CYBERLINK CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2013 AND 2012

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

Report of Independent Accountants

PWCR13000029

To the Board of Directors and Stockholders of CyberLink Corp.

We have reviewed the accompanying consolidated balance sheets of CyberLink Corp. and subsidiaries as of June 30, 2013, December 31, 2012, June 30, 2012, and January 1, 2012,the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2013 and 2012, and the consolidated statements of cash flows and changes in equity for the six-month periods ended June 30, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No.36, "Review of Financial Statements" in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit, conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in comformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issures, International Accounting Standard No.34, “Interim Financial Reporting,” and International Financial Reporting Standard 1, “First-time adoption of International Financial Reporting Standards,” endorsed by the Financial Supervisory Commission of the Republic of China.

July 25, 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 review 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
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS								
Current Assets								
Cash and cash equivalents (Note 6(1))	$ 3,533,372	54	$ 3,123,259	50	$ 2,826,191	42	$ 2,718,695	42
Financial assets at fair value through profit or loss - current (Note 6(2))	803,748	12	980,679	16	1,565,661	23	1,389,744	21
Notes receivable, net (Note 6(3))	10,698	-	5,174	-	23,972	1	16,796	-
Accounts receivable, net (Note 6(4))	390,436	6	281,105	4	350,940	5	434,802	7
Other receivables	2,261	-	11,938	-	10,596	-	2,614	-
Inventories	7,377	-	8,259	-	7,124	-	7,938	-
Other current assets	78,176	1	13,716	-	10,257	-	10,599	-
Total current assets	4,826,068	73	4,424,130	70	4,794,741	71	4,581,188	70
Non-current Assets								
Financial assets carried at cost – non-current (Note 6(5))	53,035	1	52,891	1	53,017	1	53,077	1
Property, plant and equipment (Note 6(6))	345,353	5	347,081	6	349,653	5	353,612	6
Investment property, net (Note 6(7))	1,306,886	20	1,312,347	21	1,317,808	20	1,323,269	20
Intangible assets	268	-	430	-	661	-	1,369	-
Deferred income tax assets	81,214	1	130,888	2	185,023	3	221,147	3
Other non-current assets (Note 8)	14,390	-	14,785	-	15,268	-	15,663	-
Total non-current assets	1,801,146	27	1,858,422	30	1,921,430	29	1,968,137	30
TOTAL ASSETS	$ 6,627,214	100	$ 6,282,552	100	$ 6,716,171	100	$ 6,549,325	100
LIABILITIES AND STOCKHOLDERS' EQUITY								
Current Liabilities								
Accounts payable (Note 6(8))	$ 408,673	6	$ 454,241	7	$ 555,994	8	$ 628,812	10
Other payables (Note 6(9))	1,367,216	21	697,274	11	1,372,143	21	799,428	12
Income tax payable	39,183	1	51,555	1	17,515	-	45,020	1
Other current liabilities	13,889	-	15,582	-	29,931	1	15,688	-
Total current liabilities	1,828,961	28	1,218,652	19	1,975,583	30	1,488,948	23
Non-current Liabilities								
Provisions – non-current (Note 6(10))	260,498	4	237,318	4	223,189	3	199,687	3
Deferred income tax liabilities	351	-	1,183	-	487	-	-	-
Other non-current liabilities (Note 6(11))	81,829	1	78,481	1	64,514	1	63,018	1
Total non-current liabilities	342,678	5	316,982	5	288,190	4	262,705	4
Total Liabilities	2,171,639	33	1,535,634	24	2,263,773	34	1,751,653	27

(Continued)

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%	Amount	%
Equity Attributable To Shareholders Of the Parent								
Capital stock (Note 6(13))								
Common stock	$ 943,507	14	$ 943,507	15	$ 943,507	14	$ 943,507	14
Capital reserve (Note 6(14))								
Paid-in capital in excess of par value	1,586,901	24	1,586,901	26	1,586,901	24	1,586,901	24
Employee stock option	229,535	3	222,409	3	223,134	3	214,015	3
Retained earnings (Note 6(15))								
Legal reserve	870,008	13	804,873	13	804,873	12	738,319	11
Special reserve	89,451	2	43,679	1	43,679	1	69,880	1
Unappropriated earnings	799,300	12	1,218,412	19	897,311	13	1,281,129	20
Others (Note 6(16))								
Exchange differences arising on translation of foreign operations	(63,127)	(1)	(72,863)	(1)	(47,007)	(1)	(36,079)	-
Equity Attributable To Shareholders Of the Parent	4,455,575	67	4,746,918	76	4,452,398	66	4,797,672	73
Total Equity	4,455,575	67	4,746,918	76	4,452,398	66	4,797,672	73
Significant contingent liabilities and unrecognized contract commitments (Note 6(23))								
TOTAL LIABILITIES AND EQUITY	$ 6,627,214	100	$ 6,282,552	100	$ 6,716,171	100	$ 6,549,325	100

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

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)
(UNAUDITED)

	For the three-month period ended June 30, 2013		For the three-month period ended June 30, 2012		For the six-month period ended June 30, 2013		For the six-month period ended June 30, 2012	
	Amount	%	Amount	%	Amount	%	Amount	%
Net revenues	$ 628,183	100	$ 843,133	100	$ 1,262,134	100	$ 1,750,671	100
Cost of revenues (Note 6(19))	(114,518)	(18)	(379,597)	(45)	(215,703)	(17)	(766,852)	(44)
Gross profit	513,665	82	463,536	55	1,046,431	83	983,819	56
Operating expenses (Note 6(19))								
Selling	(137,193)	(21)	(127,522)	(15)	(269,473)	(21)	(257,996)	(15)
General	(42,572)	(7)	(38,249)	(5)	(80,161)	(6)	(72,593)	(4)
Research and development	(136,573)	(22)	(130,133)	(15)	(274,931)	(22)	(252,806)	(14)
Total operating expenses	(316,338)	(50)	(295,904)	(35)	(624,565)	(49)	(583,395)	(33)
Operating income	197,327	32	167,632	20	421,866	34	400,424	23
Non-operating income and expenses								
Other income (Note 6(17))	16,789	3	17,979	2	31,775	2	33,782	2
Other gains and losses (Note 6(18))	7,661	1	4,899	1	21,214	2	(11,305)	(1)
Total non-operating income and expenses	24,450	4	22,878	3	52,989	4	22,477	1
Income before income tax	221,777	36	190,510	23	474,855	38	422,901	24
Income tax expense (Note 6(21))	(67,531)	(11)	(50,777)	(6)	(122,605)	(10)	(105,911)	(6)
Net income	154,246	25	139,733	17	352,250	28	316,990	18
Other comprehensive income (loss)								
Exchange differences arising on translation of foreign operations (Note 6(16))	(492)	-	16,272	2	9,736	1	(10,928)	(1)
Total comprehensive income for the period	$ 153,754	25	$ 156,005	19	$ 361,986	29	$ 306,062	17
Net income attributable to:								
Shareholders of the parent	$ 154,246	25	$ 139,733	17	$ 352,250	28	$ 316,990	18
Total comprehensive income attributable to:								
Shareholders of the parent	$ 153,754	25	$ 156,005	19	$ 361,986	29	$ 306,062	17
Earnings per share (Note 6(22))								
Basic earnings per share	$ 1.63		$ 1.48		$ 3.73		$ 3.36	
Diluted earnings per share	$ 1.63		$ 1.48		$ 3.70		$ 3.34	

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

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	Equity Attributable to Shareholders of the Parent							
		Capital reserve		Retained earnings				
	Common stock	Paid-in capital in excess of par value	Employee stock option	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences arising on translation of foreign operations	Total
Balance at January 1, 2012	$ 943,507	$1,586,901	$ 214,015	$ 738,319	$ 69,880	$1,281,129	($ 36,079)	$4,797,672
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 the six month period ended June 30, 2012	-	-	-	-	-	316,990	-	316,990
Share-based payment transaction	-	-	9,119	-	-	-	-	9,119
Other comprehensive loss for the six month period ended June 30, 2012	-	-	-	-	-	-	(10,928)	(10,928)
Balance at June 30, 2012	$ 943,507	$ 1,586,901	$ 223,134	$ 804,873	$ 43,679	$ 897,311	($ 47,007)	$4,452,398
Balance at January 1, 2013	$ 943,507	$1,586,901	$ 222,409	$ 804,873	$ 43,679	$1,218,412	($ 72,863)	$4,746,918
Distribution of 2012 earnings (Note):								
Legal reserve	-	-	-	65,135	-	(65,135)	-	-
Special reserve	-	-	-	-	45,772	(45,772)	-	-
Cash dividends	-	-	-	-	-	(660,455)	-	(660,455)
Net income for the six month period ended June 30, 2013	-	-	-	-	-	352,250	-	352,250
Share-based payment transaction	-	-	7,126	-	-	-	-	7,126
Other comprehensive income for the six month period ended June 30, 2013	-	-	-	-	-	-	9,736	9,736
Balance at June 30, 2013	$ 943,507	$ 1,586,901	$ 229,535	$ 870,008	$ 89,451	$ 799,300	($ 63,127)	$4,455,575

Note: Remunerations to directors and supervisors of $8,107 and employees' bonus of $58,621 and remunerations to directors and supervisors of $9,378 and employees' bonus of $59,899 have been deducted from the consolidated statements of comprehensive income for 2012 and 2011, respectively.

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Cash flows from operating activities		
Income before income tax	$ 474,855	$ 422,901
Adjustments to reconcile net income to net cash provided by operating activities:		
Adjustments for:		
Gain on financial assets at fair value through profit or	(3,069)	(5,917)
Depreciation expenses	10,227	10,653
Amortization expenses	162	708
Interest income	(7,691)	(6,305)
Employees' stock option cost	7,126	9,119
Changes in operating assets and liabilities:		
Financial asset held for trading decrease (increase)	180,000	(170,000)
Notes and accounts receivable (increase) decrease	(109,589)	73,378
Other receivables decrease (increase)	9,914	(8,067)
Inventories decrease	882	814
Other current assets (increase) decrease	(64,129)	294
Accounts payable decrease	(53,503)	(68,079)
Other payables increase (decrease)	934	(83,683)
Other current liabilities (decrease) increase	(1,752)	14,229
Provisions increase	23,180	23,502
Other non-current assets decrease	(3,114)	(311)
Cash generated from operations	464,433	213,236
Interest received	7,679	6,443
Income taxes paid	(86,253)	(96,815)
Net cash provided by operating activities	385,859	122,864
Cash flows from investing activities		
Acquisition of property, plant, and equipment	(3,334)	(1,429)
Decrease in refundable deposits	534	324
Net cash used in investing activities	(2,800)	(1,105)
Cash flows from financing activities		
Increase in deposits	6,462	1,807
Net cash provided in financing activities	6,462	1,807
Effects of changes in exchange rates of foreign currency holdings	20,592	(16,070)
Net increase in cash and cash equivalents	410,113	107,496
Cash and cash equivalents at beginning of the period	3,123,259	2,718,695
Cash and cash equivalents at end of the period	$ 3,533,372	$ 2,826,191
Supplemental disclosures of cash flow information:		
Financing activities which have no effect on cash flows:		
Cash dividends not yet paid	$ 660,455	$ 660,455

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

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

1. HISTORY AND ORGANIZATION

CyberLink Corp. (the “Company”) was incorporated under the Company Law of the Republic of China (R.O.C.) in August 1990. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the design and sale of 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.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on July 25, 2013.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

IFRS 9, ‘Financial Instruments’: Classification and measurement of financial assets

A. The International Accounting Standards Board (“IASB”) published IFRS 9, ‘Financial Instruments’, in November, 2009, which will take effect on January 1, 2015 with early application permitted. Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 (“IAS 39”), ‘Financial Instruments: Recognition and Measurement’ reissued in 2009.

B. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

A. The followings are the new standards and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, 'Financial Instruments: Disclosures', and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11,'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
IFRS 12, ‘Disclosure of interests in other entities’	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IAS 27,‘Separate financial statements’ (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, ‘Consolidated financial statements’.	January 1, 2013
IAS 28, ‘Investments in associates and joint ventures’(as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11 , ‘Joint arrangements’, IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, ‘Fair value measurement’	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, ‘Employee benefits’ (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past-service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognised in other comprehensive income.	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be reclassified to profit or loss subsequently.	July 1, 2012

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	Stripping costs that meet certain criteria should be recognised as the 'stripping activity asset'. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, 'Inventories'.	January 1, 2013
Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9,'Financial instruments', and IAS 20,'Accounting for government grants and disclosure of government assistance', prospectively to government loans that exist at the date of transition to IFRS.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013

B. The followings are the new standards and amendments issued by IASB but not yet effective and not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	January 1, 2015
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendment clarifies criterion that an entity 'currently has a legally enforceable right to set off the recognised amounts' and gross settlement mechanisms with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances.	January 1, 2014
Mandatory effective date and transition disclosures (amendment to IFRS 7 and IFRS 9)	The mandatory effective date has been postponed to January 1, 2015.	January 1, 2015
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit of loss instead of consolidating them.	January 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014

C. The Group is currently assessing the potential impact of the new standards and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. These consolidated financial statements are the first second-quarter consolidated financial statements prepared by the Group in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers", IAS 34, 'Interim Financial Reporting', and IFRS 1, 'First-time Adoption of International Financial Reporting Standards', as endorsed by the FSC.

B. In the preparation of the balance sheet of January 1, 2012 (the Group's date of transition to IFRSs) ("the opening IFRSs balance sheet"), the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to the International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins as endorsed by the FSC (collectively referred herein as the “IFRSs”) on the Group’s financial position, operating results and cash flows.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

   a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
   b) Liabilities on cash-settled share-based payment arrangements measured at fair value.
   c) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised prior period’s service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

   a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

   b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

   c) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

d) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of Investor	Name of Subsidiary	Major Operating Activities	June 30, 2013	December 31, 2012	Description
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%	

Name of Investor	Name of Subsidiary	Major Operating Activities	Ownership (%) June 30, 2012	Ownership (%) January 1, 2012	Description
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. Adjustments for subsidiaries with different balance sheet dates: None.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in NT$, which is the Company's functional and the Group's presentation currency. The Company's functional currency is NT$; however, the consolidated financial statements are presented in NT$.

A. Foreign currency transactions and balances

a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

b) When the foreign operation partially disposed of or sold is an associate or jointly controlled entity, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even the Group still retains partial interest in the former foreign associate or jointly controlled entity after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.

(5) <u>Classification of current and non-current items</u>

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 realised, or are intended to be sold or consumed within the normal operating cycle;

b) Assets held mainly for trading purposes;

c) Assets that are expected to be realised 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:

   e) Liabilities that are expected to be paid off within the normal operating cycle;

   a) Liabilities arising mainly from trading activities;

   f) Liabilities that are to be paid off within twelve months from the balance sheet date;

   b) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(9) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

a) Significant financial difficulty of the issuer or debtor;

b) A breach of contract, such as a default or delinquency in interest or principal payments;

c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

e) The disappearance of an active market for that financial asset because of financial difficulties;

f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

a) Financial assets measured at amortised cost

b) The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

c) Financial assets measured at cost

d) The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The cash flows from the financial asset have been received.

B. The contractual rights to receive cash flows from the financial asset expire.

C. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

D. The contractual rights to receive cash flows from the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(11) Inventories

Inventories are stated at cost. 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.

(12) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	50 years	Office equipment	5 years
Machinery and equipment	3 years	Transportation equipment	5 years

(13) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(14) 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.

(15) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(16) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(17) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled, or expired.

(18) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(19) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Actuarial gains and losses arising on defined benefit plans are recognised.

iii. Past-service costs are recognised immediately in profit or loss if vested immediately; if not, the past-service costs are amortised on a straight-line basis over the vesting period.

iv. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.The related information is disclosed accordingly.

C. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share 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.

(20) <u>Employee share-based payment</u>

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at the fair value of the liability to pay for those services, and are recognised as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled at the settlement date, with any changes in fair value recognised in profit or loss.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. Tax preference given for research and development and employees' training is recorded using the income tax credits accounting.

G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(23) Revenue recognition

A. The Group sells computer software products. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities.

B. Revenue arising from the sales of goods should be recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

C. Revenue arising from the sales of software products to hardware firm to be bundled with its hardware products should be recognized when the Group has delivered the software to the hardware firm, or based on the sales report provided by the hardware firm periodically to the Group in regards to the sales of its hardware products bundled with the software produced by the Group. Sales report is usually provided to the Group in the next quarter of its hardware sales. Revenue arising from the sales of software to distributor or retailer should be recognized when the Group has delivered the software to the distributor or retailer. Revenue arising from the sales of software through internet should be recognized based on the sales report provided by the internet service provider, which is usually provided to the Group in the next month after the sales of the software.

D. The Group irregularly provides debug program to customers, which can be downloaded through internet with no fee. This service is not obligation of the sale nor does it increase the main functions of the product. Therefore, service costs and liabilities relating to this service are accrued upon the sale of the product; this service would not affect the amount of revenue of the product.

E. The Group offers customers price discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for allowance for sales returns and discounts are recorded when the sales are recognized.

F. Cost of goods sold comprises packaging cost, production cost, royalty paid to third party, provision for royalty liability, inventory valuation and obsolescence loss, etc.

G. For the subsidiary engaging in securities trading, their revenues and costs relating to the sales of securities are recognized on the trade date.

(24) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Judgements and estimates are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

A. Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

B. Investment property

The Group uses part of the property to earn rentals or for capital appreciation. The part of the property is classified as investment property.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Realisability of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

As of June 30, 2013, the Group recognised deferred income tax assets amounting to $81,214.

B. Provision for royalty liabilities

The Group estimates the possible royalty expenses based on the industry characteristics, other known events and management's judgement and recognises such expenses within 'cost of goods sold' when related product is sold. Any changes in industry circumstances might affect the provision for royalty liabilities.

As of June 30, 2013, the Group's provision for royalty liabilities was $260,498.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2013	December 31, 2012
Cash on hand	$ 262	$ 262
Checking accounts and demand deposits	1,942,902	1,616,978
Time deposits	1,590,208	1,506,019
	$ 3,533,372	$ 3,123,259

	June 30, 2012	January 1, 2012
Cash on hand	$ 282	$ 282
Checking accounts and demand deposits	1,629,110	1,367,699
Time deposits	1,196,799	1,350,714
	$ 2,826,191	$ 2,718,695

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

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

	June 30, 2013	December 31, 2012
Financial assets held for trading		
Money market funds	$ 790,244	$ 968,467
Valuation adjustment of financial assets held for trading	13,504	12,212
	$ 803,748	$ 980,679

	June 30, 2012	January 1, 2012
Financial assets held for trading		
Money market funds	$ 1,554,781	$ 1,384,154
Valuation adjustment of financial assets held for trading	10,880	5,590
	$ 1,565,661	$ 1,389,744

The Group recognized net gains of $1,427, $3,087, $3,069 and $5,917 on financial assets held for trading for the three-month and the six-month periods ended June 30, 2013 and 2012, respectively.

(3) Notes receivable

	June 30, 2013	December 31, 2012
Notes receivable	$ 10,728	$ 5,204
Less: Allowance for doubtful accounts	(30)	(30)
	$ 10,698	$ 5,174

	June 30, 2012	January 1, 2012
Notes receivable	$ 24,002	$ 16,826
Less: Allowance for doubtful accounts	(30)	(30)
	$ 23,972	$ 16,796

(4) Accounts receivable

	June 30, 2013	December 31,2012
Accounts receivable	$ 408,879	$ 307,474
Less: Allowance for sales return and discounts	(17,925)	(25,851)
Less: Allowance for doubtful accounts	(518)	(518)
	$ 390,436	$ 281,105

	June 30, 2012	January 1, 2012
Accounts receivable	$ 369,455	$ 461,173
Less: Allowance for sales return and discounts	(18,147)	(25,853)
Less: Allowance for doubtful accounts	(368)	(518)
	$ 350,940	$ 434,802

A. The maximum exposure to credit risk at June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 was the carrying amount of each class of accounts receivable.
B. The Group does not hold any collateral as security.

(5) Financial assets measured at cost

Item	June 30, 2013	December 31, 2012
Unlisted stocks	$ 53,035	$ 52,891

Item	June 30, 2012	Januray 1, 2012
Unlisted stocks	$ 53,017	$ 53,077

A. According to the Group's intention, its investment in unlisted stocks should be classified as 'available-for-sale financial assets'. However, as the investment is not traded in active market, and no sufficient related industry information nor similar companies' financial information can be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

B. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, no financial assets measured at cost held by the Group were pledged to others.

(6) Property, plant, and equipment

	Six-month period ended June 30, 2013					
	Land	Building	Machinery	Office equipment	Transportation equipment	Total
Balance, beginning of period						
Cost	$ 220,698	$ 180,796	$ 43,541	$ 9,808	$ 5,092	$ 459,935
Accumulated depreciation	-	(67,241)	(35,148)	(8,017)	(2,448)	(112,854)
	$ 220,698	$ 113,555	$ 8,393	$ 1,791	$ 2,644	$ 347,081
Opening net book amount	$ 220,698	$ 113,555	$ 8,393	$ 1,791	$ 2,644	$ 347,081
Additions	-	-	3,225	109	-	3,334
Costs of disposal	-	(36,717)	(21,207)	(2,444)	-	(60,368)
Accumulated depreciation on disposal	-	36,717	21,207	2,444	-	60,368
Depreciation expenses	-	(1,848)	(2,170)	(324)	(424)	(4,766)
Net exchange differences	-	(274)	(28)	6	-	296)
Closing net book amount	$ 220,698	$ 111,433	$ 9,420	$ 1,582	$ 2,220	$ 345,353
Balance, end of period						
Cost	$ 220,698	$ 143,733	$ 25,262	$ 7,435	$ 5,092	$ 402,220
Accumulated depreciation	-	(32,300)	(15,842)	(5,853)	(2,872)	(56,867)
	$ 220,698	$ 111,433	$ 9,420	$ 1,582	$ 2,220	$ 345,353

	Six-month period ended June 30, 2012					
	Land	Building	Machinery	Office equipment	Transportation equipment	Total
Balance, beginning of period						
Cost	$ 220,698	$ 181,368	$ 40,393	$ 9,811	$ 5,092	$ 457,362
Accumulated depreciation	-	(63,508)	(31,081)	(7,562)	(1,599)	(103,750)
	$ 220,698	$ 117,860	$ 9,312	$ 2,249	$ 3,493	$ 353,612
Opening net book amount	$ 220,698	$ 117,860	$ 9,312	$ 2,249	$ 3,493	$ 353,612
Additions	-	-	1,195	234	-	1,429
Depreciation expenses	-	(1,938)	(2,393)	(437)	(424)	(5,192)
Net exchange differences	-	(136)	(24)	(36)	-	(196)
Closing net book amount	$ 220,698	$ 115,786	$ 8,090	$ 2,010	$ 3,069	$ 349,653
Balance, end of period						
Cost	$ 220,698	$ 181,207	$ 41,457	$ 9,894	$ 5,092	$ 458,348
Accumulated depreciation	-	(65,421)	(33,367)	(7,884)	(2,023)	(108,695)
	$ 220,698	$ 115,786	$ 8,090	$ 2,010	$ 3,069	$ 349,653

(7) Investment property

	Six-month period ended June 30, 2013		
	Land	Buildings	Total
Balance, beginning of period			
Cost	$ 799,024	$ 556,079	$ 1,355,103
Accumulated depreciation	-	(42,756)	(42,756)
	$ 799,024	$ 513,323	$ 1,312,347
Opening net book amount	$ 799,024	$ 513,323	$ 1,312,347
Depreciation expenses	-	(5,461)	(5,461)
Closing net book amount	$ 799,024	$ 507,862	$ 1,306,886
Balance, end of period			
Cost	$ 799,024	$ 556,079	$ 1,355,103
Accumulated depreciation	-	(48,217)	(48,217)
	$ 799,024	$ 507,862	$ 1,306,886

	Six-month period ended June 30, 2012		
	Land	Buildings	Total
Balance, beginning of period			
Cost	$ 799,024	$ 556,079	$ 1,355,103
Accumulated depreciation	-	(31,834)	(31,834)
	$ 799,024	$ 524,245	$ 1,323,269
Opening net book amount	$ 799,024	$ 524,245	$ 1,323,269
Depreciation expenses	-	(5,461)	(5,461)
Closing net book amount	$ 799,024	$ 518,784	$ 1,317,808
Balance, end of period			
Cost	$ 799,024	$ 556,079	$ 1,355,103
Accumulated depreciation	-	(37,295)	(37,295)
	$ 799,024	$ 518,784	$ 1,317,808

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Rental revenue from the lease of the investment property	$ 12,378	$ 9,884
Direct operating expenses arising from the investment property that generate rental income in the period	$ 4,358	$ 3,200
Direct operating expenses arising from the investment property that did not generate rental income in the period	$ -	$ 1,036

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Rental revenue from the lease of the investment property	$ 23,800	$ 18,691
Direct operating expenses arising from the investment property that generate rental income in the period	$ 7,089	$ 5,263
Direct operating expenses arising from the investment property that did not generate rental income in the period	$ -	$ 1,704

B. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, fair value of the Group's investment property was $1,978,185, $1,851,581, $1,740,803 and $1,740,803, respectively, which was estimated based on market trading prices of similar property in the areas nearby.

(8) Accounts payable

	June 30, 2013	December 31, 2012
Royalty expense	$ 403,374	$ 444,260
Others	5,299	9,981
	$ 408,673	$ 454,241

	June 30, 2012	January 1, 2012
Royalty expense	$ 552,455	$ 622,807
Others	3,539	6,005
	$ 555,994	$ 628,812

(9) Other payables

	June 30, 2013	December 31, 2012
Cash dividends payable	$ 660,455	$ -
Royalty collection	366,484	391,861
Employees' bonuses and directors' and supervisors' remuneration	120,477	113,500
Employees' rewards	52,676	51,434
Promotional fees	32,090	31,128
Payroll	30,265	-
Professional service fees	23,821	16,188
Employees' bonuses-before 2008	20,444	20,678
Commission expense	17,051	10,522
Other accrued expenses	39,898	51,291
Other payables	3,555	10,672
	$ 1,367,216	$ 697,274

	June 30, 2012	January 1, 2012
Cash dividends payable	$ 660,455	$ -
Royalty collection	393,306	399,392
Employees' bonuses and directors' and supervisors' remuneration	117,467	117,056
Employees' rewards	45,215	79,505
Promotional fees	25,702	28,514
Payroll	30,198	63,949
Professional service fees	15,379	20,523
Employees' bonuses-before 2008	20,678	20,878
Commission expense	13,557	12,413
Other accrued expenses	40,751	40,247
Other payables	9,435	16,951
	$ 1,372,143	$ 799,428

(10) Provisions

	Provisions for royalty liabilities	
	2013	2012
At January 1	$ 237,318	$ 199,687
Additional provisions	23,180	23,502
At June 30	$ 260,498	$ 223,189

Analysis of total provisions:

	June 30, 2013	December 31,2012
Non-current	$ 260,498	$ 237,318

	June 30, 2012	January 1, 2012
Non-current	$ 223,189	$ 199,687

The Group estimates the possible royalty expenses based on the industry characteristics, other known events and management's judgement and recognises such expenses within 'cost of goods sold' when related product is sold. Any changes in industry circumstances might affect the provision for royalty liabilities. Provisions shall be paid when patent owner claims for payment.

(11) Pensions

A. a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension 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.

b) The amounts recognised in the balance sheet are determined as follows:

	December 31, 2012	January 1, 2012
Present value of obligations	($ 77,080)	($ 60,496)
Fair value of plan assets	19,395	18,014
Net liability in the balance sheet	($ 57,685)	($ 42,482)

c) The Company recognised pension expenses of $199, $503, $398 and $1,005 in the statement of comprehensive income for the three-month and six-month periods ended June 30, 2013 and 2012, respectively.

d) As of December 31, 2012 and January 1, 2012, cumulative actuarial losses/gains recognised in other comprehensive income were $15,726 and $0, respectively.

e) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the local banks interest rates for two-year time deposits. The constitution of fair value of plan assets as of June 30, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

f) The principal actuarial assumptions used were as follows:

	2012	2011
Discount rate	1.50%	2.00%
Future salary increases	3.00%	3.00%
Expected return on plan assets	1.75%	2.00%

Assumptions regarding future mortality experience are set based on the fifth of Taiwan Standard Ordinary Experience Mortality Table.

g) Historical information of experience adjustments was as follows:

	2012
Present value of defined benefit obligation	($ 77,080)
Fair value of plan assets	19,395
Surplus/(deficit) in the plan	($ 57,685)
Experience adjustments on plan liabilities	($ 9,329)
Change of actuarial assumptions adjustments on plan liabilities	($ 6,195)
Experience adjustments on plan assets	($ 201)

h) Expected contributions to the defined benefit pension plans of the Group within one year from June 30, 2013 are $1,200.

B. a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute 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 paid monthly or in lump sum upon termination of employment.

b) The pension costs under defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2013 and 2012 were $5,818, $5,536, $11,553 and $11,084, respectively.

c) The pension costs under local government law of the foreign subsidiaries for the three-month and six-month periods ended June 30, 2013 and 2012 were $990, $1,268, $2,049 and $2,631, respectively.

d) Cyberlink Investment has no employees and does not have any retirement plan.

(12) Share-based payment

A. As of June 30, 2013 and 2012, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	2007.1.30	440	7 years	2 years' service: exercise 50% 3 years' service: exercise 75% 4 years' service: exercise 100%
Employee stock options	2009.11.18	1,708	7 years	the same as above
Employee stock options	2011.8.22	2,405	7 years	the same as above

B. Details of the share-based payment arrangements are as follows:

	For the six-month period ended June 30, 2013		For the six-month period ended June 30, 2012	
	No. of options (in thousands)	Weighted - average exercise price (in dollars)	No. of options (in thousands)	Weighted - average exercise price (in dollars)
Options outstanding at beginning of the period	3,128	$ 90.97	3,292	$ 104.30
Options forfeited	-	-	(111)	135.09
Options outstanding at end of the period	3,128	90.97	3,181	103.23
Options exercisable at end of the period	951		729	

C. The weighted-average stock price of stock options at exercise dates for the six-month periods ended June 30, 2013 and 2012 was $90.97 and $103.23 (in dollars), respectively.

D. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the range of exercise prices of stock options outstanding was $67.7～$130.3, $67.7～$130.3, $59.8～$151.3 and $59.8～$151.3 (in dollars), respectively; the weighted-average remaining contractual period was 0.58~5.14 years, 1.08~5.64 years, 0.11~6.14 years and 0.61~6.64 years, respectively.

E. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2007.1.30	$ 135	$ 135	41.59%	4.875	0.00%	1.98%	$ 52.0084
Employee stock options	2009.11.18	136	136	41.16%	4.875	0.00%	1.13%	50.0693
Employee stock options	2011.8.22	61	61	38.58%	4.875	0.00%	1.05%	21.1605

Note: Expected price volatility rate was estimated by using the stock prices of the most recent period with length of this period approximate to the length of the stock options' expected life, and the standard deviation of return on the stock during this period.

F. Expenses incurred on share-based payment transactions are shown below:

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Equity settled	$ 3,563	$ 7,290

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Equity settled	$ 7,126	$ 9,119

(13) Share capital

A. As of June 31, 2013, the Company's authorized capital was $1,610,000, consisting of 161,000 thousand shares of ordinary stock (including 21,000 thousand shares reserved for employee stock options), and the paid-in capital was $943,507 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. The number of the Company's ordinary shares outstanding are 94,351 thousand shares.

C. To increase the Company's working capital, the stockholders at their annual stockholders' meeting in June 2013 adopted a resolution to distribute its legal reserve and the following capital reserve ,in $56,610, by issuing new shares. Submission will be processed by authorities in order to receive approval.

(14) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus 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 surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(15) 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. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. For the three-month and six-month periods ended June 31, 2013 and 2012, employees' bonus was accrued at $13,883, $12,567, $31,703 and $28,476, respectively; directors' and supervisors' remuneration was accrued at $2,082, $1,885, $4,755 and $4,271, 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). The difference between employees' bonus, directors' and supervisors' remuneration as resolved by the stockholders and the amount recognised in the 2012 financial statements by $686 had been adjusted in the 2013 statement of comprehensive income.

Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders are posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. The appropriation of 2012 and 2011 earnings had been resolved at the stockholders' meeting on June 17, 2013 and June 22, 2012, respectively.

Details are summarized below:

	2012		2011	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 65,135		$ 66,554	
Special reserve	45,772		-	
Cash dividends	660,455	$ 7.00	660,455	$ 7.00
	$ 771,362		$ 727,009	

(16) Other equity items

	2013	2012
Currency translation:		
At January 1	($ 72,863)	($ 36,079)
Currency translation differences-group	9,736	(10,928)
At June 30	($ 63,127)	($ 47,007)

(17) Other income

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Rental revenue	$ 12,378	$ 9,884
Interest income from bank deposits	4,127	3,577
Others	284	4,518
	$ 16,789	$ 17,979

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Rental revenue	$ 23,800	$ 18,691
Interest income from bank deposits	7,691	6,305
Others	284	8,786
	$ 31,775	$ 33,782

(18) Other gains and losses

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Net currency exchange gains	$ 10,486	$ 6,076
Net gains on financial assets at fair value through profit or loss	1,427	3,087
Others	(4,252)	(4,264)
	$ 7,661	$ 4,899

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Net currency exchange gains (losses)	$ 25,310	($ 10,175)
Net gains on financial assets at fair value through profit or loss	3,069	5,917
Others	(7,165)	(7,047)
	$ 21,214	($ 11,305)

(19) Costs and expenses by nature

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Cost of goods sold and related expenses	$ 4,733	$ 3,882
Employee benefit expenses	213,174	207,284
Royalty cost	110,535	375,846
Professional service fees	31,846	30,392
Product selling fees	22,896	15,933
Promotional fees	21,022	15,471
Depreciation of property, plant and equipment	2,388	2,580
Others	24,262	24,113
Total cost of sales and operating expenses	$ 430,856	$ 675,501

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Cost of goods sold and related expenses	$ 8,229	$ 8,982
Employee benefit expenses	433,032	412,344
Royalty cost	209,187	758,586
Professional service fees	57,751	53,174
Product selling fees	41,584	31,119
Promotional fees	40,597	34,852
Depreciation of property, plant and equipment	4,766	5,192
Others	45,122	45,998
Total cost of sales and operating expenses	$ 840,268	$ 1,350,247

(20) Employee benefit expenses

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Wages and salaries	$ 185,313	$ 177,426
Labor and health insurance fees	13,829	12,002
Pension costs	7,007	7,307
Employee stock options	3,563	7,290
Other personnel expenses	3,462	3,259
	$ 213,174	$ 207,284

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Wages and salaries	$ 377,941	$ 357,708
Labor and health insurance fees	26,315	24,234
Pension costs	14,000	14,720
Employee stock options	7,126	9,119
Other personnel expenses	7,650	6,563
	$ 433,032	$ 412,344

(21) Income tax

A. Income tax expense

a) Components of income tax expense:

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Current tax expense recognized for the current period	$ 42,082	$ 34,454
Income tax adjustments on prior years	2,355	1,131
Temporary differences	1,112	(3,501)
Income tax credits	21,982	18,693
Income tax expense recognized in profit or loss	$ 67,531	$ 50,777

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Current tax expense recognized for the current period	$ 78,556	$ 68,346
Income tax adjustments on prior years	(5,253)	1,131
Temporary differences	892	(1,319)
Income tax credits	48,410	37,753
Income tax expense recognized in profit or loss	$ 122,605	$ 105,911

B. The Company's income tax returns through 2010 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	June 30, 2013	December 31, 2012
Earnings generated in and before 1997	$ 9,932	$ 9,932
Earnings generated in and after 1998	789,368	1,208,480
	$ 799,300	$ 1,218,412

	June 30, 2012	Januray 1, 2012
Earnings generated in and before 1997	$ 9,932	$ 9,932
Earnings generated in and after 1998	887,379	1,271,197
	$ 897,311	$ 1,281,129

D. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the balance of the imputation tax credit account was $29,773, $13,276, $26,449 and $9,012, respectively. The creditable tax rate was 1.96% for 2011 and is estimated to be 2.46% for 2012. The estimated creditable tax rate for 2012 was calculated based on the proposed amendment rules of Income Tax Law.

(22) Earnings per share

	For the three-month period ended June 30, 2013		
	Amount after tax	Number of shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 154,246	94,351	$ 1.63
Diluted earnings per share			
Profit attributable to the ordinary shareholders of the parent	$ 154,246	94,351	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	46	
Employees' bonus	-	-	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 154,246	94,397	$ 1.63

	For the three-month period ended June 30, 2012		
	Amount after tax	Number of shares (in thousands)	Earrings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 139,733	94,351	$ 1.48
Diluted earnings per share			
Profit attributable to the ordinary shareholders of the parent	$ 139,733	94,351	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	20	
Employees' bonus	-	-	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 139,733	94,371	$ 1.48

	For the six-month period ended June 30, 2013		
	Amount after tax	Number of shares (in thousands)	Earrings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 352,250	94,351	$ 3.73
Diluted earnings per share			
Profit attributable to the ordinary shareholders of the parent	$ 352,250	94,351	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	554	
Employees' bonus	-	368	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 352,250	95,273	$ 3.70

	For the six-month period ended June 30, 2012		
	Amount after tax	Number of shares (in thousands)	Earrings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 316,990	94,351	$ 3.36
Diluted earnings per share			
Profit attributable to the ordinary shareholders of the parent	$ 316,990	94,351	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	210	
Employees' bonus	-	393	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 316,990	94,954	$ 3.34

(23)Operating leases

A. The Group's investment assets from 1F to 9F, Building-B of "Sun-Tech Plaza" located in Nei-Hu District, are leased to others under non-cancellable operating lease agreements. These leases have terms expiring between 2013 and 2018, and all these lease agreements are not renewable at the end of the lease period. Recognised rental revenues of $12,378, $9,884, $23,800 and $18,691 were for the three-month and six-month periods ended June 30, 2013 and 2012, respectively. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	June 30, 2013	December 31,2012
Not later than one year	$ 50,811	$ 50,394
Later than one year but not later than five years	88,699	111,283
Later than five years	834	3,336
	$ 140,344	$ 165,013

	June 30, 2012	January 1, 2012
Not later than one year	$ 47,433	$ 40,389
Later than one year but not later than five years	103,785	93,008
Later than five years	5,837	8,763
	$ 157,055	$ 142,160

B. Subsidiaries lease offices under non-cancellable operating lease agreements. The lease terms are between 2 and 3 years, and all these lease agreements are renewable at the end of the lease period. Partial leases increase with the changes of local price indexes. Subsidiaries recognized rental expenses of $1,958, $2,104, $3,881 and $4,240 for the three-month and six-month periods ended June 30, 2013 and 2012, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	June 30, 2013	December 31, 2012
Not later than one year	$ 6,909	$ 7,758
Later than one year but not later than five years	-	3,435
	$ 6,909	$ 11,193

	June 30, 2012	January 1, 2012
Not later than one year	$ 8,428	$ 4,904
Later than one year but not later than five years	7,988	3,454
	$ 16,416	$ 8,358

7. RELATED-PARTY TRANSACTIONS

Key management compensation

	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
Salaries and other short-term emloyee benefits	$ 25,874	$ 27,776
Post-emloyment benefits	262	273
Service execution fees	11	8
	$ 26,147	$ 28,057

	For the six-month period ended June 30, 2013	For the six-month period ended June 30, 2012
Salaries and other short-term emloyee benefits	$ 49,218	$ 55,840
Post-emloyment benefits	524	545
Service execution fees	17	21
	$ 49,759	$ 56,406

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

	Book value		
Pledged assets	June 30, 2013	December 31, 2012	Pledged purpose
Other assets–non-current Certificate of deposit	$ 10,000	$ 10,000	Guarantee for sequestration

	Book value		
Pledged assets	June 30, 2012	Janaury 1, 2012	Pledged purpose
Other assets–non-current Certificate of deposit	$ 10,000	$ 10,000	Guarantee for sequestration

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The Group was disclosed in Note 6(23).

10.SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives of capital management are to ensure the Group's sustainable operation and to maintain an optimal capital structure to reduce the cost of capital and provide returns for shareholders. In order to maintain or adjust to optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

(2) Financial instruments

A. Fair value information of financial instruments

a) Financial assets

	June 30, 2013	
	Book value	Fair value
Cash and cash equivalents	$ 3,533,372	$ 3,533,372
Financial assets at fair value through profit or loss	803,748	803,748
Notes receivable	10,698	10,698
Accounts receivable	390,436	309,436
Other receivables	2,261	2,261
Financial assets measured at cost	53,035	-
Other financial assets (under other non-current assets)	10,000	10,000

	December 31, 2012	
	Book value	Fair value
Cash and cash equivalents	$ 3,123,259	$ 3,123,259
Financial assets at fair value through profit or loss	980,679	980,679
Notes receivable	5,174	5,174
Accounts receivable	281,105	281,105
Other receivables	11,938	11,938
Financial assets measured at cost	52,891	-
Other financial assets (under other non-current assets)	10,000	10,000

	June 30, 2012	
	Book value	Fair value
Cash and cash equivalents	$ 2,826,191	$ 2,826,191
Financial assets at fair value through profit or loss	1,565,661	1,565,661
Notes receivable	23,972	23,972
Accounts receivable	350,940	350,940
Other receivables	10,596	10,596
Financial assets measured at cost	53,017	-
Other financial assets (under other non-current assets)	10,000	10,000

	January 1, 2012	
	Book value	Fair value
Cash and cash equivalents	$ 2,718,695	$ 2,718,695
Financial assets at fair value through profit or loss	1,389,744	1,389,744
Notes receivable	16,796	16,796
Accounts receivable	434,802	434,802
Other receivables	2,614	2,614
Financial assets measured at cost	53,077	-
Other financial assets (under other non-current assets)	10,000	10,000

b) Financial liabilities

	June 30, 2013	
	Book value	Fair value
Accounts payable	$ 408,673	$ 408,673
Other payables	1,367,216	1,367,216
Deposits-in (under other non-current liabilities)	15,172	15,172

	December 31, 2012	
	Book value	Fair value
Accounts payable	$ 454,241	$ 454,241
Other payables	697,274	697,274
Deposits-in (under other non-current liabilities)	8,711	8,711

	June 30, 2012	
	Book value	Fair value
Accounts payable	$ 555,994	$ 555,994
Other payables	1,372,143	1,372,143
Deposits-in (under other non-current liabilities)	8,801	8,801

	January 1, 2012	
	Book value	Fair value
Accounts payable	$ 628,812	$ 628,812
Other payables	799,428	799,428
Deposits-in (under other non-current liabilities)	6,994	6,994

B. Financial risk management policies

a) The Group's activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

- The objective of the Group's financial risk management is to manage the foreign exchange risk, interest rate risk, credit risk and liquidity risk arising from business activities. To minimize financial risk, the Group identifies, evaluates and hedges the market uncertainty, so as to reduce the potential adverse effects of market changes on the Group's financial performance.
- The Group's business involves some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, JPY, and EUR). Significant financial assets and liabilities denominated in foreign currencies are as follows:

	June 30, 2013			
	Currency	Foreign currency amount (USD in thousands)	Exchange rate	Book value (NTD in thousands)
Financial assets	USD:NTD	$ 53,778	$ 30.00	$ 1,613,337
	USD:JPY	9,715	98.81	291,447
	USD:EUR	2,897	0.77	86,911
Financial liabilities	USD:NTD	10,397	30.00	311,910
	USD:JPY	7,352	98.81	220,567
	USD:EUR	3,184	0.77	95,508

	December 31, 2012			
	Currency	Foreign currency amount (USD in thousands)	Exchange rate	Book value (NTD in thousands)
Financial assets	USD:NTD	$ 46,162	$ 29.04	$ 1,340,532
	USD:JPY	9,142	86.33	265,472
	USD:EUR	1,808	0.75	52,514
Financial liabilities	USD:NTD	12,418	29.04	360,605
	USD:JPY	8,165	86.33	237,106
	USD:EUR	1,593	0.75	46,249

	June 30, 2012			
	Currency	Foreign currency amount (USD in thousands)	Exchange rate	Book value (NTD in thousands)
Financial assets	USD:NTD	$ 44,997	$ 29.88	$ 1,344,504
	USD:JPY	7,895	79.60	235,890
	USD:EUR	1,047	0.80	31,285
Financial liabilities	USD:NTD	13,893	29.88	415,127
	USD:JPY	6,264	79.60	187,155
	USD:EUR	669	0.80	19,986

	January 1, 2012			
	Currency	Foreign currency amount (USD in thousands)	Exchange rate	Book value (NTD in thousands)
Financial assets	USD:NTD	$ 36,758	$ 30.28	$ 1,113,045
	USD:JPY	9,710	77.52	294,012
	USD:EUR	705	0.77	21,335
Financial liabilities	USD:NTD	14,844	30.28	449,474
	USD:JPY	7,759	77.52	234,930
	USD:EUR	546	0.77	16,545

- At June 30, 2013 and 2012, if NTD had strengthened/weaken by 1% against USD with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2013 and 2012 would have been $13,637 higher and $9,894 lower, respectively, mainly as a result of foreign exchange gains/losses on translation of USD-denominated foreign currency monetary items.

Price risk

- The Group is exposed to financial instruments price risk due to investments held by the Group under fair value through profit or loss. To manage its price risk arising from investments in financial instruments, the Group diversifies its portfolio. The diversification follows the limits set by the Group. The Group is not exposed to commodity price risk.
- The Group's major financial investments are beneficiary certificates. The prices of the financial instruments would change due to the change of the future value of investment targets. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, post-tax profit for the six-month periods ended June 31, 2013 and 2012 would have increased/decreased by $8,036 and $16,353, respectively, under gains/losses on financial instruments classified as fair value through profit or loss.

Interest rate risk

- The Group's interest-bearing assets are mainly cash and cash equivalents. The Group expects no significant cash flow interest rate risk on these assets as their maturity is within 12 months.
- The Group did not use any financial instruments to hedge interest rate risk.

b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilisation of credit limits is regularly monitored. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. Aging analysis of accounts receivable, net

	June 30, 2013	December 31,2012
Neither past due nor impaired	$ 244,613	$ 228,312
Past due but not impaired		
Within 30 days	17,029	19,330
31-60 days	77,110	26,049
Over 61 days	51,684	7,414
	145,823	52,793
	$ 390,436	$ 281,105

	June 30, 2012	January 1, 2012
Neither past due nor impaired	$ 345,092	$ 421,550
Past due but not impaired		
Within 30 days	3,254	12,655
31-60 days	1,843	597
Over 61 days	751	-
	5,848	13,252
	$ 350,940	$ 434,802

The credit term for most of the Group's customers is 30 days after monthly billings and 45~90 days after monthly billings for some customers. Allowance for bad debts is estimated based on aging analysis of accounts receivable, historical experience and customers' current financial conditions. Aging analysis of accounts receivable as at June 30, 2013 other than those whose impairment has been provided is shown in the table above. For accounts receivable that were overdue, the Group did not provide impairment if their credit quality was not changed significantly and if they were still collectible.

c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, and marketable securities. The selected instruments should either has appropriate maturity or sufficient liquidity to meet the above mentioned forecasts and provide sufficient cash balance. As at June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the Group held money market position of $4,337,120, $4,103,938, $4,391,852 and $4,108,439, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. Based on contractual payments, the Group's non-derivative financial liabilities are all current financial liabilities.

(3) Fair value estimation

A. The different levels of valuation method to measure fair value have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are measured by level 1 valuation method and classified as financial assets at fair value through profit or loss.

13. SUPPLEMENTARY DISCLOSURES

1) Significant transactions information

A. Lending to others: None.

B. Guarantees on behalf of others: None.

C. Marketable securities at June 30, 2013:

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	$ 518,866	100.00%	$ 518,866
	CyberLink Europe B.V.	A subsidiary of the Company	Long-term equity investments accounted for under the equity method	1,500,000	6,459	100.00%	6,459
	CyberLink International Technology Corp.	A subsidiary of the Company	Long-term equity investments accounted for under the equity method	2,000,000	147,953	100.00%	147,953
	CyberLink Investment Corp.	A subsidiary of the Company	Long-term equity investments accounted for under the equity method	12,000,000	164,829	100.00%	164,829
	Eastspring Well Pool Money Markt Fund	None	Financial assets at fair value through profit or loss -current	7,846,672	103,957		103,957
	Yuanta Wan Tai Money Market Fund	None	Financial assets at fair value through profit or loss -current	37,463,622	553,083		553,083
	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	146,708		146,708
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$ 3,180 (in thousand of dollars)	100.00%	US$ 3,180 (in thousand of dollars)
	Preferred stock of Cidana Inc.	None	Financial assets carried at cost - non current	500,000	US$ 150 (in thousand of dollars)	7.14%	-

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

January 1, 2013– June 30, 2013

Name of Company	Name of the security	Account used to record transaction	Counterparty	Relationship with the counterparty	Beginning balance		Additions		Disposals				Ending balance	
					Number of shares (thousand units)	Amount	Number of shares (thousand units)	Amount	Number of shares (thousand units)	Sales price	Book value (Note)	Gain (loss) from disposal	Number of shares (thousand units)	Amount
CyberLink Corp.	Eastspring Well Pool Money Markt Fund	Financial assets at fair value through profit or loss-current	-	-	21,446	$ 283,192	-	$ -	13,599	$180,000	$179,235	$ 765	7,847	$ 103,957

Note: Including valuation amount.

E. Acquisition of real estate properties exceeding $100,000 or 20% of the Company's paid-in capital during the six-month period ended June 30, 2013: 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, 2013 –June 30, 2013

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	$108,105	9%	Note	The same as those with third parties	Note	$ 38,862	10%

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

H. Receivables from related parties exceeding $100,000 or 20% of the Company's paid-in capital as at June 30, 2013: None.

I. Information as to transaction of derivatives: None.

J. Intercompany transactions:

January 1, 2013- June 30, 2013

Number of the Company (Note 1)	Company	Names of Counterparty	Relationship with Company (Note 2)	Transaction			
				Subject	Amount	Terms of Transaction	Percentage of Consolidated Revenue or Assets (Note 3)
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	$ 108,105	Note 4	8.6%
				Accounts receivable	38,862	Note 4	0.6%
0	CyberLink Corp.	CyberLink Europe B.V.	1	Sales revenue	86,794	Note 4	6.9%
				Accounts receivable	81,197	Note 4	1.2%
0	CyberLink Corp.	CyberLink Inc.	1	Sales revenue	93,910	Note 4	7.4%

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

A. Parent Company : 0

B. Subsidiaries 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.

2) Relevant information regarding investee companies as of June 30, 2013:

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)
				June 30, 2013	December 31, 2012	Shares	Percentage (%)	Book value		
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	$ 136,327	$ 136,327	4,000,000	100.00	$ 518,866	$ 208	$ 208
	CyberLink Europe B.V.	Europe	Sale of software	64,770	64,770	1,500,000	100.00	6,459	(1,155)	(1,155)
	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	64,821	64,821	2,000,000	100.00	147,953	6,288	6,288
	CyberLink Investment Corp.	Taiwan	Investment activities	220,000	220,000	12,000,000	100.00	164,829	506	506
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	25,440 (US$ 848 in thousand of dollars)	24,624 (US$ 848 in thousand of dollars)	1,900	100.00	95,440 (US$ 3,180 in thousand of dollars)	17,060 (US$ 575 in thousand of dollars)	17,060 (US$ 575 in thousand of dollars)

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

14. SEGMENT REPORTING

A. General information

The Group recognises 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 “Media Creation and Others”.

B. Measure of segment 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) The segment financial information of the Group for the six-month periods ended June 30, 2013 and 2012 are as follows:

	For the six-month period ended June 30, 2013		
	Media Experience and Entertainment	Media Creation and Others	Total
Segment Revenue	$ 656,425	$ 605,709	$ 1,262,134
Segment Operating Income	$ 206,250	$ 215,616	$ 421,866

	For the six-month period ended June 30, 2012		
	Media Experience and Entertainment	Media Creation and Others	Total
Segment Revenue	$ 1,201,382	$ 549,289	$ 1,750,671
Segment Operating Income	$ 223,369	$ 177,055	$ 400,424

C. 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.

15. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first second-quarter consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

(1) Exemptions elected by the Group

A. Share-based payment transactions

The Group has elected not to apply the requirements in IFRS 2, 'Share-based Payment', retrospectively to equity instruments that were vested arising from share-based payment transactions prior to the transition date.

B. Employee benefits

The Group has elected to recognise all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, 'Employee Benefits', based on their prospective amounts for financial periods from the transition date.

C. Compound financial instruments

The Group has elected not to segregate between liability components and equity components of compound financial instruments whose liability components were no longer outstanding at the transition date.

(2) Other exceptions to the retrospective application are set out below:

A. Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that day.

B. Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, 'Financial Instruments: Recognition and Measurement' shall be applied prospectively to transactions occurring on or after January 1, 2004.

(3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that entity should make reconciliation for equity, comprehensive income and cash flows for the comparative periods. Reconciliation for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A. Reconciliation for equity on January 1, 2012:

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 -current	1,389,744	-	-	1,389,744	Financial assets at fair value through profit or loss -current	
Net notes receivable	16,796	-	-	16,796	Net notes receivable	
Net accounts receivable	434,802	-	-	434,802	Net accounts receivable	
Other receivable	2,614	-	-	2,614	Other receivable	
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-noncurrent	53,077	-	-	53,077	Financial assets carried at cost-noncurrent	
Other financial assets - non current	10,000	-	(10,000)	-	-	(9)
Total funds and investments	63,077	-	(10,000)	53,077	-	
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		
Other assets						
Assets leased to others	1,016,337	-	(1,016,337)	-	-	(2)
Refundable deposits	5,663	-	(5,663)	-	-	(9)
Deferred income tax assets – noncurrent	196,562	10,595	13,990	221,147	Deferred income tax assets	(3)(7)
Other assets – other	306,932	-	(291,269)	15,663	Other noncurrent assets	(2)(9)
Total other assets	1,525,494	10,595	(1,299,279)	236,810	-	
-	1,943,634	10,513	13,990	1,968,137	Total noncurrent assets	
Total assets	$ 6,538,812	$ 10,513	$ -	$ 6,549,325	Total assets	
Current liabilities						
Accounts payable	$ 6,005	$ -	$ 622,807	$ 628,812	Accounts payable	(6)
Accrued expenses	1,172,223	12,478	(1,184,701)	-	-	(1)(6)(9)
Other payables	437,221	-	362,207	799,428	Other payables	(9)
Income tax payable	45,020	-	-	45,020	Income tax payable	
Other current liabilities	15,688	-	-	15,688	Other current liabilities	
Total current liabilities	1,676,157	12,478	(199,687)	1,488,948	Total current liabilities	
Other liabilities						
-	-	-	199,687	199,687	Provisions - noncurrent	(6)
Accrued pension liabilities	15,235	27,247	(42,482)	-	-	(4)(9)
Guarantee deposits	6,994	-	(6,994)	-	-	(9)
Other liabilities – other	-	13,542	49,476	63,018	Other non-current liabilities	(5)(9)
Total other liabilities	22,229	40,789	199,687	262,705	Total non-current 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 equity	
Total liabilities and shareholders'equity	$ 6,538,812	$ 10,513	$ -	$ 6,549,325	Total liabilities and quity	

B. Reconciliation for equity on December 31, 2012:

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	$ 3,123,259	$ -	$ -	$ 3,123,259	Cash and cash equivalents	
Financial assets at fair value through profit or loss -current	980,679	-	-	980,679	Financial assets at fair value through profit or loss - current	
Net notes receivable	5,174	-	-	5,174	Net notes receivable	
Net accounts receivable	281,105	-	-	281,105	Net accounts receivable	
Other receivable	11,938	-	-	11,938	Other receivable	
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 – noncurrent	52,891	-	-	52,891	Financial assets carried at cost – noncurrent	
Other financial assets - noncurrent	10,000	-	(10,000)	-	-	(9)
Total funds and investments	62,891	-	(10,000)	52,891	-	
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		
Other assets						
Assets leased to others	1,312,347	-	(1,312,347)	-	-	(2)
Refundable deposits	4,785	-	(4,785)	-	-	(9)
Deferred income tax assets – non current	103,152	10,383	17,353	130,888	Deferred income tax assets	(3)(7)
Other assets – other	-	-	14,785	14,785	Other noncurrent assets	(9)
Total other assets	1,420,284	10,383	(1,299,779)	145,673	-	
-	1,830,727	10,342	2,568	1,858,422	Total noncurrent assets	
Total assets	$ 6,271,027	$ 10,342	($ 13,602)	$ 6,282,552	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	$ 9,981	$ -	$ 444,260	$ 454,241	Accounts payable	(6)
Accrued expenses	943,200	12,441	(955,641)	-	-	(1)(6)(9)
Other payables	423,211	-	274,063	697,274	Other payables	(9)
Income tax payable	51,555	-	-	51,555	Income tax payable	
Other current liabilities	15,582	-	-	15,582	Other current liabilities	
Total current liabilities	1,443,529	12,441	(237,318)	1,218,652	Total current liabilities	
Other liabilities						
-	-	-	237,318	237,318	Provisions - noncurrent	(6)
Accrued pension liabilities	24,849	32,836	(57,685)	-	-	(4)(9)
Guarantee deposits	8,711	-	(8,711)	-	-	(9)
Deferred income tax liabilities – noncurrent	-	-	1,183	1,183	Deferred income tax liabilities	(3)
Other liabilities – other	-	12,085	66,396	78,481	Other non-current liabilities	(5)(9)
Total other liabilities	33,560	44,921	238,501	316,982	Total non-current liabilities	
Total liabilities	1,477,089	57,362	1,183	1,535,634	Total liabilities	
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	(63,608)	-	2,066,964	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	(47,020)	-	4,746,918		
Total liabilities and shareholders'equity	$ 6,271,027	$ 10,342	$ 1,183	$ 6,282,552		

C. Reconciliation for equity on June 30, 2012:

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	$ 2,826,191	$ -	$ -	$ 2,826,191	Cash and cash equivalents	
Financial assets at fair value through profit or loss -current	1,565,661	-	-	1,565,661	Financial assets at fair value through profit or loss -current	
Net notes receivable	23,972	-	-	23,972	Net notes receivable	
Net accounts receivable	350,940	-	-	350,940	Net accounts receivable	
Other receivable	10,596	-	-	10,596	Other receivable	
Inventories	7,124	-	-	7,124	Inventories	
Deferred income tax assets –current	15,255	-	(15,255)	-	-	(3)
Other current assets	10,257	-	-	10,257	Other current assets	
Total current assets	4,809,996	-	(15,255)	4,794,741	Total current assets	
Funds and investments						
Financial assets carried at cost -noncurrent	53,017	-	-	53,017	Financial assets carried at cost -noncurrent	
Other financial assets - non current	10,000	-	(10,000)	-	-	(9)
Total funds and investments	63,017	-	(10,000)	53,017	-	

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Net property, plant and equipment	$ 349,653	$ -	$ -	$ 349,653	Property, plant and equipment	
-	-	-	1,317,808	1,317,808	Investment property	(2)
Intangible assets						
Deferred pension costs	82	(82)	-	-	-	(4)
Other intangible assets	661	-	-	661	Other intangible assets	
Total intangible assets	743	(82)	-	661		
Other assets						
Assets leased to others	1,227,038	-	(1,227,038)	-	-	(2)
Refundable deposits	5,268	-	(5,268)	-	-	(9)
Deferred income tax assets – non current	158,808	10,473	15,742	185,023	Deferred income tax assets	(3)(7)
Other assets – other	90,770	-	(75,502)	15,268	Other noncurrent assets	(2)(9)
Total other assets	1,481,884	10,473	(1,292,066)	200,291	-	
-	1,895,297	10,391	15,742	1,921,430	Total noncurrent assets	
Total assets	$ 6,705,293	$ 10,391	$ 487	$ 6,716,171	Total assets	
Current liabilities						
Accounts payable	$ 3,539	$ -	$ 552,455	$ 555,994	Accounts payable	(6)
Accrued expenses	1,051,474	12,439	(1,063,913)	-	-	(1)(6)(9)
Other payables	1,083,874	-	288,269	1,372,143	Other payables	(9)
Income tax payable	17,515	-	-	17,515	Income tax payable	
Other current liabilities	29,931	-	-	29,931	Other current liabilities	
Total current liabilities	2,186,333	12,439	(223,189)	1,975,583	Total current liabilities	
Other liabilities						
-	-	-	223,189	223,189	Provisions - noncurrent	(6)
Accrued pension liabilities	15,640	27,247	(42,887)	-	-	(4)(9)
Guarantee deposits	8,801	-	(8,801)	-	-	(9)
Deferred income tax liabilities – non current	-	-	487	487	Deferred income tax liabilities	(3)
Other liabilities – other	-	12,826	51,688	64,514	Other non-current liabilities	(5)(9)
Total other liabilities	24,441	40,073	223,676	288,190	Total non-current liabilities	
Total liabilities	2,210,774	52,512	487	2,263,773	Total liabilities	
Stockholders' equity						
Capital						
Capital – common stock	943,507	-	-	943,507	Capital – common stock	
Capital surplus	1,810,035	-	-	1,810,035	Capital surplus	
Retained Earnings	1,795,622	(49,759)	-	1,745,863	Retained earnings	(1)(4)(5)(7)
Others						
Cumulative translation adjustments	(46,991)	(16)	-	(47,007)	Foreign currency translation reserve	(1)
Net loss not recognized as pension cost	(7,654)	7,654	-	-	-	(4)
Total shareholders'equity	4,494,519	(42,121)	-	4,452,398		
Total liabilities and shareholders'equity	$ 6,705,293	$ 10,391	$ 487	$ 6,716,171		

D. Reconciliation for comprehensive income for the year ended December 31, 2012:

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)	(41)	1,391,734	(537,663)	Marketing	(1)(4)(6)
General	(140,657)	206	-	(140,451)	General and administrative	(1)(4)
Research and development	(510,188)	1,061	-	(509,127)	Research and development	(1)(4)
Total operating expenses	(2,580,201)	1,226	1,391,734	(1,187,241)	Total operating expenses	
Operating income	850,213	2,683	-	852,896	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)
-	-	-	73,124	73,124	Other income	(8)
	83,349	-	(10,225)	73,124	-	
Non-operating expenses						
Foreign exchange loss	(21,698)	-	21,698	-	-	(8)
Other expenses	(13,953)	-	13,953	-	-	(8)
-	-	-	(25,426)	(25,426)	Other gains and losses	(8)
	(35,651)	-	10,225	(25,426)	-	
Income before income tax	897,911	2,683	-	900,594	Income before income tax	
Income tax expense	(246,565)	(212)	-	(246,777)	Income tax expense	(7)
Net income	$ 651,346	$ 2,471	$ -	653,817	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	
				$ 601,307	Total comprehensive income for the year	
Net income attributable to:					Net income attributable to:	
Shareholders of the parent	$ 651,346			$ 653,817	Shareholders of the parent	
					Total comprehensive income (loss) attributable to:	
				$ 601,307	Shareholders of the parent	

E. Reconciliation for comprehensive income for the six-month period ended June 30, 2012:

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Net sales	$ 1,750,671	$ -	$ -	$ 1,750,671	Net sales	
Cost of sales	(8,982)	716	(758,586)	(766,852)	Cost of sales	(5)(6)
Gross profit	1,741,689	716	(758,586)	983,819	Gross profit	
Operating expenses				-	Operating expenses	
Selling	(1,016,582)	-	758,586	(257,996)	Marketing	(6)
General	(72,593)	-	-	(72,593)	General and administrative	
Research and development	(252,806)	-	-	(252,806)	Research and development	
Total operating expenses	(1,341,981)	-	758,586	(583,395)	Total operating expenses	
Operating income	399,708	716	-	400,424	Income from operations	
Non-operating income						
Interest income	6,305	-	(6,305)	-	-	(8)
Rental income	18,691	-	(18,691)	-	-	(8)
Gain on financial assets at fair value through profit or loss	5,917	-	(5,917)	-	-	(8)
Other income	8,786	-	(8,786)	-	-	(8)
-	-	-	33,782	33,782	Other income	(8)
	39,699	-	(5,917)	33,782	-	
Non-operating expenses						
Foreign exchange loss	(10,175)	-	10,175	-	-	(8)
Other expenses	(7,047)	-	7,047	-	-	(8)
-	-	-	(11,305)	(11,305)	Other gains and losses	(8)
	(17,222)	-	5,917	(11,305)	-	
Income before income tax	422,185	716	-	422,901	Income before income tax	
Income tax expense	(105,789)	(122)	-	(105,911)	Income tax expense	(7)
Net income	$ 316,396	$ 594	$ -	316,990	Net income	
				(10,928)	Exchange differences on translating foreign operations	
				-	Actuarial loss from defined benefit pension	
				(10,928)	Other comprehensive income for the year, net of tax effect	
				$ 306,062	Total comprehensive income for the year	
Net income attributable to:					Net income attributable to:	
Shareholders of the parent	$ 316,396			$ 316,990	Shareholders of the parent	
					Total comprehensive income (loss) attributable to:	
				$ 306,062	Shareholders of the parent	

F. Reconciliation for comprehensive income for the three-month period ended June 30, 2012:

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Net sales	$ 843,133	$ -	$ -	$ 843,133	Net sales	
Cost of sales	(3,882)	131	(375,846)	(379,597)	Cost of sales	(5)(6)
Gross profit	839,251	131	(375,846)	463,536	Gross profit	
Operating expenses				-	Operating expenses	
Selling	(503,368)	-	375,846	(127,522)	Marketing	(6)
General	(38,249)	-	-	(38,249)	General and administrative	
Research and development	(130,133)	-	-	(130,133)	Research and development	
Total operating expenses	(671,750)	-	375,846	(295,904)	Total operating expenses	
Operating income	167,501	131	-	167,632	Income from operations	
Non-operating income						
Interest income	3,577	-	(3,577)	-	-	(8)
Rental income	9,884	-	(9,884)	-	-	(8)
Gain on financial assets at fair value through profit or loss	3,087	-	(3,087)	-	-	(8)
Other income	4,518	-	(4,518)	-	-	(8)
-	-	-	17,979	17,979	Other income	(8)
	21,066	-	(3,087)	17,979	-	
Non-operating expenses						
Foreign exchange loss	6,076	-	(6,076)	-	-	(8)
Other expenses	(4,264)	-	4,264	-	-	(8)
-	-	-	4,899	4,899	Other gains and losses	(8)
	1,812	-	3,087	4,899	-	
Income before income tax	190,379	131	-	190,510	Income before income tax	
Income tax expense	(50,754)	(23)	-	(50,777)	Income tax expense	(7)
Net income	$ 139,625	$ 108	$ -	139,733	Net income	
				16,272	Exchange differences on translating foreign operations	
				-	Actuarial loss from defined benefit pension	
				16,272	Other comprehensive income for the year, net of tax effect	
				$ 156,005	Total comprehensive income for the year	
Net income attributable to:					Net income attributable to:	
Shareholders of the parent	$ 139,625			$ 139,733	Shareholders of the parent	
					Total comprehensive income (loss) attributable to:	
				$ 156,005	Shareholders of the parent	

Notes to the reconciliation:

(1) R.O.C. GAAP does 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.
As of June 30, 2012, accrued expenses, retained earnings and cumulative translation adjustment were increased (decreased) by $12,439, ($12,423) and $16, respectively.

(2) In accordance with R.O.C. GAAP, 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".
As of June 30, 2012, the amount reclassified from leased assets of $1,227,038 and other assets-other of $90,770 to investment property amounting to $1,317,808.

(3) In accordance with R.O.C. GAAP, 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.
As of June 30, 2012, the amounts reclassified from deferred income tax assets - current to deferred income tax assets - non current and deferred income tax liabilities - non current were $15,742 and $487, 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 R.O.C. GAAP, 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, under IAS 19, "Employee Benefits", there is no aforementioned requirement of minimum pension liability.

c. In accordance with R.O.C. GAAP, 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 still in service and expected to receive benefits. However, since the Group is a first-time adopter of IFRSs, the recognition and amortization of transitional net benefit obligation is not applicable.

As of June 30, 2012, 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.

(5) The Group provides software bug-fixing program for free from time to time. The R.O.C. GAAP does not address the treatment on such costs. However, in accordance with IAS 18, “Revenue”, the Group should estimate relevant debug-fixing cost and liabilities and account it as common product warranty obligations. As of June 30, 2012, other liabilities-other and retained earnings were increased (decreased) by $12,826, and ($13,542), respectively. Cost of sales for the six-month and three-month period ended June 30, 2012 were also adjusted for a decrease of $716 and $131, 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.

As of June 30, 2012, accrued royalty expense of $775,644 was reclassified to the accounts payable and provisions-noncurrent by $552,455 and $223,189, respectively. The amounts reclassified from royalty expense to cost of sales were $758,586 and $375,846, respectively, for the six-month and three-month period ended June 30, 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. As of June 30, 2012, deferred income tax assets - non current and retained earnings were increased by $10,473. Income tax expenses for the six-month and three-month period ended June 30, 2012 were also adjusted for increases of $122 and $23.

(8) In accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the Group reclassified interest income of $6,305, rental income of 18,691 and other income (under non-operating income and gains) of $8,786 to other income. In addition, gain on valuation of financial asset of $5,917, foreign exchange loss of $10,175, and other expenses (under non-operating expenses and losses) of $7,047 were reclassified to other gains and losses for the six-month period ended June 30, 2012.

The Group reclassified interest income of $3,577, rental income of $9,884, and other income (under non-operating income and gains) of $4,518 to other income. In addition, gain on valuation of financial asset of $3,087, foreign exchange loss of $6,076, and other expenses (under non-operating expenses and losses) of $4,264 were reclassified to other gains and losses for the three-month period ended June 30, 2012.

(9) In accordance with the amended “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, other financial assets-noncurrent and refundable deposits are presented under ‘other noncurrent assets’ account; accrued expenses and other payables are presented under ‘other payables’ account; accrued pension liabilities, guarantee deposits received and other noncurrent liabilities are presented under ‘other noncurrent liabilities’ account.

F. Major adjustments for the consolidated statement of cash flows for the six-month period ended June 30, 2012:
   a) The transition of R.O.C. GAAP to IFRSs has no effect on the Group’s cash flows reported.
   b) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Group’s cash flows reported.

G. The accounting policies and selection of exemptions applied in these interim consolidated financial statements may be different from those applied in the first year-end IFRSs consolidated financial statements due to the issuance of related regulations by regulatory authorities, changes in economic environment, or changes in the evaluation of the impact of application of accounting policies and exemptions by the Group.