CYBERLINK CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2012 AND 2011

<u>Report of Independent Accountants</u>

PWCR12000334

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, 2012 and 2011, 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, 2012 and 2011, 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.

CyberLink Corp. has adopted, starting from January 1, 2013, International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee (collectively referred herein as “IFRSs”) as endorsed by the Financial Supervisory Commission, Executive Yuan, R.O.C (“FSC”) and the “Rules Governing the Preparation of Financial Statements by Securities Issuers” effective in 2013 in the preparation of the consolidated financial statements of CyberLink Corp. and its subsidiaries. Information relating to the adoption of IFRSs by CyberLink Corp. is disclosed in Note 13 in accordance with Jin-Guan-Jen-Shen-Zi Letter No. 0990004943 of FSC dated February 2, 2010. The IFRSs may be subject to changes during the time of transition; therefore, the actual impact of IFRSs adoption on CyberLink Corp. and its subsidiaries may also change.

The consolidated financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2012 and 2011 expressed in United States dollars were translated from the New Taiwan dollar financial statements using the exchange rates of NT$29.04: US$1 and NT$30.28: 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 20, 2013

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)

	2012			2011		
	Amount			Amount		
	NT$	US$ (Unaudited-Note 2)	%	NT$	US$ (Unaudited-Note 2)	%
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4(1))	$ 3,123,259	$ 107,550	50	$ 2,718,695	$ 89,785	42
Financial assets at fair value through profit or loss - current (Note 4(2))	980,679	33,770	16	1,389,744	45,896	21
Notes receivable, net (Note 4(3))	5,174	178	-	16,796	555	-
Accounts receivable, net (Note 4(3))	281,105	9,680	5	434,802	14,359	7
Other receivables	11,938	411	-	2,614	86	-
Inventories	8,259	284	-	7,938	262	-
Deferred income tax assets - current (Note 4(8))	16,170	557	-	13,990	462	-
Other current assets	13,716	472	-	10,599	351	-
	4,440,300	152,902	71	4,595,178	151,756	70
Funds and Investments						
Financial assets carried at cost - non current (Note 4(4))	52,891	1,821	1	53,077	1,753	1
Other financial assets - non current (Note 6)	10,000	345	-	10,000	330	-
	62,891	2,166	1	63,077	2,083	1
Property, Plant, and Equipment (Note 4(5))						
Cost	459,935	15,838	7	457,362	15,104	7
Less: accumulated depreciation	(112,854)	(3,886)	(2)	(103,750)	(3,426)	(1)
	347,081	11,952	5	353,612	11,678	6
Intangible Assets						
Deferred pension cost (Note 4(11))	41	1	-	82	3	-
Other intangible assets	430	15	-	1,369	45	-
	471	16	-	1,451	48	-
Other Assets						
Assets leased to others (Note 4(6))	1,312,347	45,191	21	1,016,337	33,565	15
Refundable deposits	4,785	165	-	5,663	187	-
Deferred income tax assets - non current (Note 4(8))	103,152	3,552	2	196,562	6,491	3
Other assets – other (Note 4(7))	-	-	-	306,932	10,137	5
	1,420,284	48,908	23	1,525,494	50,380	23
TOTAL ASSETS	$ 6,271,027	$ 215,944	100	$ 6,538,812	$ 215,945	100

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

	2012			2011		
	Amount			Amount		
	NT$	US$ (Unaudited-Note 2)	%	NT$	US$ (Unaudited-Note 2)	%
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities						
Accounts payable	$ 9,981	$ 344	-	$ 6,005	$ 198	-
Income tax payable (Note 4(8))	51,555	1,775	1	45,020	1,487	1
Accrued expenses (Notes 4(9) and (14))	943,200	32,479	15	1,172,223	38,713	18
Other payables (Note 4(10))	423,211	14,573	7	437,221	14,439	7
Other current liabilities	15,582	536	-	15,688	518	-
	1,443,529	49,707	23	1,676,157	55,355	26
Other Liabilities						
Accrued pension liabilities (Note 4(11))	24,849	856	1	15,235	503	-
Deposits-in	8,711	300	-	6,994	231	-
	33,560	1,156	1	22,229	734	-
Total Liabilities	1,477,089	50,863	24	1,698,386	56,089	26
Stockholders' Equity						
Capital stock (Notes 4(12) and (15))						
Common stock	943,507	32,490	15	943,507	31,159	15
Capital reserve (Note 4(13))						
Paid-in capital in excess of par value	719,538	24,777	11	719,538	23,763	11
Paid-in capital in excess of par, convertible bonds	867,363	29,868	14	867,363	28,645	13
Employee stock option	222,409	7,659	3	214,015	7,068	3
Retained earnings (Note 4(14))						
Legal reserve	804,873	27,716	13	738,319	24,383	11
Special reserve	43,679	1,504	1	69,880	2,308	1
Unappropriated earnings	1,282,020	44,147	20	1,331,482	43,972	20
Other adjustments to stockholders' equity						
Cumulative translation adjustments	(72,952)	(2,512)	(1)	(36,024)	(1,190)	-
Net loss not recognized as pension cost (Note 4(11))	(16,499)	(568)	-	(7,654)	(252)	-
Total Stockholders' Equity	4,793,938	165,081	76	4,840,426	159,856	74
Commitments (Notes 4(6) and 7)						
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,271,027	$ 215,944	100	$ 6,538,812	$ 215,945	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)

	2012			2011		
	Amount			Amount		
	NT$	US$ (Unaudited-Note 2)	%	NT$	US$ (Unaudited-Note 2)	%
Operating revenues						
Sales revenue	$ 3,550,533	$ 122,264	103	$ 3,948,974	$ 130,415	102
Less: Sales returns	(66,382)	(2,286)	(2)	(56,591)	(1,869)	(1)
Sales allowances	(31,367)	(1,080)	(1)	(23,182)	(765)	(1)
Net sales	3,452,784	118,898	100	3,869,201	127,781	100
Operating costs						
Cost of sales	(22,370)	(771)	-	(16,817)	(556)	-
Gross profit	3,430,414	118,127	100	3,852,384	127,225	100
Operating expenses (Notes 4(11), (14) and (17))						
Selling	(1,929,356)	(66,438)	(56)	(2,226,430)	(73,528)	(58)
General	(140,657)	(4,844)	(4)	(157,043)	(5,186)	(4)
Research and development	(510,188)	(17,568)	(15)	(589,648)	(19,473)	(15)
Total operating expenses	(2,580,201)	(88,850)	(75)	(2,973,121)	(98,187)	(77)
Operating income	850,213	29,277	25	879,263	29,038	23
Non-operating income						
Interest income	14,005	482	-	13,834	457	1
Foreign exchange gain-net	-	-	-	316	10	-
Rental income	38,746	1,334	1	13,222	437	-
Gain on financial assets at fair value through profit or loss (Note 4(2))	10,225	352	-	8,155	269	-
Other income	20,373	702	1	12,939	428	-
Total non-operating income	83,349	2,870	2	48,466	1,601	1
Non-operating expenses						
Foreign exchange loss-net	(21,698)	(747)	(1)	-	-	-
Other expenses	(13,953)	(480)	-	(16,856)	(557)	(1)
Total non-operating expenses	(35,651)	(1,227)	(1)	(16,856)	(557)	(1)
Income before income tax	897,911	30,920	26	910,873	30,082	23
Income tax expense (Note 4(8))	(246,565)	(8,491)	(7)	(245,328)	(8,102)	(6)
Consolidated net income	$ 651,346	$ 22,429	19	$ 665,545	$ 21,980	17
Attributable to:						
Equity holders of the Company	$ 651,346	$ 22,429	19	$ 665,545	$ 21,980	17

	2012 NT$ Before tax	2012 NT$ After tax	2012 US$ Before tax	2012 US$ After tax	2011 NT$ Before tax	2011 NT$ After tax	2011 US$ Before tax	2011 US$ After tax
Basic earnings per share (Note 4(16)) (In dollars)	$ 9.52	$ 6.90	$ 0.33	$ 0.24	$ 8.36	$ 6.11	$ 0.28	$ 0.20
Diluted earnings per share (Note 4(16)) (In dollars)	$ 9.39	$ 6.81	$ 0.32	$ 0.23	$ 8.28	$ 6.05	$ 0.27	$ 0.20

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, 2012 AND 2011
(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, 2011	$ 1,176,837	$1,758,850	$ 655,402	$ 14,170	$ 1,628,743	($ 62,860)	($ 7,019)	$5,164,123
Capital reduction by cash	(235,480)							(235,480)
Distribution of 2010 earnings (Note):								
Legal reserve	-	-	82,917	-	(82,917)	-	-	-
Special reserve	-	-	-	55,710	(55,710)	-	-	-
Cash dividends	-	-	-	-	(824,179)	-	-	(824,179)
Net income for 2011	-	-	-	-	665,545	-	-	665,545
Exercise of employee stock options	2,150	42,066	-	-	-	-	-	44,216
Cumulative translation adjustments	-	-	-	-	-	26,836	-	26,836
Net loss not recognized as pension cost	-	-	-	-	-	-	(635)	(635)
Balance at December 31, 2011	$ 943,507	$ 1,800,916	$ 738,319	$ 69,880	$ 1,331,482	($ 36,024)	($ 7,654)	$ 4,840,426
Balance at January 1, 2012	$ 943,507	$ 1,800,916	$ 738,319	$ 69,880	$ 1,331,482	($ 36,024)	($ 7,654)	$ 4,840,426
Distribution of 2011 earnings (Note):								
Legal reserve	-	-	66,554	-	(66,554)	-	-	-
Special reserve	-	-	-	(26,201)	26,201	-	-	-
Cash dividends	-	-	-	-	(660,455)	-	-	(660,455)
Net income for 2012	-	-	-	-	651,346	-	-	651,346
Exercise of employee stock options	-	8,394	-	-	-	-	-	8,394
Cumulative translation adjustments	-	-	-	-	-	(36,928)	-	(36,928)
Net loss not recognized as pension cost	-	-	-	-	-	-	(8,845)	(8,845)
Balance at December 31, 2012	$ 943,507	$ 1,809,310	$ 804,873	$ 43,679	$ 1,282,020	($ 72,952)	($ 16,499)	$ 4,793,938

Note: Remunerations to directors and supervisors of $9,378 and employees' bonus of $59,899 and remunerations to directors and supervisors of $10,358 and employees' bonus of $74,625 have been deducted from consolidated statements of income for 2011 and 2010, respectively.

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CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF US DOLLARS) (UNAUDITED-NOTE 2)

			Retained earnings			Cumulative	Net loss not	
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	translation adjustments	recognized as pension cost	Total
Balance at January 1, 2011	$ 40,399	$ 60,380	$ 22,499	$ 486	$ 55,913	($ 2,158)	($ 241)	$ 177,278
Capital reduction by cash	(7,777)	-	-	-	-	-	-	(7,777)
Distribution of 2010 earnings (Note) :								
Legal reserve	-	-	2,738	-	(2,738)	-	-	-
Special reserve	-	-	-	1,840	(1,840)	-	-	-
Cash dividends	-	-	-	-	(27,219)	-	-	(27,219)
Net income for 2011	-	-	-	-	21,980	-	-	21,980
Exercise of employee stock options	71	1,389	-	-	-	-	-	1,460
Net loss not recognized as pension cost	-	-	-	-	-	-	(21)	(21)
Cumulative translation adjustments	(1,534)	(2,293)	(854)	(18)	(2,124)	968	10	(5,845)
Balance at December 31, 2011	$ 31,159	$ 59,476	$ 24,383	$ 2,308	$ 43,972	($ 1,190)	($ 252)	$ 159,856
Balance at January 1, 2012	$ 31,159	$ 59,476	$ 24,383	$ 2,308	$ 43,972	($ 1,190)	($ 252)	$ 159,856
Distribution of 2011 earnings (Note) :								
Legal reserve	-	-	2,292	-	(2,292)	-	-	-
Special reserve	-	-	-	(902)	902	-	-	-
Cash dividends	-	-	-	-	(22,743)	-	-	(22,743)
Net income for 2012	-	-	-	-	22,429	-	-	22,429
Exercise of employee stock options	-	289	-	-	-	-	-	289
Net loss not recognized as pension cost	-	-	-	-	-	-	(305)	(305)
Cumulative translation adjustments	1,331	2,539	1,041	98	1,879	(1,322)	(11)	5,555
Balance at December 31, 2012	$ 32,490	$ 62,304	$ 27,716	$ 1,504	$ 44,147	($ 2,512)	($ 568)	$ 165,081

Note: Remunerations to directors and supervisors of $323 and employees' bonus of $2,063 and remunerations to directors and supervisors of $342 and employees' bonus of $2,464 have been deducted from consolidated statements of income for 2011 and 2010, 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)

	2012		2011	
	NT$	US$ (Unaudited - Note 2)	NT$	US$ (Unaudited - Note 2)
Cash flows from operating activities				
Net income	$ 651,346	$ 22,429	$ 665,545	$ 21,980
Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on financial assets at fair value through profit or loss	(10,225)	(352)	(8,155)	(269)
Loss on obsolescence of inventories	4,960	171	760	25
Loss on disposal of property, plant and equipment	-	-	155	5
Depreciation and other expenses	20,989	723	23,488	776
Amortization	939	32	1,415	47
Employees' stock option cost	8,394	289	30,231	998
Changes in assets and liabilities:				
(Increase) decrease in assets:				
Financial assets at fair value through profit or loss	419,290	14,438	550,105	18,167
Notes and accounts receivable	158,832	5,469	(97,301)	(3,213)
Other receivables	(9,509)	(327)	63,895	2,110
Inventories	(5,281)	(182)	(3,273)	(108)
Other current assets	(3,273)	(113)	(475)	(16)
Deferred income tax assets	91,230	3,142	50,817	1,678
Increase (decrease) in liabilities:				
Accounts payable	3,976	137	1,200	40
Income tax payable	6,535	225	19,798	654
Accrued expenses	(215,712)	(7,428)	149,343	4,932
Other payables	(3,622)	(125)	(110,394)	(3,646)
Other current liabilities	(69)	(2)	4,306	142
Accrued pension liabilities	809	28	(1,515)	(50)
Net cash provided by operating activities	1,119,609	38,554	1,339,945	44,252
Cash flows from investing activities				
Acquisition of financial assets carried at cost	-	-	(48,535)	(1,603)
Acquisition of property, plant, and equipment, assets leased to other and other assets	(4,178)	(144)	(4,702)	(155)
Decrease in refundable deposits - net	878	30	1,612	53
Net cash used in investing activities	(3,300)	(114)	(51,625)	(1,705)

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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)

	2012		2011	
	NT$	US$ (Unaudited - Note 2)	NT$	US$ (Unaudited - Note 2)
Cash flows from financing activities				
Capital reduction by cash	$ -	$ -	($ 235,480)	($ 7,777)
Payment of cash dividends	(660,455)	(22,743)	(824,179)	(27,219)
Payment of employees' bonus	(200)	(7)	(641)	(21)
Increase in deposits	1,717	59	5,551	183
Exercise of employee stock options	-	-	13,985	463
Net cash used in financing activities	(658,938)	(22,691)	(1,040,764)	(34,371)
Effects of changes in exchange rates of foreign currency holdings	(52,807)	2,016	40,945	(1,817)
Net increase in cash and cash equivalents	404,564	17,765	288,501	6,359
Cash and cash equivalents at beginning of the year	2,718,695	89,785	2,430,194	83,426
Cash and cash equivalents at end of the year	$ 3,123,259	$ 107,550	$ 2,718,695	$ 89,785
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Income tax	$ 154,883	$ 5,333	$ 169,405	$ 5,595
Investing activities which have no effect on cash flows:				
Other assets transferred to assets leased to others	$ 304,260	$ 10,477	$ 805,091	$ 26,588

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

CYBERLINK CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. COMPANY HISTORY AND CONSOLIDATED SUBSIDIARIES

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, 2012, the Company and its subsidiaries had 590 employees.

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. Significant inter-company transactions and assets and liabilities arising from inter-company transactions are eliminated.
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.

B. Consolidated subsidiaries:

Investor	Name of the subsidiary	Major operating activities	Ownership (%) December 31, 2012	Ownership (%) December 31, 2011	Note
CyberLink Corp.	CyberLink.Com Corp. (CyberLink-USA)	Sales of computer software	100%	100%	
CyberLink Corp.	CyberLink Europe B.V. (CyberLink-B.V.)	Sales of computer software	100%	100%	
CyberLink Corp.	CyberLink International Technology Corp. (CyberLink-B.V.I.)	Investment activities	100%	100%	
CyberLink Corp.	CyberLink Investment Corp. (CyberLink Investment)	Investment activities	100%	100%	
CyberLink International Technology Corp.	CyberLink Inc. (CyberLink-Japan)	Sales of computer software	100%	100%	

C. Subsidiaries not included in the consolidated financial statements: None.

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

E. Special operating risks in foreign subsidiaries: None.

F. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

G. Contents of subsidiaries' securities issued by the parent company: None.

H. Information on convertible bonds and common stock issued by subsidiaries: None.

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. Transactions denominated in foreign currencies are translated into 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) <u>Financial assets and financial liabilities at fair value through profit or loss</u>

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) <u>Notes receivable, accounts receivable and other receivables</u>

A. Notes and accounts receivable are claims resulting from the sale of goods or services. Other receivables are receivables other than notes or accounts receivable. Notes, accounts and other receivables are initially stated at their fair value and carried at amortized cost after deducting for impairment loss.

B. The Group evaluates if there is any objective evidence of impairment in any significant individual financial asset on each balance sheet date. The Group recognizes impairment loss when objective evidence exists. The amount of impairment is the difference between the carrying amount and the discounted future cash flow calculated by using the initial effective interest rate. When the amount of impairment subsequently decreases, and the decrease is related to events occurring after the impairment loss was recognized, the impairment loss recognized in prior years shall be recovered. The recovered amount should not result in the carrying amount exceeding the amortized cost had no impairment loss was recognized.

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) Financial assets carried at cost

A. Investment in unquoted equity instruments is recognized or derecognized using trade date accounting and is stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

B. If there is any objective evidence that the financial asset is impaired, the impairment loss is recognized in profit or loss. Such impairment loss shall not be reversed when the fair value of the asset subsequently increases.

9) Property, plant and equipment

A. Property, plant and equipment are stated at cost. The Group calculates depreciation using the straight-line method over the estimated useful lives of the assets. 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 fixed assets are recorded as non-operating income or expense in the current year.

10) Intangible assets

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) 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. Current year's income tax is adjusted for over or under provision of prior year's income tax. When the income tax act is revised, 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 from continuing operations.

B. Income tax credits are charged to deferred income tax assets and credited to income tax expense in the year when the tax credits arise.

C. 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.

15) Impairment of non-financial assets

The Group 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.

16) Revenues, cost 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 are 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) Operating segments

The operating segments information is required to be reported on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker for the purpose of allocating resources to the segments and assessing its performance. If a financial report contains both the consolidated financial statements of a parent that is within the scope of R.O.C. SFAS No. 41 “Operating Segments” as well as the parent’s separate financial statement, segment information is required only in the consolidated financial statements.

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$29.04 and US$1:NT$30.28 at December 31, 2012 and 2011, 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

A. Notes receivable, accounts receivable and other receivables

Effective January 1, 2011, the Group adopted the amendments to R.O.C. SFAS No. 34 “Financial instruments: Recognition and Measurement”. The Group recognizes impairment (bad debt) loss when there is objective evidence that the recoverable amount of notes, accounts and other receivables is less than their carrying amount.

The adoption had no significant effect on the financial statements as of and for the year ended December 31, 2011.

B. Operating segments

Effective January 1, 2011, the Group adopted the amendments to R.O.C. SFAS No. 41 “Operating Segments” to replace R.O.C SFAS No. 20 “Segment Reporting”.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31,			
	2012		2011	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Cash on hand	$ 262	$ 9	$ 282	$ 9
Demand deposits	1,563,304	53,833	1,344,801	44,412
Checking deposits	53,674	1,848	22,898	756
Time deposits	1,506,019	51,860	1,350,714	44,608
	$ 3,123,259	$ 107,550	$ 2,718,695	$ 89,785

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

	December 31,			
	2012		2011	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Financial assets held for trading-Money market funds	$ 968,467	$ 33,349	$ 1,384,154	$ 45,712
Adjustment of financial assets held for trading	12,212	421	5,590	184
	$ 980,679	$ 33,770	$ 1,389,744	$ 45,896

The Group recognized net gains of $10,225 (US$352) and $8,155 (US$269) for the years ended December 31, 2012 and 2011, respectively.

3) Notes and accounts receivable

	December 31,			
	2012		2011	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Notes receivable	$ 5,204	$ 179	$ 16,826	$ 556
Accounts receivable	281,623	9,698	435,320	14,376
	286,827	9,877	452,146	14,932
Less: Allowance for doubtful accounts	(548)	(19)	(548)	(18)
	$ 286,279	$ 9,858	$ 451,598	$ 14,914

4) Financial assets carried at cost

	December 31,			
	2012		2011	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Unlisted stocks	$ 52,891	$ 1,821	$ 53,077	$ 1,753

The investments of the Group in unlisted stocks were measured at cost since their fair value cannot be measured reliably.

5) Property, plant, and equipment

	December 31, 2012 (NT$)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 220,698	$ -	$ 220,698
Buildings	180,796	(67,241)	113,555
Machinery	43,541	(35,148)	8,393
Transportation equipment	5,092	(2,448)	2,644
Furniture and fixtures	9,808	(8,017)	1,791
	$ 459,935	($ 112,854)	$ 347,081

Item	December 31, 2011 (NT$) Original cost	Accumulated depreciation	Net book value
Land	$ 220,698	$ -	$ 220,698
Buildings	181,368	(63,508)	117,860
Machinery	40,393	(31,081)	9,312
Transportation equipment	5,092	(1,599)	3,493
Furniture and fixtures	9,811	(7,562)	2,249
	$ 457,362	($ 103,750)	$ 353,612

Item	December 31, 2012 (US$: Unaudited - Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 7,600	$ -	$ 7,600
Buildings	6,226	(2,315)	3,911
Machinery	1,499	(1,210)	289
Transportation equipment	175	(84)	91
Furniture and fixtures	338	(277)	61
	$ 15,838	($ 3,886)	$ 11,952

Item	December 31, 2011 (US$: Unaudited - Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 7,289	$ -	$ 7,289
Buildings	5,990	(2,097)	3,893
Machinery	1,334	(1,026)	308
Transportation equipment	168	(53)	115
Furniture and fixtures	323	(250)	73
	$ 15,104	($ 3,426)	$ 11,678

6) Assets leased to others

The Company leased some of its fixed assets to other parties in May 2010 and reclassified such fixed asset amounts to "Assets leased to others" account.

	December 31, 2012 (NT$)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 799,024	$ -	$ 799,024
Buildings	556,079	(42,756)	513,323
	$ 1,355,103	($ 42,756)	$ 1,312,347

	December 31, 2011 (NT$)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 620,336	$ -	$ 620,336
Buildings	420,049	(24,048)	396,001
	$ 1,040,385	($ 24,048)	$ 1,016,337

	December 31, 2012 (US$: Unaudited - Note 2)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 27,515	$ -	$ 27,515
Buildings	19,148	(1,472)	17,676
	$ 46,663	($ 1,472)	$ 45,191

	December 31, 2011 (US$: Unaudited - Note 2)		
Item	Original cost	Accumulated depreciation	Net book value
Land	$ 20,487	$ -	$ 20,487
Buildings	13,872	(794)	13,078
	$ 34,359	($ 794)	$ 33,565

7) Other assets - other

Item	December 31, 2011 (NT$) Original cost	Accumulated depreciation	Net book value
Land	$ 178,688	$ -	$ 178,688
Buildings	136,030	(7,786)	128,244
	$ 314,718	($ 7,786)	$ 306,932

Item	December 31, 2011 (US$: Unaudited - Note 2) Original cost	Accumulated depreciation	Net book value
Land	$ 5,901	$ -	$ 5,901
Buildings	4,493	(257)	4,236
	$ 10,394	($ 257)	$ 10,137

The Company entered into an agreement with Founding Construction & Development Co., Ltd. to purchase real estate properties on March 2008. The agreement includes purchasing land located in Nei-Hu District and the B-building from 1F to 9F in "Sun-Tech Plaza". The B-building was bought in February 2009. The Company planned to lease the building. As of December 31, 2012 , all of the building was leased and was disclosed in Note 4(6).

8) Income tax

	For the years ended December 31,			
	2012		2011	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Income tax expense	$ 246,565	$ 8,491	$ 245,328	$ 8,102
Under provision of prior year's income tax	(3,050)	(105)	(12,568)	(415)
Effect of deferred income tax assets	(91,230)	(3,142)	(50,817)	(1,678)
Foreign royalty withholding tax	(93,655)	(3,225)	(101,327)	(3,346)
Prepaid income tax	(15,075)	(519)	(35,596)	(1,176)
	$ 43,555	$ 1,500	$ 45,020	$ 1,487
Income tax payable	$ 51,555	$ 1,775	$ 45,020	$ 1,487
Income tax refundable (listed in Other receivables)	($ 8,000)	($ 275)	$ -	$ -

A. As of December 31, 2012 and 2011, the deferred income tax assets (liabilities) were as follows:

	December 31,			
	2012		2011	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Total deferred income tax assets	$ 261,570	$ 9,007	$ 292,620	$ 9,664
Total deferred income tax liabilities	($ 843)	($ 29)	($ 663)	($ 22)
Valuation allowance	($ 141,405)	($ 4,869)	($ 81,405)	($ 2,689)

B. As of December 31, 2012 and 2011, details of deferred income tax assets and liabilities were as follows:

	December 31,			
	2012		2011	
	(NT$)			
Items	Amount	Tax effect	Amount	Tax effect
Current:				
Unrealized exchange gain	($ 4,958)	($ 843)	($ 3,900)	($ 663)
Unrealized profit on intercompany sales	16,865	2,867	9,416	1,601
Others		14,146		13,052
		16,170		13,990
Non current:				
Investment tax credits		244,557		277,967
Valuation allowance		(141,405)		(81,405)
		103,152		196,562
		$ 119,322		$ 210,552

	December 31,			
	2012		2011	
	(US$: Unaudited - Note 2)			
Items	Amount	Tax effect	Amount	Tax effect
Current:				
Unrealized exchange gain	($ 171)	($ 29)	($ 129)	($ 22)
Unrealized profit on intercompany sales	581	99	311	53
Others		487		431
		557		462
Non current:				
Investment tax credits		8,421		9,180
Valuation allowance		(4,869)		(2,689)
		3,552		6,491
		$ 4,109		$ 6,953

C. As of December 31, 2012, the Company’s income tax returns through 2010 have been assessed and approved by the Tax Authority.

D. As of December 31, 2012, details of the unused portion of the Company's investment tax credits were as follows:

Item	Total amount	Used amount	Unused amount	Expiry year
Statute for Upgrading Industries	NT$124,395 (US$ 4,284)	NT$ 87,442 (US$ 3,012)	NT$ 36,953 (US$ 1,272)	2012
〃	NT$207,604 (US$ 7,149)	-	NT$207,604 (US$ 7,149)	2013
			NT$244,557 (US$ 8,421)	

E. The Company was granted a five-year tax holiday with respect to the income derived from its design and sale of software. It is not included in 2012 tax calculation for overall tax considerations.

F. For the years ended December 31, 2012 and 2011, the income tax expense included the additional 10% corporate income tax related to the 2011 and 2010 undistributed earnings amounting to $0 (US$0).

9) Accrued expenses

	December 31,			
	2012		2011	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Royalty expense	$ 681,578	$ 23,470	$ 822,494	$ 27,163
Employees' bonuses and directors' and supervisors' remuneration	113,500	3,908	117,056	3,866
Employees' rewards	51,434	1,771	79,505	2,626
Promotional fees	31,128	1,072	28,514	942
Professional service fees	16,188	557	20,523	678
Commission expense	10,522	362	12,413	410
Payroll	-	-	63,949	2,112
Others	38,850	1,339	27,769	916
	$ 943,200	$ 32,479	$1,172,223	$ 38,713

10) Other payables

	December 31,			
	2012		2011	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Royalty collection	$ 391,861	$ 13,494	$ 399,392	$ 13,190
Employees' bonuses payable	20,678	712	20,878	689
Others	10,672	367	16,951	560
	$ 423,211	$ 14,573	$ 437,221	$ 14,439

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 $19,395 (US$668) and $18,015 (US$595) as of December 31, 2012 and 2011, 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, 2012 and 2011, were as follows:

	December 31, 2012	December 31, 2011
Discount rate	1.75%	2.00%
Rate of salary increase	3.00%	3.00%
Expected return on plan assets	1.75%	2.00%

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

	December 31,	
	2012	2011
	(NT$)	
Benefit obligation:		
Vested benefit obligation	$ -	$ -
Non-vested benefit obligation	(44,244)	(33,250)
Accumulated benefit obligation	(44,244)	(33,250)
Additional benefits based on future salaries	(29,483)	(24,437)
Projected benefit obligation	(73,727)	(57,687)
Plan assets at fair value	19,395	18,015
Funded status	(54,332)	(39,672)
Unrecognized net obligation at transition	41	82
Unrecognized pension loss	45,982	32,091
Net loss not recognized as pension cost	(16,540)	(7,736)
Accrued pension liabilities	($ 24,849)	($ 15,235)
Vested benefit	$ -	$ -

	December 31,	
	2012	2011
	(US$: Unaudited – Note 2)	
Benefit obligation:		
Vested benefit obligation	$ -	$ -
Non-vested benefit obligation	(1,524)	(1,098)
Accumulated benefit obligation	(1,524)	(1,098)
Additional benefits based on future salaries	(1,015)	(807)
Projected benefit obligation	(2,539)	(1,905)
Plan assets at fair value	668	595
Funded status	(1,871)	(1,310)
Unrecognized net obligation at transition	1	3
Unrecognized pension loss	1,583	1,060
Net loss not recognized as pension cost	(569)	(256)
Accrued pension liabilities	($ 856)	($ 503)
Vested benefit	$ -	$ -

D. In 2012 and 2011, the net periodic pension costs were as follows:

	For the year ended December 31, 2012	
	NT$	US$ (Unaudited) (Note 2)
Service cost	$ -	$ -
Interest cost	1,154	40
Expected return on plan assets	(382)	(13)
Amortization of unrecognized transition obligation	41	1
Unrecognized pension loss	1,197	41
Net periodic pension cost	$ 2,010	$ 69

	For the year ended December 31, 2011	
	NT$	US$ (Unaudited) (Note 2)
Service cost	$ -	$ -
Interest cost	1,230	41
Expected return on plan assets	(308)	(10)
Amortization of unrecognized transition obligation	41	1
Unrecognized pension loss	1,123	37
Net periodic pension cost	$ 2,086	$ 69

E. Effective July 1, 2005, the Company established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable when the employment is terminated. The pension costs under the defined contribution pension plan for the years ended December 31, 2012 and 2011 were $22,058 (US$760) and $23,347 (US$771), respectively.

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

G. CyberLink Investment has no employees and does not have retirement plans.

12) Capital stock

A. To increase the Company's return on equity and decrease idle funds, the Company decided to reduce its capital by returning cash amounting to $235,480 (US$8,196) to stockholders and retired 23,547,962 shares, which was resolved during the stockholders' meeting on June 22, 2011, and approved by the R.O.C. SFC on July 25, 2011. The record date of the capital reduction is August 17, 2011.

B. As of December 31, 2012, the Company's authorized capital was $1,610,000 (US$55,441); the issued and outstanding capital was $943,507 (US$32,490).

13) Capital reserve

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

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 order:

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 remaining balance together 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. Employees' stock bonus shall be distributed to all full-time employees of the Company and its subsidiaries.

The Company's annual shareholder dividends should not be less than the 50% of remaining balance after annual after-tax income to make up for accumulated deficit, setting aside for legal reserve and special reserve.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

C. The Taiwan imputation tax system requires that any undistributed current year 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 2012 was 1.96%. As of December 31, 2012, the imputation tax credit account balance was \$12,200 (US\$420). The estimated creditable tax ratio of distributed earnings for 2013 is 3.80%. As of December 31, 2012, the Company's undistributed earnings derived before and after the adoption of the imputation tax system were \$9,932 (US\$342) and \$1,272,088 (US\$43,805), respectively.

D. 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.

E. The appropriation of 2011 and 2010 earnings had been resolved at the stockholders' meeting on June 22, 2012 and June 22, 2011, respectively. Details are summarized below:

	2011 NT$		2010 NT$	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 66,554		$ 82,917	
Special reserve	-		55,710	
Cash dividends	660,455	$ 7.00	824,179	$ 6.99
	$ 727,009		$ 962,806	

	2011 US$(Unaudited – Note 2)		2010 US$(Unaudited – Note 2)	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 2,292		$ 2,738	
Special reserve	-		1,840	
Cash dividends	22,743	$ 0.24	27,219	$ 0.23
	$ 25,035		$ 31,797	

As of February 20, 2013, the appropriation of 2012 earnings had not been resolved by the Board of Directors.

F. The estimated amounts of employees' bonus and directors' and supervisors' remuneration for 2012 are $58,621 (US$2,019) and $8,793 (US$303), respectively, based on net income in 2012 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 (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 2011 amounting to $59,899 (US$2,063) and $9,378 (US$323), respectively. The difference of $393 (US$14) between actual and estimated remunerations to directors and supervisors had been adjusted in the statement of income for the year ended December 31, 2012.

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 compensation employee stock option plan for the years ended December 31, 2012 and 2011 are as follows:

	For the years ended December 31,			
	2012		2011	
	No. of shares (in thousands)	Weighted - average exercise price (in dollars)	No. of shares (in thousands)	Weighted - average exercise price (in dollars)
Beginning balance	3,292	NT$104.30 (US$ 3.59)	2,656	NT$118.09 (US$ 3.90)
Options granted	-	- -	2,405	NT$ 76.20 (US$ 2.52)
Options exercised	-	- -	(215)	NT$ 72.61 (US$ 2.40)
Options revoked	(164)	NT$110.80 (US$ 3.82)	(1,554)	NT$ 88.75 (US$ 2.93)
Ending balance	3,128	NT$ 90.97 (US$ 3.13)	3,292	NT$104.30 (US$ 3.44)
Options exercisable at end of the year	951		773	

b) As of December 31, 2012, the details of the employee stock option plans are as follows:

	Outstanding ending balance			Exercisable ending balance	
Range of exercise price (in dollars)	No. of shares (in thousands)	Weighted average remaining vesting period(year)	Weighted average exercise price (in dollars)	No. of shares (in thousands)	Weighted average exercise price (in dollars)
NT$101.90 (US$ 3.51)	125	1.08	NT$101.90 (US$ 3.51)	125	NT$101.90 (US$ 3.51)
NT$144.30 (US$ 4.97)	1,102	3.88	NT$144.30 (US$ 4.97)	826	NT$144.30 (US$ 4.97)
NT$ 69.20 (US$ 2.38)	1,901	5.64	NT$ 69.20 (US$ 2.38)	-	NT$ - (US$ -)

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

	2012	2011
Employee stock option	NT$ 8,394	NT$ 30,231
	(US$ 289)	(US$ 998)

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, 2012	
	Financial statement information	Pro forma information
Net income	NT$ 651,346	NT$ 651,346
	(US$ 22,429)	(US$ 22,429)
Basic earnings per share (in dollars)	NT$ 6.90	NT$ 6.90
	(US$ 0.24)	(US$ 0.24)
Diluted earnings per share (in dollars)	NT$ 6.81	NT$ 6.81
	(US$ 0.23)	(US$ 0.23)

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							
	August 9, 2005		January 30, 2007		November 18, 2009		August 22, 2011	
Stock price	NT$	116	NT$	135	NT$	136	NT$	61
Strike price	NT$	116	NT$	135	NT$	136	NT$	61
Expected dividend yield		0%		0%		0%		0%
Expected price volatility		33.66%		41.59%		41.16%		38.58%
Risk-free rate		1.92%		1.98%		1.13%		1.05%
Expected vesting period		7 years		4.875 years		4.875 years		4.875 years
Average fair value (in NT dollars)	NT$	45.07	NT$	52.008	NT$	50.07	NT$	21.16

16) Earnings per share

	For the year ended December 31, 2012				
	Amount		Number of shares (in thousands)	Earnings per share (in dollars)	
	Before income tax	After income tax		Before income tax	After income tax
Net income	$ 897,911 (US$ 30,920)	$ 651,346 (US$ 22,429)			
Basic earnings per share			94,351	$ 9.52 (US$0.33)	$ 6.90 (US$0.24)
Effect of dilutive common stock equivalent:					
Employees' stock options	-	-	551		
Employees' bonus	-	-	721		
Diluted earnings per share	$ 897,911 (US$ 30,920)	$ 651,346 (US$ 22,429)	95,623	$ 9.39 (US$0.32)	$ 6.81 (US$0.23)

	For the year ended December 31, 2011				
	Amount		Weighted average outstanding shares (in thousands)	Earnings per share (in dollars)	
	Before income tax	After income tax		Before income tax	After income tax
Net income	$ 910,873	$ 665,545			
	(US$ 30,082)	(US$ 21,980)			
Basic earnings per share			108,995	$ 8.36	$ 6.11
				(US$0.28)	(US$0.20)
Effect of dilutive common stock equivalent:					
Employees' stock options	-	-	78		
Employees' bonus	-	-	948		
Diluted earnings per share	$ 910,873	$ 665,545	110,021	$ 8.28	$ 6.05
	(US$ 30,082)	(US$ 21,980)		(US$0.27)	(US$0.20)

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would be increased from employees' stock bonus issuance in the weighted-average number of 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 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.

17) Personnel expenses, depreciation and amortization expenses

The Group’s personnel expenses, depreciation and amortization expenses were as follows:

	For the year ended December 31, 2012					
	Operating costs		Operating expenses		Total	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Personnel expenses						
Salaries	$ -	$ -	$738,433	$ 25,428	$738,433	$ 25,428
Insurance	-	-	54,031	1,861	54,031	1,861
Pension	-	-	25,535	879	25,535	879
Others	-	-	13,477	464	13,477	464
Depreciation	-	-	10,067	347	10,067	347
Amortization	-	-	939	32	939	32

	For the year ended December 31, 2011					
	Operating costs		Operating expenses		Total	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Personnel expenses						
Salaries	$ -	$ -	$790,633	$ 26,111	$790,633	$ 26,111
Insurance	-	-	55,445	1,831	55,445	1,831
Pension	-	-	27,092	895	27,092	895
Others	-	-	14,917	493	14,917	493
Depreciation	-	-	12,567	415	12,567	415
Amortization	-	-	1,415	47	1,415	47

5. RELATED PARTY TRANSACTIONS

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

	2012		2011	
	NT$	US$ (Unaudited) (Note 2)	NT$	US$ (Unaudited) (Note 2)
Salaries and bonuses	$ 86,988	$ 2,995	$ 67,156	$ 2,218
Service execution fees	33	1	50	2
Earnings appropriation	20,497	706	20,548	679
Total	$ 107,518	$ 3,702	$ 87,754	$ 2,899

(1) Salaries and bonuses include regular wages, duty allowances, pensions, severance pay, various bonuses and rewards, etc.

(2) Service execution fees include travel allowances, special expenditures, various allowances, housing and vehicle benefits, etc.

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

6. DETAILS OF PLEDGED ASSETS

The Group's assets pledged as collateral as of December 31, 2012 and 2011 are as follows:

	Book value		
	December 31, 2012	December 31, 2011	Purpose
Other financial assets – non-current – Certificate of deposit	$ 10,000 (US$ 345)	$ 10,000 (US$ 330)	Guarantee for sequestration

7. COMMITMENTS

As of December 31, 2012, other than those described in Note 4(6), 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 $3,313 (US $114) and $7,880 (US $271), respectively. In 2012, CyberLink-USA and CyberLink-Japan paid lease expenses of $2,646 (US$91) and $5,844 (US$201), respectively.

8. SIGNIFICANT LOSS OR DAMAGE

   None.

9. SIGNIFICANT SUBSEQUENT EVENTS

   None.

10. OTHERS

1) The fair values of the financial instruments

	December 31, 2012 (NT$)			December 31, 2011 (NT$)		
		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	$ 3,426,261	$ -	$ 3,426,261	$ 3,178,570	$ -	$ 3,178,570
Financial assets at fair value through profit or loss-current	980,679	980,679	-	1,389,744	1,389,744	-
Financial assets carried at cost - non current	52,891	-	-	53,077	-	-
Other financial assets-non current	10,000	-	10,000	10,000	-	10,000
Liabilities						
Financial liabilities with fair values equal to book values	1,385,103	-	1,385,103	1,622,443	-	1,622,443

Financial instruments	December 31, 2012 (US$) (Unaudited – Note 2) Book value	Fair value: Quotations in an active market	Fair value: Estimated using a valuation technique	December 31, 2011 (US$) (Unaudited – Note 2) Book value	Fair value: Quotations in an active market	Fair value: Estimated using a valuation technique
Non-derivative financial instruments						
Assets						
Financial assets with fair values equal to book values	$ 117,984	$ -	$ 117,984	$ 104,972	$ -	$ 104,972
Financial assets at fair value through profit or loss-current	33,770	33,770	-	45,896	45,896	-
Financial assets carried at cost - non current	1,821	-	-	1,753	-	-
Other financial assets-non current	345	-	345	330	-	330
Liabilities						
Financial liabilities with fair values equal to book values	47,696	-	47,696	53,581	-	53,581

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, other receivables, accounts payable, accrued expenses and other payables.

B. The fair values of financial assets held for trading were determined based on their market values.

C. The fair values of other financial assets - non current, refundable deposits, and deposits-in 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.

2) For the years ended December 31, 2012 and 2011, total interest income on financial assets that are not at fair value through profit or loss amounted to $14,005 (US$482) and$13,834 (US$457), respectively.

3) 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.

4) Information of financial risk

A. Cash and cash equivalents

a) Market risk

Cash and cash equivalents of the Group 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.

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 for transactions, 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 expected to be due within one year from the balance sheet date. Therefore, the cash flow risk is low.

11. ADDITIONAL DISCLOSURES REQUIRED BY SECURITIES AND FUTURES BUREAU

1) Related information of significant transactions

A. Lending to others: None.

B. Guarantees on behalf of others: None.

C. Marketable securities at December 31, 2012:

(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	$ 501,919	100.00	$ 501,919
〃	CyberLink Europe B.V.	〃	〃	1,500,000	7,491	100.00	7,491
〃	CyberLink International Technology Corp.	〃	〃	2,000,000	149,410	100.00	149,410
〃	CyberLink Investment Corp.	〃	〃	12,000,000	164,324	100.00	164,324
〃	Eastspring Well Pool Money Markt Fund	None	Financial assets at fair value through profit or loss -current	21,446,165	283,192		283,192
〃	Yuanta Wan Tai Money Market Fund	〃	〃	37,463,622	551,263		551,263
〃	One-Blue, LLC	Director of the investee company	Financial assets carried at cost - non current	-	48,535	16.67	-
CyberLink Investment Corp.	Yuanta Wan Tai Money Market Fund	None	Financial assets at fair value through profit or loss -current	9,937,366	146,224		146,224
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$ 3,030	100.00	US$ 3,030
〃	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	$ 17,284	100.00	$ 17,284
〃	CyberLink Europe B.V.	〃	〃	1,500,000	258	100.00	258
〃	CyberLink International Technology Corp.	〃	〃	2,000,000	5,145	100.00	5,145
〃	CyberLink Investment Corp.	〃	〃	12,000,000	5,659	100.00	5,659
〃	Eastspring Well Pool Money Markt Fund	None	Financial assets at fair value through profit or loss -current	21,446,165	9,752		9,752
〃	Yuanta Wan Tai Money Market Fund	〃	〃	37,463,622	18,983		18,983
〃	One-Blue, LLC	Director of the investee company	Financial assets carried at cost - non current	-	1,671	16.67	-
CyberLink Investment Corp.	Yuanta Wan Tai Money Market Fund	None	Financial assets at fair value through profit or loss -current	9,937,366	5,035		5,035
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	3,030	100.00	3,030
〃	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, 2012–December 31, 2012 (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 (Note)	Number of shares (thousand units)	Sales price	Book value	Gain (loss) from disposal	Number of shares (thousand units)	Amount
CyberLink Corp.	Yuanta De-Bao Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	28,236	$ 327,228	17,246	$ 199,513	45,482	$ 528,978	$ 526,741	$ 2,237	-	$ -
〃	Eastspring Well Pool Money Markt Fund	〃	-	-	28,240	370,173	7,624	101,966	14,418	190,000	188,947	1,053	21,446	283,192
〃	Jih Sun Money Market Fund	〃	-	-	-	-	7,000	100,000	7,000	100,312	100,000	312	-	-

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 (Note)	Number of shares (thousand units)	Sales price	Book value	Gain (loss) from disposal	Number of shares (thousand units)	Amount
CyberLink Corp.	Yuanta De-Bao Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	28,236	$ 11,268	17,246	$ 6,870	45,482	$ 18,215	$ 18,138	$ 77	-	$ -
〃	Eastspring Well Pool Money Markt Fund	〃	-	-	28,240	12,747	7,624	3,511	14,418	6,543	6,506	37	21,446	9,752
〃	Jih Sun Money Market Fund	〃	-	-	-	-	7,000	3,444	7,000	3,454	3,444	10	-	-

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, 2012: 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, 2012 – December 31, 2012

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	Unit price	Credit terms	Balance	% of total accounts or notes receivable
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Sales	NT$211,221 (US$ 7,273)	9	Note	The same as those with third parties	Note	NT$ 43,610 (US$ 1,502)	17
〃	CyberLink Inc.	A subsidiary of CyberLink International Technology Corp.	〃	NT$274,256 (US$ 9,444)	12	Note	〃	Note	NT$ 40,722 (US$ 1,402)	16
〃	CyberLink Europe B.V.	A subsidiary of the Company	〃	NT$144,337 (US$ 4,970)	6	Note	〃	Note	NT$ 18,043 (US$ 621)	7

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, 2012:None.

I. Information as to transaction of derivatives: None.

2) Relevant information regarding investee companies as of December 31, 2012:

(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)
				December 31, 2012	December 31, 2011	Shares	Percentage (%)	Book value		
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	$ 136,327	$ 136,327	4,000,000	100.00	$ 501,919	$ 1,794	$ 1,794
〃	CyberLink Europe B.V.	Europe	〃	64,770	64,770	1,500,000	100.00	7,491	(4,491)	(4,491)
〃	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	64,821	64,821	2,000,000	100.00	149,410	29,272	29,272
〃	CyberLink Investment Corp.	Taiwan	〃	220,000	220,000	12,000,000	100.00	164,324	1,109	1,109
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	US$ 848	US$ 848	1,900	100.00	US$ 3,030	US$ 1,010	US$ 1,010

(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)
				December 31, 2012	December 31, 2011	Shares	Percentage (%)	Book value		
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	$ 4,694	$ 4,694	4,000,000	100.00	$ 17,284	$ 62	$ 62
〃	CyberLink Europe B.V.	Europe	〃	2,230	2,230	1,500,000	100.00	258	(155)	(155)
〃	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	2,232	2,232	2,000,000	100.00	5,145	1,008	1,008
〃	CyberLink Investment Corp.	Taiwan	〃	7,576	7,576	12,000,000	100.00	5,659	38	38
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	848	848	1,900	100.00	3,030	1,010	1,010

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

4) Intercompany transactions

January 1, 2012~ December 31, 2012

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	$ 211,221	$ 7,273	Note 4	6
				Accounts receivable	43,610	1,502	Note 4	0.7
〃	〃	CyberLink Europe B.V.	〃	Sales revenue	144,337	4,970	Note 4	4
				Accounts receivable	18,043	621	Note 4	0.3
〃	〃	CyberLink Inc.	〃	Sales revenue	274,256	9,444	Note 4	8
				Accounts receivable	40,722	1,402	Note 4	0.6

January 1, 2011 ~ December 31, 2011

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	$ 368,791	$ 12,179	Note 4	10
				Accounts receivable	37,537	1,240	Note 4	0.6
〃	〃	CyberLink Europe B.V.	〃	Sales revenue	149,442	4,935	Note 4	4
〃	〃	CyberLink Inc.	〃	Sales revenue	230,497	7,612	Note 4	6
				Accounts receivable	48,046	1,587	Note 4	0.7

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 : 1

B. Subsidiary to parent company : 2

C. Subsidiary to another subsidiary : 3

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.

12. SEGMENT REPORTING

A. General information

The Company recognizes the reportable segments based on the reporting information used by chief operating decision-maker. The chief operating decision-maker operates the business and evaluates performance by products. Its main business activities are related to the sale of video entertainment and media creation software. Information about operating results of other products is provided in the accompanying note “Other operating segments”.

B. Measure of segmental information

a) The accounting policies for operating segments are the same as those summarized in Note 2 of the financial statements.

b) The Company uses segment revenue and operating income as the basis for evaluating performance and has eliminated the impact of inter-segment transactions.

C. Quantitative information about profit or loss, assets and liabilities

The segmental financial information of the Group for the years ended December 31, 2012 and 2011 are as follows:

	For the year ended December 31, 2012					
	Media Experience and Entertainment		Media Creation and Others		Total	
	NT$	US$	NT$	US$	NT$	US$
Segment Revenue	$ 2,256,727	$ 77,711	$ 1,196,057	$ 41,187	$ 3,452,784	$ 118,898
Segment Operating Income	438,855	$ 15,112	$ 411,358	$ 14,165	$ 850,213	$ 29,277
Segment Assets	$ -	$ -	$ -	$ -	$ -	$ -

	For the year ended December 31,2011					
	Media Experience and Entertainment		Media Creation		Total	
	NT$	US$	NT$	US$	NT$	US$
Segment Revenue	$ 2,619,413	$ 86,506	$ 1,249,788	$ 41,275	$ 3,869,201	$ 127,781
Segment Operating Income	460,380	$ 15,204	$ 418,883	$ 13,834	$ 879,263	$ 29,038
Segment Assets	$ -	$ -	$ -	$ -	$ -	$ -

D. Reconciliation of reported segment profit or loss

The Chief operating decision-maker evaluates operating segment performance and allocates resources to operating segments based on segment revenues and operating income.
Therefore, no reconciling adjustments are necessary.

E. Financial information by product

Please refer to Note 12(C).

F. Financial information by geographic area

The financial information by geographic area for the years ended December 31, 2012 and 2011 are as follows:

	2012		2011	
	Sales	Non-current assets	Sales	Non-current assets
America	$ 1,394,694	$ 1,140	$ 1,949,817	$ 1,317
	(US$ 48,027)	(US$ 39)	(US$ 64,393)	(US$ 43)
Taiwan	673,424	1,655,748	656,154	1,673,140
	(US$ 23,190)	(US$ 57,016)	(US$ 21,670)	(US$ 55,256)
Japan	696,396	7,546	620,215	9,315
	(US$ 23,981)	(US$ 260)	(US$ 20,483)	(US$ 308)
Others	688,270	209	643,015	141
	(US$ 23,700)	(US$ 7)	(US$ 21,235)	(US$ 4)
	$ 3,452,784	$ 1,664,643	$ 3,869,201	$ 1,683,913
	(US$ 118,898)	(US$ 57,322)	(US$ 127,781)	(US$ 55,611)

G. Major customer information

The major customer information for the years ended December 31, 2012 and 2011 are as follows:

	2012		2011	
Customer	Sales	Operating segment	Sales	Operating segment
Customer A	NT$ 605,412 (US$ 20,848)	Media Experience and Entertainment and Others	NT$ 578,751 (US$ 19,113)	Media Experience and Entertainment and Others
Customer B	NT$ 553,244 (US$ 19,051)	Media Experience and Entertainment and Others	NT$ 648,044 (US$ 21,402)	Media Experience and Entertainment and Others
Customer C	NT$ 366,991 (US$ 12,637)	Media Experience and Entertainment	NT$ 866,831 (US$ 28,627)	Media Experience and Entertainment
Customer D	NT$ - (US$ -)	Media Experience and Entertainment, Media Creation and Others	NT$ 483,608 (US$ 15,971)	Media Experience and Entertainment, Media Creation and Others
Customer E	NT$ 354,289 (US$ 12,200)	Media Experience and Entertainment, Media Creation and Others	NT$ - (US$ -)	Media Experience and Entertainment, Media Creation and Others

13. DISCLOSURES RELATING TO THE ADOPTION OF IFRSs

Pursuant to the regulations of the Financial Supervisory Commission, Executive Yuan, R.O.C., effective January 1, 2013, a public company whose stock is listed on the Taiwan Stock Exchange Corporation or traded in the GreTai Securities Market should prepare financial statements in accordance with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), and relevant interpretations and interpretative bulletins that are ratified by the Financial Supervisory Commission.

The Group discloses the following information in advance prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Order No. 0990004943 of the Financial Supervisory Commission, dated February 2, 2010:
Major contents and status of execution of the Group's plan for IFRSs adoption:

A. The Group has formed an IFRSs project team led by the Group's CEO, who is responsible for setting up a plan relative to the Group's transition to IFRSs. The major contents and status of execution of this plan are outlined below:

Contents of IFRSs Adoption Project	Status of Execution
a. Set up an IFRSs project team	Completed in October, 2009.
b. Make a plan to adopt the IFRSs	Completed in October, 2009.
c. Compare and analyze the differences between current accounting policies and IFRSs	Completed in April, 2010.
d. Identify consolidated entities under the IFRSs framework	Completed in March, 2010.
e. Assess the applicability of the IFRS 1 – "First-time Adoption of International Financial Reporting Standards"	Completed in April, 2010.
f. Assess the adjustments of the related information system	Completed in April, 2010.
g. Assess the adjustments of the related internal control	Completed in December, 2011.
h. Determine how to adjust the existing accounting policies in accordance with IFRSs	Completed in April, 2011.
i. Determine how to apply to the IFRS 1 – "First-time Adoption of International Financial Reporting Standards"	Completed in April, 2011.
j. Prepare the opening balance sheet of IFRSs	Completed in March, 2012.
k. Prepare comparative financial statements in conformity with IFRSs	Completed in February, 2013.
l. Complete the adjustments of related internal control (including financial reporting process and relevant information system)	The group has not find any internal control that needs adjustment.

B. The Group uses the IFRSs already ratified currently by the Financial Supervisory Commission and the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” that will be applied in 2013 as the basis for evaluation of material differences in accounting policies as mentioned above. However, the Group’s current evaluation results may be different from the actual differences that may arise when new issuances of or amendments to IFRSs are subsequently ratified by the Financial Supervisory Commission or relevant interpretations or amendments to the “Rules Governing the Preparation of Financial Statements by Securities Issuers” come in the future.

Material differences that may arise between current accounting policies used in the preparation of financial statements and IFRSs and “Rules Governing the Preparation of Financial Statements by Securities Issuers” that will be used in the preparation of financial statements in the future, and the optional exemptions the Company adopted in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards” (Note 13(3)) are summarized as follows:

a) Reconciliation of consolidated balance sheet as of January 1, 2012:

(NT$)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current assets						
Cash and cash equivalents	$ 2,718,695	$ -	$ -	$ 2,718,695	Cash and cash equivalents	
Financial assets at fair value through profit or loss	1,389,744	-	-	1,389,744	Financial assets at fair value through profit or loss	
Net notes receivable	16,796	-	-	16,796	Net notes receivable	
Net accounts receivable	434,802	-	-	434,802	Net accounts receivable	
Other receivables	2,614	-	-	2,614	Other receivables	
Inventories	7,938	-	-	7,938	Inventories	
Other current assets	24,589	-	(13,990)	10,599	Other current assets	(3)
Total current assets	4,595,178	-	(13,990)	4,581,188	Total current assets	
Funds and investments						
Financial assets carried at cost	53,077	-	-	53,077	Financial assets carried at cost	
Other financial assets - non current	10,000	-	-	10,000	Other financial assets - non current	
Total funds and investments	63,077	-	-	63,077	Total long-term investments	
Net property, plant and equipment	353,612	-	-	353,612	Property, plant and equipment	
-	-	1,323,269	-	1,323,269	Investment property	(2)
Intangible assets						
Deferred pension costs	82	(82)	-	-	-	(4)
Other intangible assets	1,369	-	-	1,369	Other intangible assets	
Total intangible assets	1,451	(82)	-	1,369	Total intangible assets	
Other assets						
Assets leased to others	1,016,337	(1,016,337)	-	-	-	(2)
Refundable deposits	5,663	-	-	5,663	Refundable deposits	
Deferred income tax assets – non current	196,562	10,595	13,990	221,147	Deferred income tax assets	(3) (7)
Other assets – other	306,932	(306,932)	-	-	Other non current assets	(2)
Total other assets	1,525,494	(1,312,674)	13,990	226,810	Total other assets	
Total assets	$ 6,538,812	$ 10,513	$ -	$ 6,549,325	Total assets	
Current liabilities						
Accounts payable	$ 6,005	$ -	$ 822,494	$ 828,499	Accounts payable	(6)
Income tax payable	45,020	-	-	45,020	Income tax payable	
Accrued expenses	1,172,223	12,478	(822,494)	362,207	Accrued expenses	(1) (6)
Other payables	437,221	-	-	437,221	Other payables	
Other current liabilities	15,688	-	-	15,688	Other current liabilities	
Total current liabilities	1,676,157	12,478	-	1,688,635	Total current liabilities	
Other liabilities						
Accrued pension liabilities	15,235	27,247	-	42,482	Accrued pension liabilities	(4)
Guarantee deposits	6,994	-	-	6,994	Guarantee deposits	
Other liabilities – other	-	13,542	-	13,542	Other liabilities – other	(5)
Total other liabilities	22,229	40,789	-	63,018	Total other liabilities	
Total liabilities	$ 1,698,386	$ 53,267	$ -	$ 1,751,653	Total liabilities	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Stockholders' equity						
Capital						
Capital – common stock	$ 943,507	$ -	$ -	$ 943,507	Capital – common stock	
Capital surplus	1,800,916	-	-	1,800,916	Capital surplus	
Retained earnings	2,139,681	(50,353)	-	2,089,328	Retained earnings	(1) (4) (5) (7)
Others						
Cumulative translation adjustments	(36,024)	(55)	-	(36,079)	Foreign currency translation reserve	(1)
Net loss not recognized as pension cost	(7,654)	7,654	-	-	-	(4)
Total shareholders'equity	4,840,426	(42,754)	-	4,797,672		
Total liabilities and shareholders'equity	$ 6,538,812	$ 10,513	$ -	$ 6,549,325		

(US$ Unaudited – Note 2)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current assets						
Cash and cash equivalents	$ 89,785	$ -	$ -	$ 89,785	Cash and cash equivalents	
Financial assets at fair value through profit or loss	45,896	-	-	45,896	Financial assets at fair value through profit or loss	
Net notes receivable	555	-	-	555	Net notes receivable	
Net accounts receivable	14,359	-	-	14,359	Net accounts receivable	
Other receivables	86	-	-	86	Other receivables	
Inventories	262	-	-	262	Inventories	
Other current assets	813	-	(462)	351	Other current assets	(3)
Total current assets	151,756	-	(462)	151,294	Total current assets	
Funds and investments						
Financial assets carried at cost	1,753	-	-	1,753	Financial assets carried at cost	
Other financial assets - non current	330	-	-	330	Other financial assets - non current	
Total funds and investments	2,083	-	-	2,083	Total long-term investments	
Net property, plant and equipment	11,678	-	-	11,678	Property, plant and equipment	
-	-	43,702	-	43,702	Investment property	(2)
Intangible assets						
Deferred pension costs	3	(3)	-	-	-	(4)
Other intangible assets	45	-	-	45	Other intangible assets	
Total intangible assets	48	(3)	-	45	Total intangible assets	
Other assets						
Assets leased to others	33,565	(33,565)	-	-	-	(2)
Refundable deposits	187	-	-	187	Refundable deposits	
Deferred income tax assets – non current	6,491	350	462	7,303	Deferred income tax assets	(3) (7)
Other assets – other	10,137	(10,137)	-	-	Other non current assets	(2)
Total other assets	50,380	(43,352)	462	7,490	Total other assets	
Total assets	$ 215,945	$ 347	$ -	$ 216,292	Total assets	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current liabilities						
Accounts payable	$ 198	$ -	$ 27,163	$ 27,361	Accounts payable	(6)
Income tax payable	1,487	-	-	1,487	Income tax payable	
Accrued expenses	38,713	412	(27,163)	11,962	Accrued expenses	(1) (6)
Other payables	14,439	-	-	14,439	Other payables	
Other current liabilities	518	-	-	518	Other current liabilities	
Total current liabilities	55,355	412	-	55,767	Total current liabilities	
Other liabilities						
Accrued pension liabilities	503	900	-	1,403	Accrued pension liabilities	(4)
Guarantee deposits	231	-	-	231	Guarantee deposits	
Other liabilities – other	-	448	-	448	Other liabilities – other	(5)
Total other liabilities	734	1,348	-	2,082	Total other liabilities	
Total liabilities	56,089	1,760	-	57,849	Total liabilities	
Stockholders' equity						
Capital						
Capital – common stock	31,159	-	-	31,159	Capital – common stock	
Capital surplus	59,476	-	-	59,476	Capital surplus	
Retained earnings	70,663	(1,663)	-	69,000	Retained earnings	(1) (4) (5) (7)
Others						
Cumulative translation adjustments	(1,190)	(2)	-	(1,192)	Foreign currency translation reserve	(1)
Net loss not recognized as pension cost	(252)	252	-	-	-	(4)
Total shareholders'equity	159,856	(1,413)	-	158,443		
Total liabilities and shareholders'equity	$ 215,945	$ 347	$ -	$ 216,292		

b) Reconciliation of consolidated balance sheet as of December 31, 2012:

(NT$)

R.O.C. GAAP Item	R.O.C. GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Current assets						
Cash and cash equivalents	$ 3,123,259	$ -	$ -	$ 3,123,259	Cash and cash equivalents	
Financial assets at fair value through profit or loss	980,679	-	-	980,679	Financial assets at fair value through profit or loss	
Net notes receivable	5,174	-	-	5,174	Net notes receivable	
Net accounts receivable	281,105	-	-	281,105	Net accounts receivable	
Other receivables	11,938	-	-	11,938	Other receivables	
Inventories	8,259	-	-	8,259	Inventories	
Deferred income tax assets – current	16,170	-	(16,170)	-	–	(3)
Other current assets	13,716	-	-	13,716	Other current assets	
Total current assets	4,440,300	-	(16,170)	4,424,130	Total current assets	
Funds and investments						
Financial assets carried at cost	52,891	-	-	52,891	Financial assets carried at cost	
Other financial assets - non current	10,000	-	-	10,000	Other financial assets - non current	
Total funds and investments	62,891	-	-	62,891	Total long-term investments	
Net property, plant and equipment	347,081	-	-	347,081	Property, plant and equipment	
-	-	1,312,347	-	1,312,347	Investment property	(2)
Intangible assets						
Deferred pension costs	41	(41)	-	-	-	(4)
Other intangible assets	430	-	-	430	Other intangible assets	
Total intangible assets	471	(41)	-	430	Total intangible assets	
Other assets						
Assets leased to others	1,312,347	(1,312,347)	-	-	-	(2)
Refundable deposits	4,785	-	-	4,785	Refundable deposits	
Deferred income tax assets – non current	103,152	8,791	17,353	129,296	Deferred income tax assets	(3) (7)
Total other assets	1,420,284	(1,303,556)	17,353	134,081	Total other assets	
Total assets	$ 6,271,027	$ 8,750	$ 1,183	$ 6,280,960	Total assets	
Current liabilities						
Accounts payable	$ 9,981	$ -	$ 681,578	$ 691,559	Accounts payable	(6)
Income tax payable	51,555	-	-	51,555	Income tax payable	
Accrued expenses	943,200	3,294	(681,578)	264,916	Accrued expenses	(1) (6)
Other payables	423,211	-	-	423,211	Other payables	
Other current liabilities	15,582	-	-	15,582	Other current liabilities	
Total current liabilities	1,443,529	3,294	-	1,446,823	Total current liabilities	
Other liabilities						
Accrued pension liabilities	24,849	32,836	-	57,685	Accrued pension liabilities	(4)
Guarantee deposits	8,711	-	-	8,711	Guarantee deposits	
Deferred income tax liabilities – non current	-	-	1,183	1,183	Deferred income tax liabilities	(3)
Other liabilities – other	-	12,085	-	12,085	Other liabilities – other	(5)
Total other liabilities	33,560	44,921	1,183	79,664	Total other liabilities	
Total liabilities	1,477,089	48,215	1,183	1,526,487	Total liabilities	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Stockholders' equity						
Capital						
Capital – common stock	$ 943,507	$ -	$ -	$ 943,507	Capital – common stock	
Capital surplus	1,809,310	-	-	1,809,310	Capital surplus	
Retained earnings	2,130,572	(56,053)	-	2,074,519	Retained earnings	(1) (4) (5) (7)
Others						
Cumulative translation adjustments	(72,952)	89	-	(72,863)	Foreign currency translation reserve	(1)
Net loss not recognized as pension cost	(16,499)	16,499	-	-	–	(4)
Total shareholders'equity	4,793,938	(39,465)	-	4,754,473		
Total liabilities and shareholders'equity	$ 6,271,027	$ 8,750	$ 1,183	$ 6,280,960		

(US$ Unaudited – Note 2)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current assets						
Cash and cash equivalents	$ 107,550	$ -	$ -	$ 107,550	Cash and cash equivalents	
Financial assets at fair value through profit or loss	33,770	-	-	33,770	Financial assets at fair value through profit or loss	
Net notes receivable	178	-	-	178	Net notes receivable	
Net accounts receivable	9,680	-	-	9,680	Net accounts receivable	
Other receivables	411	-	-	411	Other receivables	
Inventories	284	-	-	284	Inventories	
Deferred income tax assets – current	557	-	(557)	-	–	(3)
Other current assets	472	-	-	472	Other current assets	
Total current assets	152,902	-	(557)	152,345	Total current assets	
Funds and investments						
Financial assets carried at cost	1,821	-	-	1,821	Financial assets carried at cost	
Other financial assets - non current	345	-	-	345	Other financial assets - non current	
Total funds and investments	2,166	-	-	2,166	Total long-term investments	
Net property, plant and equipment	11,952	-	-	11,952	Property, plant and equipment	
-	-	45,191	-	45,191	Investment property	(2)
Intangible assets						
Deferred pension costs	1	(1)	-	-	-	(4)
Other intangible assets	15	-	-	15	Other intangible assets	
Total intangible assets	16	(1)	-	15	Total intangible assets	
Other assets						
Assets leased to others	45,191	(45,191)	-	-	-	(2)
Refundable deposits	165	-	-	165	Refundable deposits	
Deferred income tax assets – non current	3,552	303	598	4,453	Deferred income tax assets	(3) (7)
Total other assets	48,908	(44,888)	598	4,618	Total other assets	
Total assets	$ 215,944	$ 302	$ 41	$ 216,287	Total assets	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current liabilities						
Accounts payable	$ 344	$ -	$ 23,470	$ 23,814	Accounts payable	(6)
Income tax payable	1,775	-	-	1,775	Income tax payable	
Accrued expenses	32,479	113	(23,470)	9,122	Accrued expenses	(1) (6)
Other payables	14,573	-	-	14,573	Other payables	
Other current liabilities	536	-	-	536	Other current liabilities	
Total current liabilities	49,707	113	-	49,820	Total current liabilities	
Other liabilities						
Accrued pension liabilities	856	1,131	-	1,987	Accrued pension liabilities	(4)
Guarantee deposits	300	-	-	300	Guarantee deposits	
Deferred income tax liabilities – non current	-	-	41	41	Deferred income tax liabilities	(3)
Other liabilities – other	-	417	-	417	Other liabilities – other	(5)
Total other liabilities	1,156	1,548	41	2,745	Total other liabilities	
Total liabilities	50,863	1,661	41	52,565	Total liabilities	
Stockholders' equity						
Capital						
Capital – common stock	32,490	-	-	32,490	Capital – common stock	
Capital surplus	62,304	-	-	62,304	Capital surplus	
Retained earnings	73,367	(1,930)	-	71,437	Retained earnings	(1) (4) (5) (7)
Others						
Cumulative translation adjustments	(2,512)	3	-	(2,509)	Foreign currency translation reserve	(1)
Net loss not recognized as pension cost	(568)	568	-	-	–	(4)
Total shareholders'equity	165,081	(1,359)	-	163,722		
Total liabilities and shareholders'equity	$ 215,944	$ 302	$ 41	$ 216,287		

c) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012

(NT$)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Net sales	$ 3,452,784	$ -	$ -	$ 3,452,784	Net sales	
Cost of sales	(22,370)	1,457	(1,391,734)	(1,412,647)	Cost of sales	(5) (6)
Gross profit	3,430,414	1,457	(1,391,734)	2,040,137	Gross profit	
Operating expenses					Operating expenses	
Selling	(1,929,356)	1,743	1,391,734	(535,879)	Marketing	(1) (4) (6)
General	(140,657)	1,021	-	(139,636)	General and administrative	(1) (4)
Research and development	(510,188)	7,609	-	(502,579)	Research and development	(1) (4)
Total operating expenses	(2,580,201)	10,373	1,391,734	(1,178,094)	Total operating expenses	
Operating income	850,213	11,830	-	862,043	Income from operations	
Non-operating income						
Interest income	14,005	-	(14,005)	-	-	(8)
Rental income	38,746	-	(38,746)	-	-	(8)
Gain on financial assets at fair value through profit or loss	10,225	-	(10,225)	-	-	(8)
Other income	20,373	-	(20,373)	-	-	(8)
-	-	-	52,751	52,751	Other income	(8)
	83,349	-	(30,598)	52,751	-	
Non-operating expenses						
Foreign exchange loss	(21,698)	-	21,698	-	-	(8)
Other expenses	(13,953)	-	13,953	-	-	(8)
-	-	-	(5,053)	(5,053)	Other gains and losses	(8)
	(35,651)	-	30,598	(5,053)	-	
Income before income tax	897,911	11,830	-	909,741	Income before income tax	
Income tax expense	(246,565)	(1,804)	-	(248,369)	Income tax expense	(7)
Net income	$ 651,346	$ 10,026	$ -	661,372	Net income	
				(36,784)	Exchange differences on translating foreign operations	
				(15,726)	Actuarial loss from defined benefit pension	(4)
				(52,510)	Other comprehensive income for the year, net of tax effect	
				$ 608,862	Total comprehensive income for the year	

(US$ Unaudited – Note 2)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Net sales	$ 118,898	$ -	$ -	$ 118,898	Net sales	
Cost of sales	(771)	50	(47,925)	(48,646)	Cost of sales	(5) (6)
Gross profit	118,127	50	(47,925)	70,252	Gross profit	
Operating expenses					Operating expenses	
Selling	(66,438)	60	47,925	(18,453)	Marketing	(1) (4) (6)
General	(4,844)	36	-	(4,808)	General and administrative	(1) (4)
Research and development	(17,568)	262	-	(17,306)	Research and development	(1) (4)
Total operating expenses	(88,850)	358	47,925	(40,567)	Total operating expenses	
Operating income	29,277	408	-	29,685	Income from operations	
Non-operating income						
Interest income	482	-	(482)	-	-	(8)
Rental income	1,334	-	(1,334)	-	-	(8)
Gain on financial assets at fair value through profit or loss	352	-	(352)	-	-	(8)
Other income	702	-	(702)	-	-	(8)
-	-	-	1,816	1,816	Other income	(8)
	2,870	-	(1,054)	1,816	-	
Non-operating expenses						
Foreign exchange loss	(747)	-	747	-	-	(8)
Other expenses	(480)	-	480	-	-	(8)
-	-	-	(173)	(173)	Other gains and losses	(8)
	(1,227)	-	1,054	(173)	-	
Income before income tax	30,920	408	-	31,328	Income before income tax	
Income tax expense	(8,491)	(62)	-	(8,553)	Income tax expense	(7)
Net income	$ 22,429	$ 346	$ -	22,775	Net income	
				(1,267)	Exchange differences on translating foreign operations	
				(542)	Actuarial loss from defined benefit pension	(4)
				(1,809)	Other comprehensive income for the year, net of tax effect	
				$ 20,966	Total comprehensive income for the year	

Notes to the reconciliation:

(1) The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumulated unused compensated absences. The Group recognized such costs as expenses upon actual payment. However, IAS 19, "Employee Benefits", requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.

Therefore, accrued expenses, retained earnings and cumulative translation adjustment were increased (decreased) by $12,478, ($12,423) and ($55), respectively, at the date of transition.

As of December 31, 2012, accrued expenses, retained earnings and cumulative translation adjustment were increased (decreased) by $3,294, ($12,423) and $89, respectively. Operating expenses for the year ended December 31, 2012 was also adjusted for a decrease of $9,040.

(2) In accordance with current accounting standards in R.O.C., the Group's property leased to others was presented in "Assets leased to others" and "Other assets" account. In accordance with IAS 40, "Investment Property", property that meets the definition of investment property is classified and accounted for as

"Investment property".

Therefore, the Group reclassified leased assets of $1,016,337 and other assets-other of $306,932 to investment property amounting to $1,323,269 at the date of transition.

As of December 31, 2012, the amount reclassified from leased assets to investment property was $1,312,347.

(3) In accordance with current accounting standards in R.O.C., a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. A deferred tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent according to the expected time period to realize or settle a deferred tax asset or liability. However, under IAS 1, "Presentation of Financial Statements", an entity should not classify a deferred tax asset or liability as current.

Therefore, the Group reclassified deferred income tax assets - current to deferred income tax assets - non current amounting to $13,990 at the date of transition.

As of December 31, 2012, the amounts reclassified from deferred income tax assets - current to deferred income tax assets - non current and deferred income tax liabilites - non current were $17,353 and $1,183, respectively.

(4) Pensions

a. The discount rate used to calculate pensions was determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, "Employee Benefits", requires an entity to determine the discount rate with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of the pension plan; when there is no deep market for corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead.

b. In accordance with current accounting standards in R.O.C., the excess of the accumulated benefit obligation over the fair value of the pension plan (fund) assets at the balance sheet date is the minimum amount of pension liability that is required to be recognized on the balance sheet ("minimum pension liability"). However, IAS 19, "Employee Benefits", has no regulation regarding the minimum pension liability.

c. In accordance with current accounting standards in R.O.C., actuarial pension gain or loss of the Group is recognized in net pension cost of current period using the 'corridor' method. However, IAS 19, "Employee Benefits", requires that actuarial pension gain or loss should be recognized immediately in other comprehensive income.

d. In accordance with the Group's accounting policies, the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees who are expected to receive benefits and still in service. However, since the Group is a first-time adopter of IFRSs, the recognition and amortization of transitional net benefit obligation is not applicable.

Therefore, deferred pension cost, accrued pension liabilities, unrecognized pension cost and retained earnings were increased (decreased) by ($82), $27,247, ($7,654) and ($34,983), respectively, at the date of transition.

As of December 31, 2012, deferred pension cost, accrued pension liabilities, actuarial loss from defined benefit pension, unrecognized pension cost and retained earnings were increased (decreased) by ($41), $32,836, $15,726, ($16,499) and ($34,983), respectively. Operating expenses for the year ended December 31, 2012 was also adjusted for a decrease of $1,333.

(5) The Group provides software bug-fixing program for free from time to time. The current accounting standards in R.O.C. do not address the treatment on classifications of such costs. However, in accordance with IAS 18, "Revenue", the Group should estimate relevant debug-fixing cost and liabilities and account for it as common product warranty obligations.
Therefore, other liabilities-other and retained earnings were increased (decreased) by $13,542 and ($13,542), respectively, at the date of transition.
As of December 31, 2012, other liabilities-other, cost of sales and retained earnings were increased (decreased) by $12,085, ($1,457) and ($13,542), respectively.

(6) The Group accrued and paid royalty costs to third parties based on sales quantities, and recognized such costs as expenses. In accordance with IFRSs, it should be recognized as costs and accounts payable by nature of transaction.
Therefore, accrued royalty expense of $822,494 was reclassified to the accounts payable at the date of transition.
As of December 31, 2012, accrued royalty expense of $681,578 was reclassified to the accounts payable. The amounts reclassified from royalty expense to cost of sales was $1,391,734 for the year ended December 31, 2012.

(7) The Group calculated the deferred income tax effects in accordance with the income tax rates in respect of the above transition effects on retained earnings. Deferred income tax assets - non current and retained earnings were both increased by $10,595 at the date of transition.
As of December 31, 2012, deferred income tax assets - non current was increased by $8,791. Income tax expense for the year ended December 31, 2012 was also adjusted for a increase of $1,804.

(8) In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the Group reclassified interest income of $14,005 and rental income of $38,746 to other income. In addition, gain on valuation of financial asset of $10,225, other income (under non-operating income and gains) of $ 20,373, foreign exchange loss of $21,698, and other expenses (under non-operating expenses and losses) of $13,953 were reclassified to other gains and losses for the year ended December 31, 2012.

C. The optional exemptions the Company adopted in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards" and the "Rules Governing the Preparation of Financial Statements by Securities Issuers" that will be applied in 2013 are summarized as follows:

a) Share-based payment
The Group elected to take the optional exemption from applying IFRS 2, "Share-based Payment," retrospectively for the shared-based payment transactions granted and vested before the date of transition.

b) Employee benefits
The Group elected to recognize all cumulative actuarial gains and losses relating to employee benefits plan in retained earnings at the date of transition. In addition, the Group elected to apply the disclosure requirement exemption, in which the amounts of present value of defined benefit obligations, the fair value of plan assets, the surplus or deficit in the plan and the experience adjustments in accordance with IAS 19, "Employee Benefits" paragraph 120A(P) are determined

for each accounting period prospectively from the transition date.

c) Compound financial instruments

For the liability component of compound financial instruments which is no longer outstanding at the date of transition to IFRSs, the Group elected not to separate the liability and equity components.

The Group’s aforementioned assessment result may be impacted as the Financial Supervisory Commission may issue new rules governing the adoption of IFRSs, or as a result of other changes in the economic environment. Therefore, actual results may differ from these assessments.