixed assets to others in May 2010 and reclassified such fixed assets to "Assets leased to others".

	December 31, 2010 (NT$)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 107,280	$ -	$ 107,280
Buildings	74,661	(2,808)	71,853
	$ 181,941	($ 2,808)	$ 179,133

	December 31, 2010 (US$: Unaudited - Note 2)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 3,683	$ -	$ 3,683
Buildings	2,563	(97)	2,466
	$ 6,246	($ 97)	$ 6,149

7) Other assets - other

	December 31, 2010 (NT$)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 691,744	$ -	$ 691,744
Buildings	481,418	(18,105)	463,313
	$ 1,173,162	($ 18,105)	$ 1,155,057

Item	December 31, 2009 (NT$) Original cost	Accumulated depreciation	Net book value
Land	$ 799,024	$ -	$ 799,024
Buildings	556,602	(10,004)	546,598
	$ 1,355,626	($ 10,004)	$ 1,345,622

Item	December 31, 2010 (US$: Unaudited - Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 23,747	$ -	$ 23,747
Buildings	16,527	(622)	15,905
	$ 40,274	($ 622)	$ 39,652

Item	December 31, 2009 (US$: Unaudited - Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 24,978	$ -	$ 24,978
Buildings	17,399	(313)	17,086
	$ 42,377	($ 313)	$ 42,064

The Company entered into an agreement with Founding Construction & Development Co., Ltd. to purchase real estate properties in March 2008. The agreement includes purchasing land located in Nei-Hu District and the B-building from 1F to 9F in "Sun-Ted Plaza". The B-building was bought off in February 2009. The Company plans to lease the building. As of December 31, 2010, part of the building was leased to others and was disclosed in Note 4(6). Therefore, the portion not leased was reclassified as "Other assets – other".

8) Income tax

	For the years ended December 31,			
	2010		2009	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Income tax expense	$ 275,939	$ 9,473	$ 109,516	$ 3,424
Over (under) provision of prior year's income tax	13,851	475	(1,026)	(32)
Effect of deferred income tax assets	(44,458)	(1,526)	127,934	3,999
Foreign royalty withholding tax	(160,071)	(5,495)	(137,110)	(4,286)
Short-term notes interest tax	-	-	(30)	(1)
Prepaid income tax	(60,039)	(2,061)	(64,167)	(2,006)
Income tax payable	$ 25,222	$ 866	$ 35,117	$ 1,098

A. As of December 31, 2010 and 2009, the deferred income tax assets (liabilities) were as follows:

	December 31,			
	2010		2009	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Total deferred income tax assets	$ 337,012	$ 11,569	$ 353,388	$ 11,047
Total deferred income tax liabilities	($ 2,082)	($ 71)	$ -	$ -
Valuation allowance	($ 73,561)	($ 2,525)	($ 47,561)	($ 1,487)

B. As of December 31, 2010 and 2009, details of deferred income tax assets and liabilities were as follows:

	December 31,			
	2010		2009	
	(NT$)			
Items	Amount	Tax effect	Amount	Tax effect
Current:				
Unrealized exchange (gain) loss	($ 12,247)	($ 2,082)	$ 3,700	$ 740
Unrealized profit on intercompany sales	7,969	1,355	1,206	241
Others		8,434		10,903
		7,707		11,884
Non current:				
Investment tax credits		327,223		341,504
Valuation allowance		(73,561)		(47,561)
		253,662		293,943
		$ 261,369		$ 305,827

	December 31,			
	2010		2009	
	(US$: Unaudited - Note 2)			
Items	Amount	Tax effect	Amount	Tax effect
Current:				
Unrealized exchange (gain) loss	($ 420)	($ 71)	$ 116	$ 23
Unrealized profit on intercompany sales	274	47	38	8
Others		290		341
		266		372
Non current:				
Investment tax credits		11,233		10,675
Valuation allowance		(2,525)		(1,486)
		8,708		9,189
		$ 8,974		$ 9,561

C. As of December 31, 2010, the Company's income tax returns through 2007, except 2006, have been assessed and approved by the Tax Authority.

D. As of December 31, 2010, 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$ 88,338 (US$ 3,033)	NT$ 7,156 (US$ 246)	2010
〃	NT$ 88,518 (US$ 3,039)	NT$ 40,353 (US$ 1,385)	2011
〃	NT$134,361 (US$ 4,612)	NT$ 80,329 (US$ 2,758)	2012
〃	NT$218,124 (US$ 7,488)	NT$199,385 (US$ 6,844)	2013
		NT$327,223 (US$ 11,233)	

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	2010.1.1 ~ 2010.12.31 Tax-exempt income
Tai-Tsai-Shuey No. 09404154230 on Dec. 19, 2005	December 31, 2004	January 1, 2006 – December 31, 2010	NT$ 618,708 (US$ 21,240)

F. For the years ended December 31, 2010 and 2009, the income tax expense included the additional 10% corporate income tax related to the 2009 and 2008 undistributed earnings amounting to $5,473 (US$188) and $13,229 (US$414), respectively. These amounts were recognized based on the resolution adopted in the Company stockholders' meeting to retain the 2009 and 2008 earnings.

9) Accrued expenses

	December 31,			
	2010		2009	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Royalty expense	$ 792,504	$ 27,205	$ 929,203	$ 29,048
Employees' bonuses and directors' and supervisors' remuneration	162,192	5,568	253,911	7,937
Employees' reward	44,631	1,532	-	-
Payroll	65,163	2,237	64,481	2,016
Professional service fees	26,638	914	25,210	788
Commission expense	15,608	536	10,977	343
Others	53,206	1,827	61,631	1,925
	$1,159,942	$ 39,819	$1,345,413	$ 42,057

10) Other payables

	December 31,			
	2010		2009	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Royalty collection	$ 353,381	$ 12,131	$ 339,029	$ 10,598
Employees' bonuses payable	21,519	739	35,491	1,110
Others	13,677	469	21,560	674
	$ 388,577	$ 13,339	$ 396,080	$ 12,382

11) Pension plan

A. The Company has a non-contributory and funded defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The fund balance with Bank of Taiwan was $14,226 (US$448) and $13,996 (US$437) as of December 31, 2010 and 2009, respectively. The fund balance is not included in the financial statements.

B. The related actuarial assumptions used to calculate the accrued pension cost, based on the measurement dates as of December 31, 2010 and 2009, were as follows:

	December 31, 2010	December 31, 2009
Discount rate	2.25%	2.25%
Rate of salary increase	3.00%	3.00%
Expected return on plan assets	2.00%	2.00%

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

	December 31,	
	2010	2009
	(NT$)	
Benefit obligation:		
Vested benefit obligation	$ -	$ -
Non-vested benefit obligation	(30,382)	(24,482)
Accumulated benefit obligation	(30,382)	(24,482)
Additional benefits based on future salaries	(24,280)	(20,688)
Projected benefit obligation	(54,662)	(45,170)
Plan assets at fair value	14,226	13,996
Funded status	(40,436)	(31,174)
Unrecognized net obligation at transition	123	164
Unrecognized pension loss	31,299	23,543
Net loss not recognized as pension cost	(7,142)	(3,019)
Accrued pension liabilities	($ 16,156)	($ 10,486)
Vested benefit	$ -	$ -

	December 31,	
	2010	2009
	(US$: Unaudited – Note 2)	
Benefit obligation:		
Vested benefit obligation	$ -	$ -
Non-vested benefit obligation	(1,043)	(765)
Accumulated benefit obligation	(1,043)	(765)
Additional benefits based on future salaries	(833)	(647)
Projected benefit obligation	(1,876)	(1,412)
Plan assets at fair value	488	437
Funded status	(1,388)	(975)
Unrecognized net obligation at transition	4	5
Unrecognized pension loss	1,074	736
Net loss not recognized as pension cost	(245)	(94)
Accrued pension liabilities	($ 555)	($ 328)
Vested benefit	$ -	$ -

D. In 2010 and 2009, the net periodic pension costs were as follows:

	For the year ended December 31, 2010	
	NT$	US$ (Unaudited) (Note 2)
Service cost	$ -	$ -
Interest cost	1,016	35
Expected return on plan assets	(303)	(10)
Amortization of unrecognized transition obligation	41	1
Unrecognized pension loss	793	27
Net periodic pension cost	$ 1,547	$ 53

	For the year ended December 31, 2009	
	NT$	US$ (Unaudited) (Note 2)
Service cost	$ -	$ -
Interest cost	1,037	33
Expected return on plan assets	(347)	(11)
Amortization of unrecognized transition obligation	41	1
Unrecognized pension loss	661	21
Net periodic pension cost	$ 1,392	$ 44

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, 2010 and 2009 were $23,581 (US$810) and $23,099 (US$722), respectively.

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

G. CyberLink Investment, Tse-Lien and Wasay have no employees and do not have retirement plans.

12) <u>Capital stock</u>

A. According to the resolution adopted at the stockholders' meeting in June 2010 and as approved by the R.O.C. SFC, the Company issued common stock by capitalizing the unappropriated retained earnings of $9,038 (US$310) and employees' stock bonus of $61,122 (US$2,098). The registration of this capital increase has been completed on October 1, 2010.

B. As of December 31, 2010, the Company's authorized capital was $1,610,000 (US$55,269), the issued and outstanding capital was $1,176,837 (US$40,399) (including exercise of employee stock options of $41,121 (US$1,412) and the conversion of bonds payable to capital stock amounted to $132,611 (US$4,552).

13) 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.

14) Retained earnings

A. In accordance with the Company’s Articles of Incorporation, distribution of earnings would be based on the Company’s operating and capital needs. Distribution of cash dividends is not less than 20% of stock dividend except as approved by the stockholders for significant capital expenditures. The annual net income should be used to cover any accumulated deficit and pay income tax. When distributing the remaining retained earnings, the distributions should be in accordance with the following locations:

   a) Set aside 10% of the annual income as legal reserve. When such legal reserve amounts to the total authorized capital, this provision shall not apply.
   b) Set aside special reserve according to the Securities and Exchange Act.
   c) Set aside not more than 1.5% of the balance to directors and supervisors.
   d) Any balance left over along with prior year retained earnings may be distributed as employees’ bonus and stockholders’ dividend. Employees’ bonus is not lower than 3% of total amount of employees’ bonus and stockholders’ dividend. Employees’ bonus could be distributed by cash or stock. Employee’s stock bonus shall be distributed to all full-time employees of the Company and its subsidiaries.

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 2010 was 0.92%. As of December 31, 2010, the imputation tax credit account balance was $7,950 (US$273). The estimated creditable tax ratio of distributed earnings for 2011 is 0.49%. As of December 31, 2010, the Company's undistributed earnings derived before and after the adoption of the imputation tax system were $9,932 (US$341) and $1,618,811 (US$55,572), 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 2009 and 2008 earnings had been resolved at the stockholders' meeting on June 17, 2010 and June 10, 2009, respectively. Details are summarized below:

	2009		2008	
	NT$		NT$	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 90,552		$ 110,080	
Special reserve	7,073		-	
Stock dividends	9,038	$ 0.08	11,295	$ 0.10
Cash dividends	744,124	6.42	847,137	7.50
	$ 850,787		$ 968,512	

	2010		2009	
	US$(Unaudited – Note 2)		US$(Unaudited – Note 2)	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 3,109		$ 3,441	
Special reserve	243		-	
Stock dividends	310	$ -	353	$ -
Cash dividends	25,545	0.22	26,481	0.23
	$ 29,207		$ 30,275	

The appropriation of 2009 earnings stated above is the same as that proposed by the Board of Directors on March 29, 2010.

As of February 14, 2011, the appropriation of 2010 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.

E. The estimated amounts of employees' bonus and directors' and supervisors' remuneration for 2010 are $74,625 (US$2,562) and $11,194 (US$384), respectively, based on net income in 2010 after taking into account the legal reserve and other factors which are estimated according to the distribution percentage from the resolution of the Board of Directors on March 29, 2010(10% and 1.5%, respectively). Information on the appropriation of the Company's employees' bonus and directors' and supervisors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. The Company appropriated employees' bonus and remunerations to directors' and supervisors for 2009 amounting to $203,742 (US$6,994) and $12,225 (US$420), respectively. The calculation of employees' stock bonus is based on $128.57 (US$4.41) per share; the issued shares and amount are 475,402 shares and $61,122 (US$2,098), respectively. The actual amount of employees' bonus and remuneration to directors and supervisors for 2009 is the same with that recognized in the 2009 financial statements.

15) Share-based payment - employee compensation plan

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

a) The amount and aggregate exercise price of the stock options for the employee stock option plan for the years ended December 31, 2010 and 2009 are as follows:

	For the years ended December 31,			
	2010		2009	
	No. of shares (in thousands)	Weighted - average exercise price (in dollars)	No. of shares (in thousands)	Weighted - average exercise price (in dollars)
Beginning balance	3,644	NT$ 83.77 (US$ 2.88)	2,708	NT$ 48.70 (US$ 1.52)
Options granted	-	NT$ - (US$ -)	1,708	NT$136.00 (US$ 4.25)
Distribution of stock dividends / adjustments for number of shares granted for one unit of options	32	NT$100.97 (US$ 3.47)	116	NT$ 31.21 (US$ 0.98)
Options exercised	(622)	NT$ 40.66 (US$ 1.40)	(795)	NT$ 27.83 (US$ 0.87)
Options revoked	(398)	NT$ 35.97 (US$ 1.23)	(93)	NT$ 25.34 (US$ 0.79)
Ending balance	2,656	NT$101.24 (US$ 3.48)	3,644	NT$ 89.69 (US$ 2.80)
Options exercisable at end of the year	860		1,888	
Options authorized but not granted at end of the year	7,000		1,292	

b) As of December 31, 2010, the details of the employee stock option plans are as follows:

	Outstanding options			Exercisable options	
Range of exercise price (in dollars)	No. of shares (in thousands)	Weighted average remaining vesting period	Weighted average exercise price (in dollars)	No. of shares (in thousands)	Weighted average exercise price (in dollars)
NT$ 26.90 (US$ 0.92)	433	0.69	NT$ 26.90 (US$ 0.92)	433	NT$ 26.90 (US$ 0.92)
NT$ 54.80 (US$ 1.88)	225	1.61	NT$ 54.80 (US$ 1.88)	225	NT$ 54.80 (US$ 1.88)
NT$ 94.10 (US$ 3.23)	325	3.09	NT$ 94.10 (US$ 3.23)	202	NT$ 94.10 (US$ 3.23)
NT$128.10 (US$ 4.40)	1,673	5.89	NT$128.10 (US$ 4.40)	-	-

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

	2010	2009
Equity-settled	NT$ 32,120	NT$ 4,030
	(US$ 1,103)	(US$ 126)

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

	For the year ended December 31, 2010	
	Financial statement information	Pro forma information
Net income	NT$ 829,167	NT$ 827,586
	(US$ 28,465)	(US$ 28,410)
Basic earnings per share (in dollars)	NT$ 7.08	NT$ 7.07
	(US$ 0.24)	(US$ 0.24)
Diluted earnings per share (in dollars)	NT$ 6.96	NT$ 6.95
	(US$ 0.24)	(US$ 0.24)

The fair value of the above stock option plan is calculated by using the Black-Scholes Option Pricing Model. Information of the factors and average time value are as follows:

	Date granted			
	September 7, 2004	August 9, 2005	January 30, 2007	November 18, 2009
Divided yield rate	0%	0%	0%	0%
Expected price volatility	62.22%	33.66%	41.59%	41.16%
Risk-free rate	2.33%	1.92%	1.98%	1.13%
Expected vesting period	7 years	7 years	4.875 years	4.875 years
Options issued during the year	0 units	0 units	0 units	1,708 thousand units
Average fair value (in NT dollars)	NT$ 59.76	NT$ 45.07	NT$ 52.008	NT$ 50.07

15) Earnings per common share

	For the year ended December 31, 2010				
	Amount		Weighted average outstanding common shares (in thousands)	Earnings per common share (in dollars)	
	Before income tax	After income tax		Before income tax	After income tax
Net income	$1,105,106	$ 829,167			
	(US$ 37,938)	(US$ 28,465)			
Basic earnings per share			117,113	$ 9.44	$ 7.08
				(US$0.32)	(US$0.24)
Effect of dilutive common stock equivalent:					
Employees' stock options	-	-	747		
Employees' bonus	-	-	1,256		
Diluted earnings per share	$1,105,106	$ 829,167	119,116	$ 9.28	$ 6.96
	(US$ 37,938)	(US$ 28,465)		(US$0.32)	(US$0.24)

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 2008 earnings resolved at the stockholders' meeting held in 2009 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, 2009				
	Amount		Weighted average outstanding common shares (in thousands)	Earnings per common share (in dollars)	
	Before income tax	After income tax		Before income tax	After income tax
Net income	$1,015,035	$ 905,519			
	(US$ 31,730)	(US$ 28,306)			
Basic earnings per share			115,394	$ 8.80	$ 7.85
				(US$0.28)	(US$0.25)
Effect of dilutive common stock equivalent:					
Employees' stock options	-	-	1,416		
Employees' bonus	-	-	1,589		
Diluted earnings per share	$1,015,035	$ 905,519	118,399	$ 8.57	$ 7.65
	(US$ 31,730)	(US$ 28,306)		(US$0.27)	(US$0.24)

The above weighted-average outstanding common shares have been adjusted retroactively in proportion to retained earnings and capital reserve capitalized during the year ended December 31, 2010.

16) Personnel, depreciation and amortization expenses

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

	For the year ended December 31, 2010					
	Operating costs		Operating expenses		Total	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Personnel expenses						
Salaries	$ -	$ -	$865,840	$ 29,723	$865,840	$ 29,723
Insurance	-	-	56,418	1,937	56,418	1,937
Pension	-	-	27,392	940	27,392	940
Others	-	-	16,409	563	16,409	563
Depreciation	-	-	15,641	537	15,641	537
Amortization	-	-	42,155	1,447	42,155	1,447

	For the year ended December 31, 2009					
	Operating costs		Operating expenses		Total	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Personnel expenses						
Salaries	$ -	$ -	$815,303	$ 25,486	$815,303	$ 25,486
Insurance	-	-	51,707	1,616	51,707	1,616
Pension	-	-	25,926	810	25,926	810
Others	-	-	15,358	480	15,358	480
Depreciation	-	-	14,693	459	14,693	459
Amortization	-	-	67,172	2,100	67,172	2,100

5. RELATED PARTY TRANSACTIONS

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

	2010		2009	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Salaries	$ 44,015	$ 1,511	$ 43,155	$ 1,349
Bonuses	19,574	672	11,792	369
Service execution fees	28	1	34	1
Earnings appropriation	21,516	739	37,272	1,165
Total	$ 85,133	$ 2,923	$ 92,253	$ 2,884

(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, housing and vehicle benefits, etc.

(4)Earnings appropriation represents directors' and supervisors' remuneration and employees' bonus for the current year.

(5)The amount of directors' and supervisors' remuneration for 2009 is disclosed in the Company's 2009 annual report. The 2010 amount represents estimated amount. The actual amount will be approved by the stockholders during their meeting in 2011.

6. DETAILS OF PLEDGED ASSETS

The Company's assets pledged as collateral as of December 31, 2010 and 2009 are as follows:

	Book value		
	December 31, 2010	December 31, 2009	Purpose
Other financial assets – current – certificate of deposit	$ -	$ 420 (US$ 13)	Contract bond
Other financial assets – non-current – certificate of deposit	10,000 (US$ 343)	10,000 (US$ 313)	Guarantee for sequestration
	$ 10,000 (US$ 343)	$ 10,420 (US$ 326)	

7. COMMITMENTS

As of December 31, 2010, significant commitments are as follows:

CyberLink-USA and CyberLink-Japan leases certain office space. The total future minimum lease payments under the operating lease agreements amounted to $973 (US $33) and $8,391 (US $288), respectively. In 2010, CyberLink-USA and CyberLink-Japan paid lease expenses of $4,772(US$164) and $7,602(US$261), respectively.

8. SIGNIFICANT LOSS OR DAMAGE

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

None.

10. OTHERS

1) Financial statement presentation

Certain accounts in the 2009 consolidated financial statements were reclassified to conform to the 2010 consolidated financial statement presentation.

2) The fair values of the financial instruments

	December 31, 2010 (NT$)			December 31, 2009 (NT$)		
		Fair value			Fair value	
Financial instruments	Book value	Quotations in an active market	Estimated using a valuation technique	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	$ 2,850,224	$ -	$ 2,850,224	$ 3,363,526	$ -	$ 3,363,526
Financial assets at fair value through profit or loss-current	1,931,694	1,931,694	-	1,387,767	1,387,767	-
Other financial assets-current	-	-	-	420	-	420
Other financial assets-non current	10,000	-	10,000	10,000	-	10,000
Liabilities						
Financial liabilities with fair values equal to book values	1,554,767	-	1,554,767	1,742,974	-	1,742,974

Financial instruments	December 31, 2010 (US$) (Unaudited – Note 2)			December 31, 2009 (US$) (Unaudited – Note 2)		
		Fair value			Fair value	
	Book value	Quotations in an active market	Estimated using a valuation technique	Book value	Quotations in an active market	Estimated using a valuation technique
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	$ 97,845	$ -	$ 97,845	$ 105,143	$ -	$ 105,143
Financial assets at fair value through profit or loss-current	66,313	66,313	-	43,381	43,381	-
Other financial assets-current	-	-	-	13	-	13
Other financial assets-non current	343	-	343	313	-	313
Liabilities						
Financial liabilities with fair values equal to book values	53,373	-	53,373	54,485	-	54,485

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 and Accounts payable.

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) was based on the present value of expected cash flow amount. The discount rate was the one-year rate of the Directorate General of Postal Remittances and Savings Bank. The fair value was not discounted since the difference is insignificant.

3) For the years ended December 31, 2010 and 2009, total interest income for financial assets that are not at fair value through profit or loss amounted to $9,959 (US$342) and $15,164 (US$474), respectively.

4) Procedure of financial risk control and hedge

The main financial risks are the inherent risk of the financial instruments and the exchange rate risk of foreign currency transactions. The Group uses strict risk management and takes an overall assessment on any market risk, credit risk, liquidity risk and cash flow risk of financial investments and seeks to minimize risk. Based on the Group’s policy, foreign currency transactions seek the balance of risk and liquidity in attaining the best strategy.

5) Information of financial risk

The business of the Group involves transactions in non-functional currencies; as a result, the foreign-denominated assets and liabilities of the Group will be affected by the fluctuations in exchange rates. The foreign-denominated assets and liabilities that would be significantly affected by the fluctuations in exchange rates are set forth below:

	December 31, 2010		
	US$	Exchange Rate	NT$
Net income impact			
Financial assets			
Cash and cash equivalents	$ 16,121	$ 29.13	$ 469,600
Receivables	12,464	29.13	363,081
Financial liabilities			
Payables	22,941	29.13	668,284

	December 31, 2009		
	US$	Exchange Rate	NT$
Net income impact			
Financial assets			
Cash and cash equivalents	$ 21,642	$ 31.99	$ 692,317
Receivables	13,859	31.99	443,339
Financial liabilities			
Payables	20,592	31.99	658,725

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 Group is not exposed to material market risk.

b) Credit risk

Cash and cash equivalents transactions are limited to financial institutions with good credit standing and are not expected to default. Thus, there is no material credit risk.

c) Liquidity risk

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

d) Cash flow risk

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

The funds held by the Group are all money market funds. Unit market price is not affected by the market environment. Therefore, there is no significant market risk.

b) Credit risk

The funds held by the Group are all money market funds. The issuers of these money market funds are high-credit quality financial institutions and the Group chooses money market funds that are rated by Taiwan Ratings (higher than Taiwan Ratings twAAf). Management believes its exposure to default by these parties is low.

c) Liquidity risk

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

d) Cash flow risk

The funds held by the Group are all money market funds and are not interest-bearing assets. Therefore, there is no cash flow risk due to changes in market interest rates.

C. Accounts and notes receivable

a) Market risk

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

b) Credit risk

The counterparties or third parties to the receivables are reputable international business organizations. Management believes its exposure to default by these parties is low.

c) Liquidity risk

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

d) Cash flow risk

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

D. <u>Accounts and notes payable</u>

a) Market risk

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

b) Credit risk

Accounts and notes payable are obligations of the Group. Therefore, there is no credit risk.

c) Liquidity risk

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

d) Cash flow risk

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

11. ADDITIONAL DISCLOSURES REQUIRED BY SFB

1) Related information of significant transactions

A. Lending to others: None.

B. Guarantees on behalf of others: None.

C. Marketable securities at December 31, 2010:

(NT$)

Name of the investor	Type and name of marketable securities	Relationship with the issuer	General ledger account	Number of shares	Book value	Percentage	Market value or net asset value
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Long-term equity investments accounted for under the equity method	4,000,000	$ 448,425	100.00	$ 448,425
〃	CyberLink Europe B.V.	〃	〃	1,500,000	8,353	100.00	8,353
〃	CyberLink International Technology Corp.	〃	〃	2,000,000	112,825	100.00	112,825
〃	CyberLink Investment Corp.	〃	〃	12,000,000	161,421	100.00	161,421
〃	Polaris Di-Bo Fund	None	Financial assets at fair value through profit or loss -current	45,647,299	525,702		525,702
〃	Shin Kong Chi-Shin Money-marking Fund	〃	〃	11,106,839	165,046		165,046
〃	PCA Well Pool Fund	〃	〃	52,752,588	687,129		687,129
〃	Yuanta Wan Tai Money Market Fund	〃	〃	37,463,622	543,785		543,785
CyberLink Investment Corp.	Yuanta Wan Tai Money Market Fund	〃	〃	691,171	10,032		10,032
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$ 1,393	100.00	US$ 1,393
〃	Preferred stock of Cidana inc.	None	Financial assets carried at cost - non current	500,000	US$ 150	7.14	-

(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	$ 15,394	100.00	$ 15,394
〃	CyberLink Europe B.V.	〃	〃	1,500,000	287	100.00	287
〃	CyberLink International Technology Corp.	〃	〃	2,000,000	3,873	100.00	3,873
〃	CyberLink Investment Corp.	〃	〃	12,000,000	5,541	100.00	5,541
〃	Polaris Di-Bo Fund	None	Financial assets at fair value through profit or loss -current	45,647,299	18,047		18,047
〃	Shin Kong Chi-Shin Money-market Fund	〃	〃	11,106,839	5,666		5,666
〃	PCA Well Pool Fund	〃	〃	52,752,588	23,588		23,588
〃	Yuanta Wan Tai Money Market Fund	〃	〃	37,463,622	18,668		18,668
CyberLink Investment Corp.	Yuanta Wan Tai Money Market Fund	〃	〃	691,171	344		344
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	1,393	100.00	1,393
〃	Preferred stock of Cidana Inc.	None	Financial assets carried at cost – non current	500,000	150	7.14	-

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

January 1, 2010 –December 31, 2010 (NT$)

Name of Company	Name of the security	Account used to record transaction	Counterparty	Relationship with the counterparty	Beginning balance: Number of shares (thousand units)	Beginning balance: Amount	Additions: Number of shares (thousand units)	Additions: Amount (Note)	Disposals: Number of shares (thousand units)	Disposals: Sales price	Disposals: Book value	Disposals: Gain (loss) from disposal	Ending balance: Number of shares (thousand units)	Ending balance: Amount
CyberLink Corp.	Polaris Di-Bo Fund	Financial assets at fair value through profit or loss-current	-	-	5,235	$ 60,098	43,891	$ 505,509	3,479	$ 40,000	$ 39,905	$ 95	45,647	$ 525,702
〃	PCA Well Pool Fund	〃	-	-	45,863	595,460	17,671	231,538	10,781	140,000	139,869	131	52,753	687,129
〃	Yuanta Wan Tai Money Market Fund	〃	-	-	37,468	542,149	15,855	230,931	15,859	230,000	229,295	705	37,464	543,785
〃	Polaris De-Li Fund	〃	-	-	-	-	7,355	115,000	7,355	115,015	115,000	15	-	-
〃	Shin Kong Chi-Shin Fund	〃	-	-	-	-	16,827	250,032	5,720	85,000	84,986	14	11,107	165,046
〃	JF (Taiwan) First Money Market Fund	〃	-	-	12,385	180,059	10,309	149,941	22,694	330,507	330,000	507	-	-

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: Number of shares (thousand units)	Beginning balance: Amount	Additions: Number of shares (thousand units)	Additions: Amount (Note)	Disposals: Number of shares (thousand units)	Disposals: Sales price	Disposals: Book value	Disposals: Gain (loss) from disposal	Ending balance: Number of shares (thousand units)	Ending balance: Amount
CyberLink Corp.	Polaris Di-Bo Fund	Financial assets at fair value through profit or loss-current	-	-	5,235	$ 2,063	43,891	$17,354	3,479	$ 1,373	$ 1,370	$ 3	45,647	$ 18,047
〃	PCA Well Pool Fund	〃	-	-	45,863	20,442	17,671	7,948	10,781	4,806	4,802	4	52,753	23,588
〃	Yuanta Wan Tai Money Market Fund	〃	-	-	37,468	18,611	15,855	7,928	15,859	7,896	7,871	25	37,464	18,668
〃	Polaris De-Li Fund	〃	-	-	-	-	7,355	3,948	7,355	3,948	3,948	-	-	-
〃	Shin Kong Chi-Shin Fund	〃	-	-	-	-	16,827	8,583	5,720	2,917	2,917	-	11,107	5,666
〃	JF (Taiwan) First Money Market Fund	〃	-	-	12,385	6,181	10,309	5,147	22,694	11,345	11,328	17	-	-

Note: Including valuation amount.

E. Acquisition of real estate properties exceeding $100,000 or 20% of the Company's paid-in capital during the year ended December 31, 2010: None.

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, 2010 – December 31, 2010

			Description of the transactions				Description of and reasons for difference in transaction terms compared to non-related party transactions		Accounts or notes receivable (payable)	
Name of the Company	Name of the counterparty	Relationship	Purchases (Sales)	Amount	% of total purchases (sales)	Credit terms	Unit price	Credit terms	Balance	% of total accounts or notes receivable
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Sales	NT$704,007 (US$ 24,168)	27	Note	The same as those with third parties	Note	NT$115,454 (US$ 3,963)	37
〃	CyberLink Inc.	A subsidiary of CyberLink International Technology Corp.	〃	NT$221,165 (US$ 7,592)	8	Note	〃	Note	NT$ 31,169 (US$ 1,070)	10

Note : Sales to subsidiaries are at normal selling price and are collected 30 days after the delivery of goods.

H. Receivables from related parties exceeding $100,000 or 20% of the Company's paid-in capital as at December 31, 2010:

Creditor	Counterparty	Relationship with the Company	Balance as at December 31, 2010	Turnover rate	Amount	Action taken	Amount collected subsequent the balance sheet date	Allowance for doubtful accounts
Cyberlink Corp.	Cybelink Com Corp.	A Subsidiary of the Company	NT$ 115,454 (US$ 3,963)	6.64	NT$ - (US$ -)	NT$ - (US$ -)	NT$ 115,454 (US$ 3,963)	NT$ - (US$ -)

I. Information as to transaction of derivatives: None.

2) Relevant information regarding investee companies as of December 31, 2010:

(NT$)

Name of the company	Name of the investee companies	Address	Major operating activities	Original investment amount December 31, 2010	Original investment amount December 31, 2009	Holding status Shares	Holding status Percentage (%)	Holding status Book value	Net income (loss) of investee company	Recognized investment income (loss)	Relationship with the Company
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	$ 136,327	$ 136,327	4,000,000	100.00	$ 448,425	$ 88,466	$ 88,466	A subsidiary of the Company
〃	CyberLink Europe B.V.	Europe	〃	64,770	64,770	1,500,000	100.00	8,353	(10,657)	(10,657)	〃
〃	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	64,821	64,821	2,000,000	100.00	112,825	2,570	2,570	〃
〃	CyberLink Investment Corp.	Taipei	〃	220,000	220,000	12,000,000	100.00	161,421	(7,062)	(7,062)	〃
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	US$ 848	US$ 848	1,900	100.00	US$ 1,393	US$ 325	US$ 325	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 December 31, 2010	Original investment amount December 31, 2009	Holding status Shares	Holding status Percentage (%)	Holding status Book value	Net income (loss) of investee company	Recognized investment income (loss)	Relationship with the Company
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	$ 4,680	$ 4,680	4,000,000	100.00	$ 15,394	$ 3,037	$ 3,037	A subsidiary of the Company
〃	CyberLink Europe B.V.	Europe	〃	2,223	2,223	1,500,000	100.00	287	(366)	(366)	〃
〃	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	2,225	2,225	2,000,000	100.00	3,873	88	88	〃
〃	CyberLink Investment Corp.	Taipei	〃	7,552	7,552	12,000,000	100.00	5,541	(242)	(242)	〃
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	848	848	1,900	100.00	1,393	325	325	A subsidiary of CyberLink International Technology Corp.

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

4) Intercompany transactions

January 1, 2010 ~ December 31, 2010

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	$ 704,007	$ 24,168	Note 4	16
				Service revenue	22,103	759	Note 6	0.5
				Accounts receivable	115,454	3,963	Note 4	2
〃	〃	CyberLink Europe B.V.	〃	Sales revenue	82,336	2,827	Note 4	2
				Service revenue	19,535	671	Note 6	0.4
〃	〃	CyberLink Inc.	〃	Sales revenue	221,165	7,592	Note 4	4
				Accounts receivable	31,169	1,070	Note 4	0.5

January 1, 2009 ~ December 31, 2009

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	$ 712,198	$ 22,263	Note 4	16
				Service revenue	18,722	585	Note 6	0.4
				Accounts receivable	96,606	3,020	Note 4	1
				Other receivables	23,760	743	Note 5	0.3
〃	〃	CyberLink Europe B.V.	〃	Sales revenue	114,874	3,591	Note 4	3
				Service revenue	20,618	645	Note 6	1
〃	〃	CyberLink Inc.	〃	Sales revenue	193,922	6,062	Note 4	4
				Accounts receivable	74,881	2,341	Note 4	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 another subsidiary.

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

Note 4：Sales to subsidiaries are at normal price and are collected 30 days after the delivery of goods.

Note 5：Receivables from management services provided to subsidiaries.

Note 6：Income from management service provided to subsidiaries.

12. SEGMENT REPORTING

Financial information by business segments: The Group 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 2010 and 2009 are as follows:

2010

	Taiwan		America		Asia		Europe		Elimination		Consolidated	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Sales to unaffiliated customers	$ 1,609,843	$ 55,264	$ 2,354,950	$ 80,843	$ 390,874	$ 13,418	$ 129,347	$ 4,440	$ -	$ -	$ 4,485,014	$ 153,965
Sales to the Company and its consolidated subsidiaries	1,012,087	34,744	-	-	-	-	-	-	(1,012,087)	(34,744)	-	-
Total sales	$ 2,621,930	$ 90,008	$ 2,354,950	$ 80,843	$ 390,874	$ 13,418	$ 129,347	$ 4,440	($1,012,087)	($ 34,744)	$ 4,485,014	$ 153,965
Operating income	$ 857,637	$ 29,442	$ 173,186	$ 5,945	$ 12,886	$ 442	($ 1,541)	($ 53)	$ 73,173	$ 2,512	$ 1,115,341	$ 38,288
Investment income under the equity method											-	-
Other non-operating income, net											(10,235)	(350)
Income before income tax											$ 1,105,106	$ 37,938
Identifiable assets	$ 5,544,037	$190,320	$ 1,026,469	$ 35,237	$ 174,113	$ 5,977	$ 26,994	$ 927			$ 6,771,613	$ 232,461
Long-term investments under the equity method											-	-
Total assets											$ 6,771,613	$ 232,461

2009

	Taiwan		America		Asia		Europe		Elimination		Consolidated	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Sales to unaffiliated customers	$ 1,549,063	$ 48,424	$ 2,495,442	$ 78,007	$ 353,499	$ 11,050	$ 161,046	$ 5,034	$ -	$ -	$ 4,559,050	$ 142,515
Sales to the Company and its consolidated subsidiaries	1,029,155	32,171	-	-	-	-	-	-	(1,029,155)	(32,171)	-	-
Total sales	$ 2,578,218	$ 80,595	$ 2,495,442	$ 78,007	$ 353,499	$ 11,050	$ 161,046	$ 5,034	($1,029,155)	($ 32,171)	$ 4,559,050	$ 142,515
Operating income	$ 793,440	$ 24,804	$ 176,389	$ 5,511	$ 10,200	$ 319	($ 861)	($ 26)	$ 64,932	$ 2,030	$ 1,044,100	$ 32,638
Investment income under the equity method											-	-
Other non-operating income, net											(29,065)	(908)
Income before income tax											$ 1,015,035	$ 31,730
Identifiable assets	$ 5,450,078	$170,368	$ 1,130,289	$ 35,333	$ 183,912	$ 5,749	$ 46,299	$ 1,447			$ 6,810,578	$ 212,897
Long-term investments under the equity method											-	-
Total assets											$ 6,810,578	$ 212,897

3) Information about the Company's export sales: For the years ended December 31, 2010 and 2009, the Company's export sales were $3,669,324 (US$125,964) and $3,785,783 (US$118,343), respectively. The information on export sales are as follows:

	2010		2009	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
America	$ 2,385,565	$ 81,894	$ 2,520,011	$ 78,775
Asia	750,029	25,748	760,292	23,767
Europe	215,280	7,390	224,528	7,019
Others	318,450	10,932	280,952	8,782
	$ 3,669,324	$ 125,964	$ 3,785,783	$ 118,343

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

	2010		2009	
Customer	Amount	Percentage	Amount	Percentage
Customer A	NT$1,346,016	30%	NT$ 1,294,282	28%
	(US$ 46,207)		(US$ 40,459)	
Customer B	NT$ 939,859	21%	NT$1,125,926	25%
	(US$ 32,264)		(US$ 35,196)	
Customer C	NT$ 693,196	15%	NT$ 598,904	13%
	(US$ 23,797)		(US$ 18,722)	
Customer D	NT$ 452,975	10%	NT$ 393,697	9%
	(US$ 15,550)		(US$ 12,307)	
	NT$3,432,046	76%	NT$3,412,809	75%
	(US$ 117,818)		(US$ 106,684)	