CYBERLINK CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 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

PWCR13000186

To the Board of Directors and Stockholders of CyberLink Corp.

We have audited the accompanying consolidated balance sheets of CyberLink Corp. and subsidiaries as of December 31, 2013, December 31 2012 and January 1, 2012 and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Rules Governing the Audit of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CyberLink Corp. and subsidiaries as of December 31, 2013, December 31 2012 and January 1, 2012, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of CyberLink Corp. as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

February 12, 2014

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)

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
ASSETS						
Current Assets						
Cash and cash equivalents (Note 6(1))	$ 4,066,568	64	$ 3,123,259	50	$ 2,718,695	42
Financial assets at fair value through profit or loss - current (Note 6(2))	181,044	3	980,679	16	1,389,744	21
Notes receivable, net (Note 6(3))	5,819	-	5,174	-	16,796	-
Accounts receivable, net (Note 6(4))	262,107	4	281,105	4	434,802	7
Other receivables	21,490	-	11,938	-	2,614	-
Inventories	8,727	-	8,259	-	7,938	-
Other current assets	39,892	1	13,716	-	10,599	-
Total current assets	4,585,647	72	4,424,130	70	4,581,188	70
Non-current Assets						
Financial assets carried at cost – non-current (Note 6(5))	53,007	1	52,891	1	53,077	1
Property, plant and equipment (Note 6(6))	342,490	5	347,081	6	353,612	6
Investment property, net (Note 6(7))	1,301,425	20	1,312,347	21	1,323,269	20
Intangible assets	144	-	430	-	1,369	-
Deferred income tax assets (Note 6(21))	37,541	1	130,888	2	221,810	3
Other non-current assets (Note 8)	35,621	1	14,785	-	15,664	-
Total non-current assets	1,770,228	28	1,858,422	30	1,968,801	30
TOTAL ASSETS	$ 6,355,875	100	$ 6,282,552	100	$ 6,549,989	100
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities						
Accounts payable (Note 6(8))	$ 284,346	5	$ 401,574	6	$ 573,790	9
Other payables (Note 6(9))	675,409	11	684,477	11	799,428	12
Income tax payable (Note 6(21))	91,922	1	51,555	1	45,020	1
Other current liabilities	90,947	1	15,582	-	15,689	-
Total current liabilities	1,142,624	18	1,153,188	18	1,433,927	22
Non-current Liabilities						
Provisions – non-current (Note 6(10))	323,064	5	314,867	5	268,251	4
Deferred income tax liabilities (Note 6(21))	3,374	-	1,183	-	663	-
Other non-current liabilities (Note 6(11))	71,215	1	66,396	1	49,476	1
Total non-current liabilities	397,653	6	382,446	6	318,390	5
Total Liabilities	1,540,277	24	1,535,634	24	1,752,317	27
Equity Attributable To Shareholders Of the Parent						
Capital stock (Note 6(13))						
Common stock	1,001,429	16	943,507	15	943,507	14
Capital reserve (Note 6(14))	1,774,378	28	1,809,310	29	1,800,916	27
Retained earnings (Note 6(15))						
Legal reserve	870,008	14	804,873	13	738,319	11
Special reserve	89,451	1	43,679	1	69,880	1
Unappropriated earnings	1,153,496	18	1,218,412	19	1,281,129	20
Others (Note 6(16))						
Exchange differences arising on translation of foreign operations	(73,164)	(1)	(72,863)	(1)	(36,079)	-
Equity Attributable To Shareholders Of the Parent	4,815,598	76	4,746,918	76	4,797,672	73
Total Equity	4,815,598	76	4,746,918	76	4,797,672	73
Significant contingent liabilities and unrecognised contract commitments (Note 6(23))						
TOTAL LIABILITIES AND EQUITY	$ 6,355,875	100	$ 6,282,552	100	$ 6,549,989	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)

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Amount	%	Amount	%
Net revenues	$ 2,580,196	100	$ 3,452,784	100
Cost of revenues (Note 6(19))	(413,218)	(16)	(1,412,647)	(41)
Gross profit	2,166,978	84	2,040,137	59
Operating expenses (Notes 6(11), (19) and 7)				
Selling	(542,924)	(21)	(537,663)	(15)
General	(181,812)	(7)	(140,451)	(4)
Research and development	(544,114)	(21)	(509,127)	(15)
Total operating expenses	(1,268,850)	(49)	(1,187,241)	(34)
Operating income	898,128	35	852,896	25
Non-operating income and expenses				
Other income (Note 6(17))	69,400	2	73,124	2
Other gains and losses (Note 6(18))	24,327	1	(25,426)	(1)
Total non-operating income and expenses	93,727	3	47,698	1
Income before income tax	991,855	38	900,594	26
Income tax expense (Note 6(21))	(283,905)	(11)	(246,777)	(7)
Net income	$ 707,950	27	$ 653,817	19
Other comprehensive income (loss)				
Exchange differences arising on translation of foreign operations (Note 6(16))	($ 301)	-	($ 36,784)	(1)
Actuarial loss from defined benefit plans (Note 6(11))	(4,760)	-	(15,726)	(1)
Income tax benefit related to components of other comprehensive income (Note 6(21))	3,256	-	-	-
Total comprehensive income for the year	$ 706,145	27	$ 601,307	17
Net income attributable to:				
Shareholders of the parent	$ 707,950	27	$ 653,817	19
Total comprehensive income attributable to:				
Shareholders of the parent	$ 706,145	27	$ 601,307	17
Earnings per share (Note 6(22))				
Basic earnings per share	$ 7.07		$ 6.54	
Diluted earnings per share	$ 6.94		$ 6.46	

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)

	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:								
Legal reserve	-	-	-	66,554	-	(66,554)	-	-
Special reserve	-	-	-	-	(26,201)	26,201	-	-
Cash dividends	-	-	-	-	-	(660,455)	-	(660,455)
Net income for 2012	-	-	-	-	-	653,817	-	653,817
Share-based payment transactions	-	-	8,394	-	-	-	-	8,394
Other comprehensive loss for 2012	-	-	-	-	-	(15,726)	(36,784)	(52,510)
Balance at December 31, 2012	$ 943,507	$ 1,586,901	$ 222,409	$ 804,873	$ 43,679	$ 1,218,412	($ 72,863)	$4,746,918
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:								
Legal reserve	-	-	-	65,135	-	(65,135)	-	-
Special reserve	-	-	-	-	45,772	(45,772)	-	-
Cash dividends	-	-	-	-	-	(660,455)	-	(660,455)
Capital reserve transferred to common stock	56,610	(56,610)	-	-	-	-	-	-
Net income for 2013	-	-	-	-	-	707,950	-	707,950
Share-based payment transactions	1,312	8,958	12,720	-	-	-	-	22,990
Other comprehensive loss for 2013	-	-	-	-	-	(1,504)	(301)	(1,805)
Balance at December 31, 2013	$ 1,001,429	$ 1,539,249	$ 235,129	$ 870,008	$ 89,451	$ 1,153,496	($ 73,164)	$4,815,598

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

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
Cash flows from operating activities		
Income before income tax	$ 991,855	$ 900,594
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Adjustments for:		
Gain on financial assets at fair value through profit or loss	(4,413)	(10,225)
Depreciation expenses	20,403	20,989
Amortization expenses	286	939
Interest income	(20,225)	(14,005)
Employees' stock option cost	15,224	8,394
Loss on obsolescence of property, plant and equipment	4	-
Changes in operating assets and liabilities:		
Financial asset held for trading	804,048	419,290
Notes and accounts receivable	23,460	158,833
Other receivables	(8,051)	(9,402)
Inventories	(468)	(321)
Other current assets	(25,873)	4,445
Other non-current assets	(21,252)	-
Accounts payable	(123,336)	(159,904)
Other payables	(16,558)	(103,724)
Other current liabilities	75,329	(69)
Provisions	8,197	46,616
Other non-current liabilities	(403)	(523)
Cash generated from operations	1,718,227	1,261,927
Interest received	18,980	14,068
Income taxes paid	(144,268)	(154,883)
Cash dividends	(660,455)	(660,455)
Net cash provided by operating activities	932,484	460,657
Cash flows from investing activities		
Acquisition of property, plant, and equipment	(5,363)	(4,178)
Decrease in refundable deposits	533	878
Net cash used in investing activities	(4,830)	(3,300)
Cash flows from financing activities		
Increase in deposits	462	1,717
Exercise of employee stock options	7,766	-
Net cash provided in financing activities	8,228	1,717
Effects of changes in exchange rates of foreign currency holdings	7,427	(54,510)
Net increase in cash and cash equivalents	943,309	404,564
Cash and cash equivalents at beginning of the year	3,123,259	2,718,695
Cash and cash equivalents at end of the year	$ 4,066,568	$ 3,123,259

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 February 12, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") 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 instruments

A. The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November 2009, which will take effect on January 1, 2013 with early application permitted (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). 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

The following are the assessment of new standards, interpretations 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	IASB 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 preparers 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
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.)	November 19, 2013 (Not mandatory)
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

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity’s date of transition to IFRSs is on, or after, the functional currency normalization date, the entity may elect to measure all assets and liabilities held before the functional currency normalization date at fair value on the date of transition to IFRSs. First time adopters are allowed to apply the derecognition requirements in IAS 39, ‘Financial instruments: Recognition and measurement’, prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognise related gains on the date of transition to IFRSs.	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’	Judgements 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
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

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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 recycled to profit or loss subsequently.	July 1, 2012

New Standards, Interpretations and Amendments	Main Amendments	IASB 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 realized 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
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognised amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014
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 IFRSs; and first-time adopters should not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	January 1, 2013
Improvements to IFRSs 2009- 2011	Amendments to IFRS 1, 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

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
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
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 notated complies with specified criteria.	January 1, 2014
IFRS 9 "Financial assets: hedge accounting" and amendments to IFRS9, IFRS7 and IAS39	1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity. 2. An entity can elect to early adopt the requirement to recognise the changes in fair value attributable to changes in an entity's own credit risk from financial liabilities that are designated under the fair value option in ‘other comprehensive income’.	November 19, 2013 (Not mandatory)

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Services related contributions from employees or third parties (amendments to IAS 19R)	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

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 consolidated financial statements prepared by the Group in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" , "International Financial Reporting Standards", "International Accounting Standards", "IFRIC Interpretations", and "SIC Interpretations as endorsed by the FSC" (collectively referred herein as the "IFRSs").

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 IFRSs on the Group's financial position, financial performance 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 past 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 compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 unrealized 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) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

d) 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.

e) 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:

Name of Investor	Name of Subsidiary	Major Operating Activities	Ownership (%) December 31, 2013	Ownership (%) 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 (%) January 1, 2012	Description
CyberLink Corp.	CyberLink.Com Corp. (CyberLink-USA)	Sales of computer software	100%	
CyberLink Corp.	CyberLink Europe B.V. (CyberLink-B.V.)	Sales of computer software	100%	
CyberLink Corp.	CyberLink International Technology Corp. (CyberLink-B.V.I.)	Investment activities	100%	
CyberLink Corp.	CyberLink Investment Corp. (CyberLink Investment)	Investment activities	100%	
CyberLink International Technology Corp.	CyberLink Inc. (CyberLink-Japan)	Sales of computer software	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 a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

a) Assets arising from operating activities that are expected to be realized, or 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 realized within twelve months from the balance sheet date;

d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

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 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 recognised and derecognised using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognised 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 recognised 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 recognised 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 amortized cost

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 amortized 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.

b) Financial assets measured at cost

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

B. 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.

C. 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 audited, 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 recognising 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 amortized 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 amortized 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

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 amortized on a straight-line basis over the vesting period.

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) Employee share-based payment

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 realized 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 utilized. 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 realize 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 realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carry forward of unused tax credits resulting from research and development expenditures and employees’ training costs to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(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 recognised 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 recognised 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 recognised when the Group has delivered the software to the distributor or retailer. Revenue arising from the sales of software through internet should be recognised 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 recognised.

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 recognised 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. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The 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

A. Reliability 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 utilized. Assessment of the reliability 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 December 31, 2013, the Group recognised deferred income tax assets amounting to $37,541.

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 December 31, 2013, the Group's provision for royalty liabilities was $314,046.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 262	$ 262	$ 282
Checking accounts and demand deposits	1,191,022	1,616,978	1,367,699
Time deposits	2,875,284	1,506,019	1,350,714
	$ 4,066,568	$ 3,123,259	$ 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

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading			
Money market funds	$ 178,734	$ 968,467	$ 1,384,154
Valuation adjustment	2,310	12,212	5,590
	$ 181,044	$ 980,679	$ 1,389,744

The Group recognised net gains of $4,413 and $10,225 on financial assets held for trading for the years ended December 31, 2013 and 2012, respectively.

(3) Notes receivable

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$ 5,849	$ 5,204	$ 16,826
Less: Allowance for doubtful accounts	(30)	(30)	(30)
	$ 5,819	$ 5,174	$ 16,796

(4) Accounts receivable

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts receivable	$ 282,495	$ 307,474	$ 461,173
Less: Allowance for sales return and discounts	(19,870)	(25,851)	(25,853)
Less: Allowance for doubtful accounts	(518)	(518)	(518)
	$ 262,107	$ 281,105	$ 434,802

A. The maximum exposure to credit risk at December 31, 2013, December 31, 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	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted stocks	$ 53,007	$ 52,891	$ 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 December 31, 2013, December 31 2012 and January 1, 2012, no financial assets measured at cost held by the Group were pledged to others.

(6) Property, plant, and equipment

	Land	Building	Machinery	Office equipment	Transportation equipment	Total
At January 1, 2013						
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
2013						
Opening net book amount	$ 220,698	$ 113,555	$ 8,393	$ 1,791	$ 2,644	$ 347,081
Additions	-	-	5,102	261	-	5,363
Costs of disposal	-	(37,830)	(26,386)	(2,670)	-	(66,886)
Accumulated depreciation on disposal	-	37,830	26,386	2,666	-	66,882
Depreciation expenses	-	(3,647)	(4,216)	(769)	(849)	(9,481)
Net exchange differences	-	(432)	(149)	112	-	(469)
Closing net book amount	$ 220,698	$ 109,476	$ 9,130	$ 1,391	$ 1,795	$ 342,490
At December 31, 2013						
Cost	$ 220,698	$ 142,412	$ 21,828	$ 7,293	$ 5,092	$ 397,323
Accumulated depreciation	-	(32,936)	(12,698)	(5,902)	(3,297)	(54,833)
	$ 220,698	$ 109,476	$ 9,130	$ 1,391	$ 1,795	$ 342,490

	Land	Building	Machinery	Office equipment	Transportation equipment	Total
At January 1, 2012						
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
2012						
Opening net book amount	$ 220,698	$ 117,860	$ 9,312	$ 2,249	$ 3,493	$ 353,612
Additions	-	-	3,668	510	-	4,178
Depreciation expenses	-	(3,840)	(4,488)	(890)	(849)	(10,067)
Net exchange differences	-	(465)	(99)	(78)	-	(642)
Closing net book amount	$ 220,698	$ 113,555	$ 8,393	$ 1,791	$ 2,644	$ 347,081
At December 31, 2012						
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

(7) Investment property

	Land	Buildings	Total
At January 1, 2013			
Cost	$ 799,024	$ 556,079	$ 1,355,103
Accumulated depreciation	-	(42,756)	(42,756)
	$ 799,024	$ 513,323	$ 1,312,347
2013			
Opening net book amount	$ 799,024	$ 513,323	$ 1,312,347
Depreciation expenses	-	(10,922)	(10,922)
Closing net book amount	$ 799,024	$ 502,401	$ 1,301,425
At December 31, 2013			
Cost	$ 799,024	$ 556,079	$ 1,355,103
Accumulated depreciation	-	(53,678)	(53,678)
	$ 799,024	$ 502,401	$ 1,301,425

	Land	Buildings	Total
At January 1, 2012			
Cost	$ 799,024	$ 556,079	$ 1,355,103
Accumulated depreciation	-	(31,834)	(31,834)
	$ 799,024	$ 524,245	$ 1,323,269
2012			
Opening net book amount	$ 799,024	$ 524,245	$ 1,323,269
Depreciation expenses	-	(10,922)	(10,922)
Closing net book amount	$ 799,024	$ 513,323	$ 1,312,347
At December 31, 2012			
Cost	$ 799,024	$ 556,079	$ 1,355,103
Accumulated depreciation	-	(42,756)	(42,756)
	$ 799,024	$ 513,323	$ 1,312,347

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

	For the year ended December 31, 2013	For the year ended December 31, 2012
Rental income from the lease of the investment property	$ 48,505	$ 38,746
Direct operating expenses arising from the investment property that generated rental income in the period	$ 14,055	$ 11,422
Direct operating expenses arising from the investment property that did not generated rental income in the period	$ -	$ 2,372

B. As of December 31, 2013, December 31 2012 and January 1, 2012, fair value of the Group's investment property was $2,010,825, $1,851,581 and $1,740,803, respectively, which was estimated based on market trading prices of similar property in the areas nearby.

(8) Accounts payable

	December 31, 2013	December 31, 2012	January 1, 2012
Royalty expense	$ 273,781	$ 391,593	$ 567,785
Others	10,565	9,981	6,005
	$ 284,346	$ 401,574	$ 573,790

(9) Other payables

	December 31, 2013	December 31, 2012	January 1, 2012
Royalty collection	$ 303,348	$ 379,064	$ 399,392
Employees' bonuses and directors' and supervisors' remuneration	121,178	113,500	117,056
Payroll	79,081	26,894	82,539
Employees' rewards	55,519	51,434	79,505
Promotional fees	35,765	31,128	28,514
Professional service fees	21,335	16,188	20,523
Employees' bonuses-before 2008	20,444	20,678	20,878
Commission expense	12,850	10,522	12,413
Other accrued expenses	23,979	24,397	21,657
Other payables	1,910	10,672	16,951
	$ 675,409	$ 684,477	$ 799,428

(10) Provisions

	Royalty	Cost of software bug-fixing	Total
At January 1, 2013	$ 302,782	$ 12,085	$ 314,867
Additional provisions	19,031	-	19,031
Used during the year	(7,767)	-	(7,767)
Unused amounts reversed	-	(3,067)	(3,067)
At December 31, 2013	$ 314,046	$ 9,018	$ 323,064

	Royalty	Cost of software bug-fixing	Total
At January 1, 2012	$ 254,709	$ 13,542	$ 268,251
Additional provisions	48,073	-	48,073
Unused amounts reversed	-	(1,457)	(1,457)
At December 31, 2012	$ 302,782	$ 12,085	$ 314,867

Analysis of total provisions:

	December 31, 2013	December 31, 2012	January 1, 2012
Non-current	$ 323,064	$ 314,867	$ 268,251

A. Royalty

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.

B. Cost of software bug-fixing

The Group provides software bug-fixing program for free from time to time. The Group estimates relevant debug-fixing cost and liabilities and accounts it as common product warranty obligations.

(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, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligations	($ 82,889)	($ 77,080)	($ 60,496)
Fair value of plan assets	20,848	19,395	18,015
Net liability in the balance sheet	($ 62,041)	($ 57,685)	($ 42,481)

c) Changes in present value of defined benefit obligations are as follows:

	2013	2012
Present value of defined benefit obligations		
At January 1	($ 77,080)	($ 60,496)
Interest cost	(1,156)	(1,059)
Actuarial gains and losses	(4,653)	(15,525)
At December 31	($ 82,889)	($ 77,080)

d) Changes in fair value of plan assets are as follows:

	2013	2012
Fair value of plan assets		
At January 1	$ 19,395	$ 18,015
Expected return on plan assets	359	382
Actuarial gains and losses	(106)	(202)
Employer contributions	1,200	1,200
At December 31	$ 20,848	$ 19,395

e) Amounts of expenses recognised in comprehensive income statements are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Interest cost	$ 1,156	$ 1,059
Expected return on plan assets	(359)	(382)
Current pension costs	$ 797	$ 677

Details of cost and expenses recognised in comprehensive income statements are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Selling expenses	$ 192	$ 173
General expenses	85	71
Research and development expenses	520	433
	$ 797	$ 677

f) Amounts recognised under other comprehensive income are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Recognition for current period	$ 4,760	$ 15,726
Accumulated amount	$ 20,486	$ 15,726

g) 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 utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization 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 utilization 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 December 31, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilization 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 utilization 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.

For the years ended December 31, 2013 and 2012, the actual return on plan assets were $253 and $180, respectively.

h) The principal actuarial assumptions used were as follows:

	2013	2012	2011
Discount rate	2.00%	1.50%	2.00%
Future salary increases	3.00%	3.00%	3.00%
Expected return on plan assets	1.75%	1.75%	2.00%

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

i) Historical information of experience adjustments was as follows:

	2013	2012
Present value of defined benefit obligation	($ 82,889)	($ 77,080)
Fair value of plan assets	20,848	19,395
Surplus/(deficit) in the plan	($ 62,041)	($ 57,685)
Experience adjustments on plan liabilities	($ 6,305)	($ 9,330)
Change of actuarial assumptions adjustments on plan liabilities	($ 1,652)	($ 6,195)
Experience adjustments on plan assets	($ 106)	($ 202)

j) Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 2013 are $1,200.

B. a) Effective July 1, 2005, the Company has 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 contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

b) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2013 and 2012 were $22,608 and $22,058, respectively.

c) The pension costs under local government law of the foreign subsidiaries for the years ended December 31, 2013 and 2012 were $4,028 and $5,216, respectively.

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

(12) Share-based payment

A. As of December 31, 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%
〃	2009.11.18	1,708	7 years	the same as above
〃	2011.8.22	2,405	7 years	the same as above

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

	For the year ended December 31, 2013		For the year ended December 31, 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
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	188	79.57	-	-
Options forfeited	(131)	59.20	-	-
Options exercised	(13)	59.20	(164)	110.80
Options outstanding at end of the period	3,172	80.50	3,128	90.97
Options exercisable at end of the period	2,177		951	

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2013 and 2012 was $80.50 and $90.97 (in dollars), respectively.

D. As of December 31, 2013, December 31 2012 and January 1, 2012, the range of exercise prices of stock options outstanding was $59.2～$114, $67.7～$130.3 and $59.8～$151.3 (in dollars), respectively; the weighted-average remaining contractual period was 0.08~4.64 years, 1.08~5.64 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 year ended December 31, 2013	For the year ended December 31, 2012
Equity settled	$ 15,224	$ 8,394

(13) Share capital

A. As of December 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 $1,001,429 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

(Thousand shares)

	2013	2012
At January 1	94,351	94,351
Employee stock options exercised	131	-
Capital Reserve Transferred to Common Stock	5,661	-
At December 31	100,143	94,351

B. 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, amounting to $56,610, by issuing new shares. The application has been processed by the relevant authorities in order to obtain its approval. The effective and registration dates are set on August 17 and September 26, 2013, respectively.

(14) Capital reserve

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 reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(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 years ended December 31, 2013 and 2012, employees' bonus was accrued at $64,009 and $58,621, respectively; directors' and supervisors' remuneration was accrued at $9,601 and $8,793, 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	(301)	(36,784)
At December 31	($ 73,164)	($ 72,863)

(17) Other income

	For the year ended December 31, 2013	For the year ended December 31, 2012
Rental income	$ 48,505	$ 38,746
Interest income from bank deposits	20,225	14,005
Others	670	20,373
	$ 69,400	$ 73,124

(18) Other gains and losses

	For the year ended December 31, 2013	For the year ended December 31, 2012
Net currency exchange gains (losses)	$ 34,113	($ 21,698)
Net gains on financial assets at fair value through profit or loss	4,413	10,225
Others	(14,199)	(13,953)
	$ 24,327	($ 25,426)

(19) Costs and expenses by nature

	For the year ended December 31, 2013	For the year ended December 31, 2012
Cost of goods sold and related expenses	$ 18,230	$ 20,913
Employee benefit expenses	865,220	830,250
Royalty cost	394,988	1,391,734
Professional service fees	122,561	102,548
Promotional fees	89,903	78,601
Product selling fees	80,813	69,472
Depreciation of property, plant and equipment	9,481	10,067
Others	100,872	96,303
Total cost of sales and operating expenses	$ 1,682,068	$ 2,599,888

(20) Employee benefit expenses

	For the year ended December 31, 2013	For the year ended December 31, 2012
Wages and salaries	$ 752,990	$ 730,146
Labor and health insurance fees	54,165	50,282
Pension costs	27,433	27,951
Employee stock options	15,224	8,394
Other personnel expenses	15,408	13,477
	$ 865,220	$ 830,250

(21) Income tax

A. Income tax expense

Components of income tax expense:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Current tax expense recognised for the current period	$ 190,008	$ 154,287
Income tax adjustments on prior years	(5,279)	1,131
Temporary differences	(3,976)	(2,051)
Income tax credits	103,152	93,410
Income tax expense recognised in profit or loss	$ 283,905	$ 246,777

B. Reconciliation between income tax expense and accounting profit

	For the year ended December 31, 2013	For the year ended December 31, 2012
Tax calculated based on profit before tax and statutory tax rate	$ 198,435	$ 174,112
Effects from items disallowed by tax regulation	35,915	21,967
Effect from investment tax credit	58,810	51,618
Prior year income tax (over) underestimate	(5,279)	1,131
Effect from temporary differences	(3,976)	(2,051)
Tax expense	$ 283,905	$ 246,777

C. Amounts of deferred tax assets or liabilities as a result of temporary difference and investment tax credit are as follows:

	For the year ended December 31, 2013			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unrealised profit on intercompany sales	$ 2,867	$ 4,698	$ -	$ 7,565
Unrealised profit on allowance for sales	14,485	2,226	-	16,711
Unused compensated absences	2,381	146	-	2,527
Cost of software bug-fixing	2,056	(521)	-	1,535
Actuarial gains and losses on pensions	5,947	-	3,256	9,203
Investment tax credit	103,152	(103,152)	-	-
Subtotal	130,888	(96,603)	3,256	37,541
—Deferred tax liabilities:				
Unrealised exchange gain	(843)	(2,067)	-	(2,910)
Differences of depreciation	(340)	(124)	-	(464)
Subtotal	(1,183)	(2,191)	-	(3,374)
Total	$ 129,705	($ 98,794)	$ 3,256	$ 34,167

	For the year ended December 31, 2012			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Unrealised profit on intercompany sales	$ 1,601	$ 1,266	$ -	$ 2,867
Unrealised profit on allowance for sales	13,052	1,433	-	14,485
Unused compensated absences	2,345	36	-	2,381
Cost of software bug-fixing	2,303	(247)	-	2,056
Actuarial gains and losses on pensions	5,947	-	-	5,947
Investment tax credit	196,562	(93,410)	-	103,152
Subtotal	221,810	(90,922)	-	130,888
—Deferred tax liabilities:				
Unrealised exchange gain	(663)	(180)	-	(843)
Differences of depreciation	-	(340)	-	(340)
Subtotal	(663)	(520)	-	(1,183)
Total	$ 221,147	($ 91,442)	$ -	$ 129,705

D. According to Act for Industrial Innovation and Statute for Upgrading Industries (before its abolishment), details of the amount the Company can entitle as investment tax credit and unrecognised deferred tax assets are as follows:

December 31, 2013		
Qualifying items	Unused tax credits	Final year tax credits are due
Research and development	$ 207,535	2013
Employees training	69	2013
	$ 207,604	

December 31, 2012		
Qualifying items	Unused tax credits	Final year tax credits are due
Research and development	$ 36,953	2012
Research and development	207,535	2013
Employees training	69	2013
	$ 244,557	

January 1, 2012		
Qualifying items	Unused tax credits	Final year tax credits are due
Research and development	$ 70,363	2012
Research and development	207,535	2013
Employees training	69	2013
	$ 277,967	

E. The Company was granted a five-year tax holiday with respect to the income derived from its design and sale of software. It is not included in the 2013 tax calculation for overall tax considerations.

F. As of December 31, 2013, the Company's income tax returns through 2010 have been assessed and approved by the Tax Authority.

G. Unappropriated retained earnings:

	December 31, 2013	December 31, 2012	January 1, 2012
Earnings generated in and before 1997	$ 9,932	$ 9,932	$ 9,932
Earnings generated in and after 1998	1,143,564	1,208,480	1,271,197
	$ 1,153,496	$ 1,218,412	$ 1,281,129

H. As of December 31, 2013, December 31, 2012, and January 1, 2012, the balance of the imputation tax credit account was $10,797, $13,276 and $9,012, respectively. The creditable tax rate was 1.96% for 2012 and is 2.46% for 2013.

(22) Earnings per share

	For the year ended December 31, 2013		
	Amount after tax	Weighted average outstanding shares (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 707,950	100,086	$ 7.07
Diluted earnings per share			
Profit attributable to the ordinary shareholders of the parent	$ 707,950	100,086	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	682	
Employees' bonus	-	1,197	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 707,950	101,965	$ 6.94

	For year ended December 31, 2012		
	Amount after tax	Adjusted retroactively outstanding shares (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 653,817	100,012	$ 6.54
Diluted earnings per share			
Profit attributable to the ordinary shareholders of the parent	$ 653,817	100,012	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	551	
Employees' bonus	-	721	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 653,817	101,284	$ 6.46

(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 income of $48,505 and $38,746 were for the years ended December 31, 2013 and 2012, respectively. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than one year	$ 46,139	$ 50,394	$ 40,389
Later than one year but not later than five years	64,340	111,283	93,008
Later than five years	-	3,336	8,763
	$ 110,479	$ 165,013	$ 142,160

B. Subsidiaries lease offices under non-cancellable operating lease agreements. The lease terms are in 1 year, 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 recognised rental expenses of $8,413 and $8,489 for the years ended December 31, 2013 and 2012, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than one year	$ 3,704	$ 7,758	$ 4,904
Later than one year but not later than five years	-	3,435	3,454
	$ 3,704	$ 11,193	$ 8,358

(24) Non-cash transaction

Financing activities with no cash flow effects:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Capital Reserve Transferred to Common Stock	$ 56,610	$ -

7. RELATED-PARTY TRANSACTIONS

Key management compensation

	For the year ended December 31, 2013	For the year ended December 31, 2012
Salaries and other short-term employee benefits	$ 89,400	$ 96,852
Post-employment benefits	1,010	1,044
Service execution fees	31	33
	$ 90,441	$ 97,929

8. PLEDGED ASSETS

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

Pledged assets	Book value December 31, 2013	Book value December 31, 2012	Book value January 1, 2012	Pledged purpose
Other assets–non-current Certificate of deposit	$ 10,000	$ 10,000	$ 10,000	Guarantee for sequestration

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The Group's commitments are 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

	December 31, 2013	
	Book value	Fair value
Cash and cash equivalents	$ 4,066,568	$ 4,066,568
Financial assets at fair value through profit or loss	181,044	181,044
Notes receivable	5,819	5,819
Accounts receivable	262,107	262,107
Other receivables	21,490	21,490
Financial assets measured at cost	53,007	-
Other financial assets (under other non-current assets)	14,369	14,369

	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)	14,785	14,785

	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)	15,663	15,663

b) Financial liabilities

	December 31, 2013	
	Book value	Fair value
Accounts payable	$ 284,346	$ 284,346
Other payables	675,409	675,409
Deposits-in (under other non-current liabilities)	9,174	9,174

	December 31, 2012	
	Book value	Fair value
Accounts payable	$ 401,574	$ 401,574
Other payables	684,477	684,477
Deposits-in (under other non-current liabilities)	8,711	8,711

	January 1, 2012	
	Book value	Fair value
Accounts payable	$ 573,790	$ 573,790
Other payables	799,428	799,428
Deposits-in (under other non-current liabilities)	6,995	6,995

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

i. 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.

ii. 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:

	December 31, 2013			
	Currency	Foreign currency amount (USD in thousands)	Exchange rate	Book value (NTD in thousands)
Financial assets	USD:NTD	$ 80,536	$ 29.81	$ 2,400,778
	USD:JPY	12,641	105.00	376,843
	USD:EUR	1,377	0.73	41,037
Financial liabilities	USD:NTD	6,619	29.81	197,299
	USD:JPY	8,539	105.00	254,539
	USD:EUR	981	0.73	29,258

	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	10,163	29.04	295,140
	USD:JPY	8,111	86.33	235,552
	USD:EUR	1,593	0.75	46,249

	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	13,027	30.28	394,452
	USD:JPY	7,805	77.52	236,322
	USD:EUR	546	0.77	16,545

iii. At December 31, 2013 and 2012, if NTD had strengthened/weaken by 1% against USD with all other variables held constant, post-tax profit for the years ended December 31, 2013 and 2012 would have been $23,376 higher and $10,816 lower, respectively, mainly as a result of foreign exchange gains/losses on translation of USD-denominated foreign currency monetary items.

Price risk

i. 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.

ii. 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 years ended December 31, 2013 and 2012 would have increased/decreased by $1,811 and $9,804, respectively, under gains/losses on financial instruments classified as fair value through profit or loss.

Interest rate risk

i. 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.

ii. 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 analyzing 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 utilization 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

	December 31, 2013	December 31, 2012	January 1, 2012
Neither past due nor impaired	$ 246,896	$ 228,312	$ 421,550
Past due but not impaired			
Within 30 days	10,819	19,330	12,655
31-60 days	3,142	26,049	597
Over 61 days	1,250	7,414	-
	15,211	52,793	13,252
	$ 262,107	$ 281,105	$ 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 December 31, 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 have appropriate maturity or sufficient liquidity to meet the above mentioned forecasts and provide sufficient cash balance. As at December 31, 2013, December 31, 2012 and January 1, 2012, the Group held money market position of $4,202,226, $4,050,002, and $4,085,259, 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. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries):

Name of the investor	Type and name of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2013			
				Number of shares	Book value	Ownership (%)	Fair value
CyberLink Corp.	Yuanta Wan Tai Money Market Fund	None	Financial assets at fair value through profit or loss -current	2,288,532	$ 33,889	-	$ 33,889
	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	147,155	-	147,155
CyberLink International Technology Corp.	Preferred stock of Cidana Inc.	None	Financial assets carried at cost - non current	500,000	US$ 150 (in thousand of dollars)	7.14%	-

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital:

Name of Company	Name of the security	Account used to record transaction	Counterparty	Relationship with the counterparty	Beginning balance		Additions(Note)		Disposals				Ending balance	
					Number of shares (thousand units)	Amount	Number of shares (thousand units)	Amount	Number of shares (thousand units)	Sales price	Book value	Gain (loss) from disposal	Number of shares (thousand units)	Amount
CyberLink Corp.	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	37,464	$ 551,262	5,411	$ 71,306	40,586	$600,000	$588,679	$ 11,321	2,289	$ 33,889

Note: Including valuation amount.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more:

Name of the Company	Name of the counterparty	Relationship	Description of the transactions				Unit price	Credit terms	Accounts receivable	
			Purchases (Sales)	Amount	% of total purchases (sales)	Credit terms			Balance	% of total accounts receivable
CyberLink Corp.	CyberLink. Com Corp.	A subsidiary of the Company	Sales	$258,259	10%	Note	The same as those with third parties	Note	$ 44,603	17%
	CyberLink. Europe B.V.	A subsidiary of the Company	Sales	161,539	6%	Note	The same as those with third parties	Note	17,084	7%
	CyberLink. Inc.	A subsidiary of the Company	Sales	228,874	9%	Note	The same as those with third parties	Note	39,828	15%

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

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Derivative financial instruments undertaken: None.

J. Significant inter-company transactions:

Number of the Company (Note 1)	Company	Names of Counterparty	Relationship with Company (Note 2)	Transaction			
				Subject	Amount	Terms of Transaction	Percentage of consolidated total revenue or total assets (Note 3)
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	$ 258,259	Note 4	10.0%
				Accounts receivable	44,603	Note 4	0.7%
0	CyberLink Corp.	CyberLink Europe B.V.	1	Sales revenue	161,539	Note 4	6.3%
				Accounts receivable	17,084	Note 4	0.3%
0	CyberLink Corp.	CyberLink Inc.	1	Sales revenue	228,874	Note 4	8.9%
				Accounts receivable	39,828	Note 4	0.6%

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 :

Name of the company	Name of the investee companies	Address	Major operating activities	Original investment amount December 31, 2013	Original investment amount December 31, 2012	Holding status Shares	Holding status Percentage (%)	Holding status Book value	Net income (loss) of investee company	Recognised investment income (loss)
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	$ 136,327	$ 136,327	4,000,000	100.00	$ 473,319	$ 2,280	$ 2,280
	CyberLink Europe B.V.	Europe	Sale of software	124,710	64,770	3,000,000	100.00	65,581	(3,887)	(3,887)
	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	64,821	64,821	2,000,000	100.00	162,827	29,664	29,664
	CyberLink Investment Corp.	Taiwan	Investment activities	220,000	220,000	12,000,000	100.00	165,272	948	948
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	25,279 (US$ 848 in thousand of dollars)	24,624 (US$ 848 in thousand of dollars)	1,900	100.00	122,758 (US$ 4,118 in thousand of dollars)	52,534 (US$ 1,769 in thousand of dollars)	52,534 (US$ 1,769 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. Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the year ended December 31, 2013		
	Media Experience and Entertainment	Media Creation and Others	Total
Segment Revenue	$ 1,278,963	$ 1,301,233	$ 2,580,196
Segment Operating Income	$ 418,620	$ 479,508	$ 898,128

	For the year ended December 31, 2012		
	Media Experience and Entertainment	Media Creation and Others	Total
Segment Revenue	$ 2,284,352	$ 1,168,432	$ 3,452,784
Segment Operating Income	$ 449,068	$ 403,828	$ 852,896

D. Reconciliation for segment profit or loss

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

E. Information on product and service

Please refer to Note 14(3).

F. Geographical information

Geographical information for the years ended December 31, 2013 and 2012 is as follows:

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Revenue	Non-current assets	Revenue	Non-current assets
America	$ 974,504	$ 842	$ 1,394,693	$ 916
Japan	613,228	2,577	696,313	3,408
Taiwan	310,965	1,661,775	674,253	1,655,375
Others	681,499	117	687,525	159
	$ 2,580,196	$ 1,665,311	$ 3,452,784	$ 1,659,858

G. Major customer information

Major customer information of the Group for the years ended December 31, 2013 and 2012 is as follows:

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Revenue	Operating segment	Revenue	Operating segment
Customer A	$ 612,984	Media Experience and Entertainment and Others	$ 354,019	Media Experience and Entertainment and Others
Customer B	279,107	Media Experience and Entertainment and Others	366,991	Media Experience and Entertainment and Others
Customer C	247,943	Media Experience and Entertainment and Others	605,412	Media Experience and Entertainment and Others
Customer D	140,493	Media Experience and Entertainment and Others	109,530	Media Experience and Entertainment and Others
Customer E	109,040	Media Experience and Entertainment and Others	553,244	Media Experience and Entertainment and Others

15. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first 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 receivables	2,614	-	-	2,614	Other receivables	
Inventories	7,938	-	-	7,938	Inventories	
Other current assets	24,589	-	(13,990)	10,599	Other current assets	(3)
Total current assets	4,595,178	-	(13,990)	4,581,188	Total current assets	
Funds and investments						
Financial assets carried at cost-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	14,653	221,810	Deferred income tax assets	(3)(7)
Other assets – other	306,933	-	(291,269)	15,664	Other noncurrent assets	(2)(9)
Total other assets	1,525,495	10,595	(1,298,616)	237,474	-	
-	1,943,635	10,513	14,653	1,968,801	Total noncurrent assets	
Total assets	$ 6,538,813	$ 10,513	$ 663	$ 6,549,989	Total assets	
Current liabilities						
Accounts payable	$ 6,005	$ -	$ 567,785	$ 573,790	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	15,689	-	-	15,689	Other current liabilities	
Total current liabilities	1,676,158	12,478	(254,709)	1,433,927	Total current liabilities	
Other liabilities						
-	-	13,542	254,709	268,251	Provisions - noncurrent	(5)(6)
Accrued pension liabilities	15,235	27,247	(42,482)	-	-	(4)(9)
Guarantee deposits	6,994	-	(6,994)	-	-	(9)
Deferred income tax liabilities– noncurrent	-	-	663	663	Deferred income tax liabilities	(3)
Other liabilities – other	-	-	49,476	49,476	Other non-current liabilities	(9)
Total other liabilities	22,229	40,789	255,372	318,390	Total non-current liabilities	
Total liabilities	1,698,387	53,267	663	1,752,317	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 reserves	1,800,916	-	-	1,800,916	Capital reserves	
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 recognised 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	$ 6,538,813	$ 10,513	$ 663	$ 6,549,989	Total liabilities and equity	

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	(2)(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	$ -	$ 391,593	$ 401,574	Accounts payable	(6)
Accrued expenses	943,200	12,441	(955,641)	-	-	(1)(6)(9)
Other payables	423,211	-	261,266	684,477	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	(302,782)	1,153,188	Total current liabilities	
Other liabilities						
-	-	12,085	302,782	314,867	Provisions - noncurrent	(5)(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	-	-	66,396	66,396	Other non-current liabilities	(9)
Total other liabilities	33,560	44,921	303,965	382,446	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 reserves	1,809,310	-	-	1,809,310	Capital reserves	
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 recognised 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 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 attributable to:	
				$ 601,307	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 recognised such costs as expenses upon actual payment. However, IAS 19, “Employee Benefits”, requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.

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

As of December 31, 2012, accrued expenses, retained earnings and cumulative translation adjustment were increased (decreased) by $12,441, ($12,423) and $89, respectively. Operating expenses for the year ended December 31, 2012 were also adjusted for an increase of $107.

(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”.
Therefore, the Group reclassified leased assets of $1,016,337 and other assets-other of $306,932 to investment property amounting to $1,323,269 at the date of transition.
As of December 31, 2012, the amount reclassified from leased assets of $1,312,347 to investment property.

(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.
Therefore, the Group reclassified deferred income tax assets - current to deferred income tax assets - non current and deferred income tax liabilities - non current $14,653 and $663 at the date of transition.
As of December 31, 2012, the amounts reclassified from deferred income tax assets - current to deferred income tax assets - non current and deferred income tax liabilities - non current were $17,353 and $1,183, respectively.

(4) Pensions

a. The discount rate used to calculate pensions was determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, “Employee Benefits”, requires an entity to determine the discount rate with reference to market yields on high quality corporate bonds that match the currency at the end day of the reporting period and duration of the pension plan; when there is no deep market for corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead.
b. In accordance with 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 recognised 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 recognised 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 recognised immediately in other comprehensive income.
d. In accordance with the Group’s accounting policies, the unrecognised 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.
Therefore, deferred pension cost, accrued pension liabilities, unrecognised pension cost and retained earnings were increased (decreased) by ($82), $27,247, ($7,654) and ($34,983), respectively, at the date of transition.
As of December 31, 2012, deferred pension cost, accrued pension liabilities, actuarial loss from defined benefit plans, unrecognised pension cost and retained earnings were

increased (decreased) by ($41), $32,836, $15,726, ($16,499) and ($34,983), respectively. Operating expenses for the year ended December 31, 2012 were also adjusted for a decrease of $1,333.

(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.
Therefore, provisions-noncurrent and retained earnings were increased (decreased) by $13,542 and ($13,542), respectively, at the date of transition.
As of December 31, 2012, provisions-noncurrent and retained earnings were increased (decreased) by $12,085, and ($13,542), respectively. Cost of sales for the year ended December 31, 2012 was also adjusted for a decrease of $1,457.

(6) The Group accrued and paid royalty costs to third parties based on sales quantities, and recognised such costs as expenses. In accordance with IFRSs, it should be recognised as costs and accounts payable by nature of transaction.
Therefore, accrued royalty expense of $822,494 was reclassified to the accounts payable and provisions-noncurrent by $567,785 and $254,709, respectively, at the date of transition.
As of December 31, 2012, accrued royalty expense of $694,375 was reclassified to the accounts payable and provisions-noncurrent by $391,593 and $302,782, respectively. The amount reclassified from royalty expense to cost of sales was $1,391,734 for the year ended December 31, 2012.

(7) The Group calculated the deferred income tax effects in accordance with the income tax rates in respect of the above transition effects on retained earnings. Deferred income tax assets - non current and retained earnings were both increased by $10,595 at the date of transition.
As of December 31, 2012, deferred income tax assets - non current was increased by $10,383. Income tax expenses for the year ended December 31, 2012 were also adjusted for increases of $212.

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

(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 year ended December 31, 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.