

CYBERLINK CORP. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2015 AND 2014

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 TRANSLATED FROM CHINESE

PWCR15002872

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, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those 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, 2015 and 2014, and the results of their financial performance and 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, 2015 and 2014 on which we have issued an unqualified report.

February 22, 2016

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, 2015		December 31, 2014	
	Amount	%	Amount	%
ASSETS				
Current Assets				
Cash and cash equivalents (Note 6(1))	\$ 3,339,402	55	\$ 4,061,178	64
Financial assets at fair value through profit or loss - current (Note 6(2))	297,250	5	216,954	3
Notes receivable, net (Note 6(3))	11,995	-	11,733	-
Accounts receivable, net (Note 6(4))	133,663	2	162,035	3
Other receivables	5,151	-	7,188	-
Other receivables – related parties (Note 7)	6,136	-	-	-
Current income tax assets	2,550	-	11,490	-
Inventories	7,334	-	7,479	-
Other current assets	<u>35,705</u>	<u>1</u>	<u>48,069</u>	<u>1</u>
Total current assets	<u>3,839,186</u>	<u>63</u>	<u>4,526,126</u>	<u>71</u>
Non-current Assets				
Available-for-sale financial assets-non-current (Note 6(5))	69,554	1	-	-
Financial assets measured at cost-non-current (Note 6(6))	56,743	1	87,048	1
Investments accounted for using equity method (Notes 6(7) and 7)	292,783	5	-	-
Property, plant and equipment, net (Note 6(8))	467,619	8	441,806	7
Investment property, net (Note 6(9))	1,279,583	21	1,290,503	20
Intangible assets,net (Note 6(10))	-	-	31	-
Deferred income tax assets (Note 6(24))	66,771	1	44,706	1
Other non-current assets	<u>3,939</u>	<u>-</u>	<u>8,491</u>	<u>-</u>
Total non-current assets	<u>2,236,992</u>	<u>37</u>	<u>1,872,585</u>	<u>29</u>
TOTAL ASSETS	<u>\$ 6,076,178</u>	<u>100</u>	<u>\$ 6,398,711</u>	<u>100</u>
LIABILITIES AND EQUITY				
Current Liabilities				
Notes payable	\$ -	-	\$ 181	-
Accounts payable (Note 6(11))	234,279	4	270,470	4
Other payables (Note 6(12))	671,663	11	706,685	11
Other payables-related parties (Note 7)	473	-	-	-
Income tax payable	27,693	-	15,284	-
Other current liabilities	<u>95,803</u>	<u>2</u>	<u>91,674</u>	<u>2</u>
Total current liabilities	<u>1,029,911</u>	<u>17</u>	<u>1,084,294</u>	<u>17</u>
Non-current Liabilities				
Provisions-non-current (Note 6(13))	433,798	7	388,799	6
Deferred income tax liabilities (Note 6(24))	2,366	-	7,644	-
Other non-current liabilities (Note 6(14))	<u>59,026</u>	<u>1</u>	<u>77,405</u>	<u>1</u>
Total non-current liabilities	<u>495,190</u>	<u>8</u>	<u>473,848</u>	<u>7</u>
Total Liabilities	<u>1,525,101</u>	<u>25</u>	<u>1,558,142</u>	<u>24</u>
Equity Attributable To Shareholders Of the Parent				
Capital stock (Note 6(16))				
Common stock	967,950	16	1,002,192	16
Capital reserve (Note 6(17))	1,582,662	26	1,782,414	28
Retained earnings (Note 6(18))				
Legal reserve	1,011,501	17	940,803	15
Special reserve	57,652	1	73,164	1
Unappropriated earnings	916,263	15	1,099,648	17
Other equity items (Note 6(19))				
Other equity, others	15,049	-	(57,652)	(1)
Equity Attributable to Shareholders of the Parent	<u>4,551,077</u>	<u>75</u>	<u>4,840,569</u>	<u>76</u>
Total Equity	<u>4,551,077</u>	<u>75</u>	<u>4,840,569</u>	<u>76</u>
Significant contingent liabilities and unrecognized contract commitments (Notes 6(24)(27) and 7)				
Significant events after the balance sheet date (Note 6(24))				
TOTAL LIABILITIES AND EQUITY	<u>\$ 6,076,178</u>	<u>100</u>	<u>\$ 6,398,711</u>	<u>100</u>

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)

	Year ended		(Adjusted) Year ended	
	December 31, 2015	Amount	Decembr 31, 2014	Amount
	%	%		
Net revenues (Note 7)	\$ 1,976,411	100	\$ 2,222,549	100
Operating costs (Note 6(22))	(278,308)	(14)	(310,352)	(14)
Gross profit	1,698,103	86	1,912,197	86
Unrealized profit from sales (Note 7)	(13,138)	(1)	-	-
Gross profit from operations	1,684,965	85	1,912,197	86
Operating expenses (Notes 6(14)(22)(23) and 7)				
Selling	(504,397)	(25)	(545,129)	(24)
General	(143,703)	(7)	(190,265)	(9)
Research and development	(405,712)	(21)	(500,967)	(22)
Total operating expenses	(1,053,812)	(53)	(1,236,361)	(55)
Operating income	631,153	32	675,836	31
Non-operating income and expenses				
Other income (Notes 6(9)(20) and 7)	144,576	7	98,885	4
Other gains and losses (Notes 6(2)(21) and 7)	51,169	3	108,891	5
Share of loss of associates and joint ventures accounted for using equity methods (Note 6(7))	(134,595)	(7)	-	-
Total non-operating income and expenses	61,150	3	207,776	9
Income before income tax	692,303	35	883,612	40
Income tax expense (Note 6(24))	(135,663)	(7)	(176,635)	(8)
Profit from continuing operations	556,640	28	706,977	32
Net income	<u>\$ 556,640</u>	<u>28</u>	<u>\$ 706,977</u>	<u>32</u>
Other comprehensive income (loss)				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans (Note 6(14))	\$ 20,403	1	(\$ 6,370)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(24))	(3,469)	-	1,083	-
Components of other comprehensive income that will not be reclassified to profit or loss	16,934	1	(5,287)	-
Items may be reclassified to profit or loss subsequently				
Exchange differences arising on translation of foreign operations (Note 6(19))	26,674	1	15,512	-
Unrealized gains (losses) on valuation of available-for-sale financial assets (Notes 6 (5)(19))	38,954	2	-	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note 6(19))	7,073	1	-	-
Items may be reclassified to profit or loss subsequently				
Total comprehensive income for the period	72,701	4	15,512	-
Net income attributable to:	<u>\$ 646,275</u>	<u>33</u>	<u>\$ 717,202</u>	<u>32</u>
Shareholders of the parent	<u>\$ 556,640</u>	<u>28</u>	<u>\$ 706,977</u>	<u>32</u>
Total comprehensive income attributable to:	<u>\$ 646,275</u>	<u>33</u>	<u>\$ 717,202</u>	<u>32</u>
Shareholders of the parent	<u>\$ 556,640</u>	<u>28</u>	<u>\$ 706,977</u>	<u>32</u>
Earnings per share (Note 6(25))	<u>\$ 5.60</u>	<u>5.60</u>	<u>\$ 7.06</u>	<u>7.06</u>
Basic earnings per share	<u>\$ 5.49</u>	<u>5.49</u>	<u>\$ 6.93</u>	<u>6.93</u>

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			Other equity interest			
	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	Unrealized gain (losses) on available-for-sale financial assets	Treasury shares	Total
2014										
Balance at January 1, 2014	\$ 1,001,429	\$ 1,686,882	\$ 87,496	\$ 870,008	\$ 89,451	\$ 1,153,496	(\$ 73,164)	\$ -	\$ -	\$ 4,815,598
Reversal of special reserve	-	-	-	-	(16,287)	16,287	-	-	-	-
Distribution of 2013 earnings:										
Legal reserve (Note 6(18))	-	-	-	70,795	-	(70,795)	-	-	-	-
Cash dividends (Note 6(18))	-	-	-	-	-	(701,030)	-	-	-	(701,030)
Net income for 2014	-	-	-	-	-	706,977	-	-	-	706,977
Share-based payment transactions (Note 6(15))	-	-	4,554	-	-	-	-	-	-	4,554
Employee stock options exercised	763	4,008	(526)	-	-	-	-	-	-	4,245
Other comprehensive income for 2014 (Note 6(19))	-	-	-	-	(5,287)	15,512	-	-	-	10,225
Balance at December 31, 2014	<u>\$ 1,002,192</u>	<u>\$ 1,690,890</u>	<u>\$ 91,524</u>	<u>\$ 940,803</u>	<u>\$ 73,164</u>	<u>\$ 1,099,648</u>	<u>(\$ 57,652)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,840,569</u>
2015										
Balance at January 1, 2015	\$ 1,002,192	\$ 1,690,890	\$ 91,524	\$ 940,803	\$ 73,164	\$ 1,099,648	(\$ 57,652)	\$ -	\$ -	\$ 4,840,569
Reversal of special reserve	-	-	-	-	(15,512)	15,512	-	-	-	-
Distribution of 2014 earnings:										
Legal reserve (Note 6(18))	-	-	-	70,698	-	(70,698)	-	-	-	-
Cash dividends (Note 6(18))	-	-	-	-	-	(701,773)	-	-	-	(701,773)
Net income for 2015	-	-	-	-	-	556,640	-	-	-	556,640
Purchase of treasury share (Note 6(16))	-	-	-	-	-	-	-	-	(292,931)	(292,931)
Retirement of treasury share (Note 6(16))	(43,790)	(249,141)	-	-	-	-	-	-	292,931	-
Share-based payment transactions (Note 6(15))	-	-	9,420	-	-	-	-	-	-	9,420
Employee stock options exercised	9,548	59,115	(19,399)	-	-	-	-	-	-	49,264
Changes in net equity of associates accounted for using equity method	-	-	253	-	-	-	-	-	-	253
Other comprehensive income for 2015 (Notes 6(5)(19))	-	-	-	-	16,934	33,747	38,954	-	-	89,635
Balance at December 31, 2015	<u>\$ 967,950</u>	<u>\$ 1,500,864</u>	<u>\$ 81,798</u>	<u>\$ 1,011,501</u>	<u>\$ 57,652</u>	<u>\$ 916,263</u>	<u>(\$ 23,905)</u>	<u>\$ 38,954</u>	<u>\$ -</u>	<u>\$ 4,551,077</u>

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)

	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from operating activities		
Income before income tax	\$ 692,303	\$ 883,612
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Adjustments for:		
Unrealised gain (Notes 6(7) and 7)	38,794	-
Gain on financial assets at fair value through profit or loss (Notes 6(2)(21))	(756)	(893)
Depreciation expense (Notes 6(8)(9))	21,766	19,992
Amortization expense (Note 6(10))	31	113
Interest income (Note 6(20))	(27,501)	(44,605)
Dividend income (Note 6(20))	(4,332)	-
Employees' stock option cost (Note 6(15))	9,405	4,554
Loss (gain) on disposal and scrapping of property, plant and equipment	122	(49)
Share of loss of associates and joint ventures accounted for using equity method (Note 6(7))	134,595	-
Loss on disposal of investments (Note 7)	98	-
Impairment loss on non-financial assets (Notes 6(10)(21))	-	25,163
Changes in operating assets and liabilities:		
Financial assets held for trading	(79,540)	(35,017)
Notes receivable	(262)	(5,914)
Accounts receivable	30,206	106,754
Other receivables	13,550	10,550
Other receivables-related parties	(6,136)	-
Inventories	145	1,248
Other current assets	12,697	(7,432)
Other non-current assets	4,466	16,788
Notes payable	(181)	181
Accounts payable	39,897	(22,467)
Other payables	(44,638)	13,360
Other payables-related parties	473	-
Other current liabilities	4,094	358
Provisions	44,999	65,735
Other non-current liabilities	159	6,452
Cash generated from operations	<u>804,660</u>	<u>1,038,483</u>
Interest received	28,156	44,903
Dividends received	785	-
Dividends paid	(701,765)	(701,022)
Income tax paid	(150,794)	(258,877)
Net cash (used in) provided by operating activities	<u>(18,958)</u>	<u>123,487</u>
Cash flows from investing activities		
Net cash paid for acquisition of subsidiary	-	(22,824)
Acquisition of property, plant, and equipment (Note 6(8))	(32,263)	(109,274)
Proceeds from disposal of property, plant and equipment	-	881
Acquisition of financial assets at cost	-	(33,765)
Acquisition of investments accounted for using equity method (Note 6(7))	(458,846)	-
Proceeds from disposal of subsidiaries (net of cash of subsidiaries)	(102)	-
Decrease in refundable deposits	210	673
Decrease in other non-current assets	-	10,000
Net cash used in investing activities	<u>(491,001)</u>	<u>(154,309)</u>
Cash flows from financing activities		
Increase (decrease) in deposits received	1,857	(274)
Exercise of employee stock options	49,264	4,245
Payments to acquire treasury shares (Note 6(16))	(292,931)	-
Net cash (used in) provided by financing activities	<u>(241,810)</u>	<u>3,971</u>
Effects of changes in exchange rates of foreign currency holdings	29,993	21,461
Net decrease in cash and cash equivalents	(721,776)	(5,390)
Cash and cash equivalents at beginning of the year	<u>4,061,178</u>	<u>4,066,568</u>
Cash and cash equivalents at end of the year	<u>\$ 3,339,402</u>	<u>\$ 4,061,178</u>

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

CYBERLINK CORP. AND SUBSIDIARIES
NOTES TO THE 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 22, 2016.

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”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" effective January 1, 2015 (collectively referred herein as the “2013 version of IFRSs”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

B. IFRS 13, ‘Fair value measurement’

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The standard sets out a framework for measuring fair value from market participants’ perspective, and requires disclosures about fair value measurements. For non-financial assets only, fair value is determined based on the highest and best use of the asset. Based on the Group’s assessment, the adoption of the standard has no significant impact on its consolidated

financial statements, and the Group will disclose additional information about fair value measurements accordingly.

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact will be disclosed when the assessment is complete.

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

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - a) Financial assets and financial liabilities at fair value through profit or loss.
 - b) Available-for-sale financial assets measured at fair value.
 - c) Defined benefit liabilities recognised based on the net amount of pension fund assets less 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 judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - c) 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. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. 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 (%)		Description
			December 31, 2015	December 31, 2014	
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%	Note 1
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%	
CyberLink International Technology Corp.	Perfect (Shanghai) Co., Ltd. (Perfect-Shanghai) (formerly CyberLink (Shanghai) Co., Ltd.)	Design of computer peripherals and trade of software	-	-	Note 2
CyberLink.Com Corp.	ImageChef Incorporated (ImageChef)	Digital information supply services	100%	100%	Note 3

Note 1: In order to fulfil subsidiary's operating needs, the Group increased capital by cash amounting to US\$20,000 thousand (approximately NT\$626,325 thousand) in April 2015.

Note 2: In order to expand markets in Mainland China, the Group has invested US\$82 thousand (approximately NT\$2,531 thousand) to establish CyberLink-Shanghai. The

entire share ownership has been sold to related parties in July 2015 subsequently. (Please refer to Note 7(1) D.).

Note 3: In May, 2014, the Group acquired the 100% ownership of ImageChef. Therefore, ImageChef was included in the consolidation entities since the acquisition date.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group : 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 New Taiwan Dollars (NT\$), which is the Company's functional and the Group's presentation currency.

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 and associates 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) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(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 realised, or are intended to be sold or consumed within the normal operating cycle;
- b) Assets held mainly for trading purposes;
- c) Assets that are expected to be realised within twelve months from the balance sheet date;
- d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

- a) Liabilities that are expected to be paid off within the normal operating cycle;
- b) Liabilities arising mainly from trading activities;
- c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.
- C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. 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 other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost’.

(9) 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 amortised 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.

(10) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - a) Significant financial difficulty of the issuer or debtor;
 - b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - c) The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
 - e) The disappearance of an active market for that financial asset because of financial difficulties;
 - f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

- g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
- h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

a) Financial assets measured at amortised cost

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

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.

c) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) 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 of 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 of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) 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 realisable value, and the individual item approach is used in the comparison of cost and net realisable value. The calculation of net realisable 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.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) 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. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. 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
Machinery and equipment	3 years
Office equipment	5 years
Transportation equipment	5 years

(16) 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.

(17) Intangible assets

A. Patents

Other intangible assets represent royalties paid for software patents and for website domain name which are amortised over their estimated useful lives using the straight-line method.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(18) Impairment of non-financial assets

- A. 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. Except for goodwill, 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 amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are

expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Notes and accounts payable

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

(20) Derecognition of financial liabilities

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

(21) 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.

(22) 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. 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. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

Employees' remuneration 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. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Employee share-based payment

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.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not

reverse in the foreseeable future. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) 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.

(26) 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 occasionally provides debug program to customers, which can be downloaded through the internet for free. This service is not an 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.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's 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.

(28) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

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. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; the related 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 a portion of the property for its own use and another portion to earn rentals or for capital appreciation. The portion of the property used to earn rentals or for capital appreciation is classified as investment property.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(10) for the information of goodwill impairment.

B. 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 utilised. 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, 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, 2015, the Group recognised deferred income tax assets amounting to \$66,771.

C. 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, 2015, the Group's provision for royalty liabilities was \$426,873.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash on hand and revolving funds	\$ 267	\$ 267
Checking accounts	80,400	112,457
Demand deposits	1,014,425	1,027,218
Time deposits	2,244,310	2,921,236
	<hr/> <u>\$ 3,339,402</u>	<hr/> <u>\$ 4,061,178</u>

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

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial assets held for trading		
Money market funds	\$ 294,309	\$ 214,603
Valuation adjustment	<u>2,941</u>	<u>2,351</u>
	<u><u>\$ 297,250</u></u>	<u><u>\$ 216,954</u></u>

The Group recognized net gains of \$756 and \$893 on financial assets held for trading for the years ended December 31, 2015 and 2014, respectively.

(3) Notes receivable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Notes receivable	\$ 12,025	\$ 11,763
Less: allowance for bad debts	<u>(30)</u>	<u>(30)</u>
	<u><u>\$ 11,995</u></u>	<u><u>\$ 11,733</u></u>

(4) Accounts receivable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accounts receivable	\$ 183,682	\$ 208,151
Less: allowance for sales return and discounts	<u>(49,501)</u>	<u>(45,598)</u>
Less: allowance for bad debts	<u>(518)</u>	<u>(518)</u>
	<u><u>\$ 133,663</u></u>	<u><u>\$ 162,035</u></u>

A. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Group 1	\$ 30,110	\$ 350
Group 2	65,740	70,335
Group 3	50,855	79,492
Group 4	12,423	16,628
Group 5	<u>11,505</u>	<u>22,764</u>
	<u><u>\$ 170,633</u></u>	<u><u>\$ 189,569</u></u>

Group 1: Accounts receivable from customers in Mainland China.

Group 2: Accounts receivable from customers in the United States.

Group 3: Accounts receivable from customers in Japan.

Group 4: Accounts receivable from customers in Taiwan.

Group 5: Accounts receivable from customers in other areas.

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Up to 30 days	\$ 11,407	\$ 18,120
31 to 60 days	783	462
61 to 90 days	859	-
	<u>\$ 13,049</u>	<u>\$ 18,582</u>

In general, the credit term for customers is 30 days after monthly billings and is 45~90 days after monthly billings for some customers. Allowance for bad debts is estimated based on aging analysis of accounts receivable, historical experiences and customers' current financial conditions.

C. The Group does not hold any collateral security.

(5) Available-for-sale financial assets - non - current

Item	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Non-current items:		
Private fund	\$ 30,600	\$ -
Valuation adjustment	38,954	-
	<u>\$ 69,554</u>	<u>\$ -</u>

- A. For the Group's private fund investment, the only share invested started to be listed in the Taiwan Stock Exchange since the fourth quarter of 2015. As the stock has quoted market price, it was reclassified from financial assets measured at cost to available-for-sale financial assets.
- B. The Group recognised \$38,954 in other comprehensive income for fair value change.
- C. As of December 31, 2015, no available-for-sale financial assets held by the Group was pledged to others.

(6) Financial assets measured at cost - non - current

Item	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Unlisted stocks	<u>\$ 56,743</u>	<u>\$ 87,048</u>

- A. Based on the Group's intention, its investment in unlisted stocks and private fund should be classified as 'available-for-sale financial assets'. However, as the investments are not traded in an active market, and no sufficient related industry information nor similar companies' financial information can be obtained, the fair value of the investments in unlisted stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.
- B. The Group's financial assets measured at cost has been reclassified to available-for-sale financial assets in the fourth quarter in 2015. Please refer to Note 6(5).
- C. As of December 31, 2015 and 2014, no financial assets measured at cost held by the Group were pledged to others.

(7) Investments accounted for using equity method

	<u>2015</u>
At January 1	\$ -
Addition of investments	458,846
Share of loss of investments accounted for using equity method	(134,595)
Unrealised gain	(38,794)
Changes in capital surplus	253
Changes in other equity items (Note 6(19))	<u>7,073</u>
At December 31	<u><u>\$ 292,783</u></u>

A. The basic information of the associates that are material to the Group is as follows:

Company <u>name</u>	Principal place <u>of business</u>	Shareholding ratio	Methods of <u>Measurement</u>	
			<u>Nature of relationship</u>	<u>Measurement</u>
Perfect Corp.	Cayman	49%	Investments accounted for using equity method	Equity method

In order to respond to market development trend, the Board of Directors has resolved that the Company acquire ordinary shares 147,000,000 shares at US\$0.1 per share issued by Perfect Corp. through the subsidiary, CyberLink-B.V.I. The total investment amount is US\$14,700 thousand and the shareholding ratio is 49%.

B. The summarized financial information of the associate that is material to the Group is as follows:

Balance sheet

	<u>Perfect Corp.</u>
	<u>December 31, 2015</u>
Current assets	\$ 653,302
Non-current assets	<u>96,640</u>
Total assets	<u>749,942</u>
Current liabilities	(72,477)
Non-current liabilities	(776)
Total liabilities	<u>(73,253)</u>
Total net assets	<u>\$ 676,689</u>
Share in associate's net assets (Note)	<u>\$ 331,577</u>

Note: Difference between the book value is due to the unrealised gain.

Statement of comprehensive income

	<u>Perfect Corp.</u>
	<u>Year ended</u>
	<u>December 31, 2015</u>
Revenue	\$ 2,309
Loss for the period from continuing operations	(\$ 274,684)
Other comprehensive income, net of tax	<u>14,435</u>
Total comprehensive loss	<u>(\$ 260,249)</u>

(8) Property, plant, and equipment

	<u>Land</u>	<u>Building</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
<u>At January 1, 2015</u>						
Cost	\$ 267,441	\$ 188,714	\$ 23,362	\$ 6,744	\$ 7,427	\$ 493,688
Accumulated depreciation	-	(31,306)	(14,264)	(5,198)	(1,114)	(51,882)
	<u>\$ 267,441</u>	<u>\$ 157,408</u>	<u>\$ 9,098</u>	<u>\$ 1,546</u>	<u>\$ 6,313</u>	<u>\$ 441,806</u>
<u>2015</u>						
Opening net book amount	\$ 267,441	\$ 157,408	\$ 9,098	\$ 1,546	\$ 6,313	\$ 441,806
Additions	-	27,750	3,852	661	-	32,263
Costs of disposal	-	(643)	(6,052)	(619)	-	(7,314)
Accumulated depreciation on disposal	-	643	6,052	497	-	7,192
Depreciation expense	-	(4,875)	(4,158)	(632)	(1,181)	(10,846)
Net exchange differences	1,742	2,741	3	32	-	4,518
Closing net book amount	<u>\$ 269,183</u>	<u>\$ 183,024</u>	<u>\$ 8,795</u>	<u>\$ 1,485</u>	<u>\$ 5,132</u>	<u>\$ 467,619</u>
<u>At December 31, 2015</u>						
Cost	\$ 269,183	\$ 218,655	\$ 21,212	\$ 6,909	\$ 7,427	\$ 523,386
Accumulated depreciation	-	(35,631)	(12,417)	(5,424)	(2,295)	(55,767)
	<u>\$ 269,183</u>	<u>\$ 183,024</u>	<u>\$ 8,795</u>	<u>\$ 1,485</u>	<u>\$ 5,132</u>	<u>\$ 467,619</u>
	<u>Land</u>	<u>Building</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
<u>At January 1, 2014</u>						
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)
	<u>\$ 220,698</u>	<u>\$ 109,476</u>	<u>\$ 9,130</u>	<u>\$ 1,391</u>	<u>\$ 1,795</u>	<u>\$ 342,490</u>
<u>2014</u>						
Opening net book amount	\$ 220,698	\$ 109,476	\$ 9,130	\$ 1,391	\$ 1,795	\$ 342,490
Additions	46,743	51,476	4,157	943	5,955	109,274
Costs of disposal	-	(4,970)	(2,481)	(1,627)	(3,620)	(12,698)
Accumulated depreciation on disposal	-	4,970	2,481	1,449	2,966	11,866
Depreciation expense	-	(3,394)	(4,184)	(709)	(783)	(9,070)
Net exchange differences	-	(150)	(5)	99	-	(56)
Closing net book amount	<u>\$ 267,441</u>	<u>\$ 157,408</u>	<u>\$ 9,098</u>	<u>\$ 1,546</u>	<u>\$ 6,313</u>	<u>\$ 441,806</u>
<u>At Decemaber 31, 2014</u>						
Cost	\$ 267,441	\$ 188,714	\$ 23,362	\$ 6,744	\$ 7,427	\$ 493,688
Accumulated depreciation	-	(31,306)	(14,264)	(5,198)	(1,114)	(51,882)
	<u>\$ 267,441</u>	<u>\$ 157,408</u>	<u>\$ 9,098</u>	<u>\$ 1,546</u>	<u>\$ 6,313</u>	<u>\$ 441,806</u>

(9) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 799,024	\$ 556,079	\$ 1,355,103
Accumulated depreciation	<u>-</u>	(64,600)	(64,600)
	<u>\$ 799,024</u>	<u>\$ 491,479</u>	<u>\$ 1,290,503</u>
<u>2015</u>			
Opening net book amount	\$ 799,024	\$ 491,479	\$ 1,290,503
Depreciation expense	<u>-</u>	(10,920)	(10,920)
Closing net book amount	<u>\$ 799,024</u>	<u>\$ 480,559</u>	<u>\$ 1,279,583</u>
<u>At December 31, 2015</u>			
Cost	\$ 799,024	\$ 556,079	\$ 1,355,103
Accumulated depreciation	<u>-</u>	(75,520)	(75,520)
	<u>\$ 799,024</u>	<u>\$ 480,559</u>	<u>\$ 1,279,583</u>
<u>At January 1, 2014</u>			
Cost	\$ 799,024	\$ 556,079	\$ 1,355,103
Accumulated depreciation	<u>-</u>	(53,678)	(53,678)
	<u>\$ 799,024</u>	<u>\$ 502,401</u>	<u>\$ 1,301,425</u>
<u>2014</u>			
Opening net book amount	\$ 799,024	\$ 502,401	\$ 1,301,425
Depreciation expense	<u>-</u>	(10,922)	(10,922)
Closing net book amount	<u>\$ 799,024</u>	<u>\$ 491,479</u>	<u>\$ 1,290,503</u>
<u>At December 31, 2014</u>			
Cost	\$ 799,024	\$ 556,079	\$ 1,355,103
Accumulated depreciation	<u>-</u>	(64,600)	(64,600)
	<u>\$ 799,024</u>	<u>\$ 491,479</u>	<u>\$ 1,290,503</u>

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

	Year ended December 31, 2015	Year ended December 31, 2014
Rental income from the lease of the investment property	\$ 48,666	\$ 48,822
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 12,145	\$ 13,921
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 1,972	\$ 204

B. The fair value of the investment property held by the Group as of December 31, 2015 and 2014 was \$2,153,308 and \$2,380,291, respectively, which was estimated based on market trading prices of similar property in the areas nearby.

(10) Intangible assets

	Goodwill	Others	Total
<u>At January 1, 2015</u>			
Cost	\$ 25,163	\$ 470	\$ 25,633
Accumulated amortisation and impairment	(25,163)	(439)	(25,602)
	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ 31</u>
<u>2015</u>			
Opening net book amount	\$ -	\$ 31	\$ 31
Amortisation charge	- (31)	(31)	(31)
Closing net book amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>At December 31, 2015</u>			
Cost	\$ 25,163	\$ 470	\$ 25,633
Accumulated amortisation and impairment	(25,163)	(470)	(25,633)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2014</u>			
Cost	\$ -	\$ 850	\$ 850
Accumulated amortisation	<u>-</u>	<u>(706)</u>	<u>(706)</u>
	<u>\$ -</u>	<u>\$ 144</u>	<u>\$ 144</u>
<u>2014</u>			
Opening net book amount	\$ -	\$ 144	\$ 144
Additions-acquired through business combinations	25,001	-	25,001
Amortisation charge	-	(113)	(113)
Impairment loss	(25,163)	-	(25,163)
Net exchange differences	<u>162</u>	<u>-</u>	<u>162</u>
Closing net book amount	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ 31</u>
<u>At December 31, 2014</u>			
Cost	\$ 25,163	\$ 470	\$ 25,633
Accumulated amortisation	<u>(25,163)</u>	<u>(439)</u>	<u>(25,602)</u>
	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ 31</u>

Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. The recoverable amount of all cash-generating units calculated using the value-in-use was below their carrying amount, so goodwill was impaired. The Group recognised impairment loss of \$25,163 for goodwill for the year ended December 31, 2014.

(11) Accounts payable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Royalty expense	\$ 226,560	\$ 261,622
Others	<u>7,719</u>	<u>8,848</u>
	<u>\$ 234,279</u>	<u>\$ 270,470</u>

(12) Other payables

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Royalty collection	\$ 340,864	\$ 324,528
Employees' bonuses and directors' and supervisors' remuneration	110,805	126,645
Employees' rewards	66,075	62,936
Payroll	63,903	79,254
Promotional fees	44,431	40,180
Professional service fees	18,024	13,470
Commission expense	6,889	6,246
Employees' bonuses-before 2008	-	20,444
Other accrued expenses	17,486	17,244
Other payables	<u>3,186</u>	<u>15,738</u>
	<u>\$ 671,663</u>	<u>\$ 706,685</u>

(13) Provisions

	Cost of software		
	Royalty	bug-fixing	Total
At January 1, 2015	\$ 380,909	\$ 7,890	\$ 388,799
Additional provisions	45,964	-	45,964
Unused amounts reversed	-	(965)	(965)
At December 31, 2015	<u>\$ 426,873</u>	<u>\$ 6,925</u>	<u>\$ 433,798</u>

	Cost of software		
	Royalty	bug-fixing	Total
At January 1, 2014	\$ 314,046	\$ 9,018	\$ 323,064
Additional provisions	66,863	-	66,863
Unused amounts reversed	-	(1,128)	(1,128)
At December 31, 2014	<u>\$ 380,909</u>	<u>\$ 7,890</u>	<u>\$ 388,799</u>

Analysis of total provisions:

	December 31, 2015	December 31, 2014
Non-current	\$ 433,798	\$ 388,799

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 for it as common product warranty obligations.

(14) 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. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of defined benefit obligations	(\$ 72,587)	(\$ 91,032)
Fair value of plan assets	<u>24,219</u>	<u>22,539</u>
Net defined benefit liability	<u>(\$ 48,368)</u>	<u>(\$ 68,493)</u>

c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2015			
Balance at January 1	(\$ 91,032)	\$ 22,539	(\$ 68,493)
Interest (expense) income	<u>(1,818)</u>	<u>460</u>	<u>(1,358)</u>
	<u>(92,850)</u>	<u>22,999</u>	<u>(69,851)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	140	140
Change in demographic assumptions	(110)	-	(110)
Change in financial assumptions	(5,420)	-	(5,420)
Experience adjustments	<u>25,793</u>	<u>-</u>	<u>25,793</u>
	<u>20,263</u>	<u>140</u>	<u>20,403</u>
Pension fund contribution	<u>-</u>	<u>1,080</u>	<u>1,080</u>
Balance at December 31	<u>(\$ 72,587)</u>	<u>\$ 24,219</u>	<u>(\$ 48,368)</u>
Year ended December 31, 2014			
Balance at January 1	(\$ 82,889)	\$ 20,848	(\$ 62,041)
Interest (expense) income	<u>(1,655)</u>	<u>373</u>	<u>(1,282)</u>
	<u>(84,544)</u>	<u>21,221</u>	<u>(63,323)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	118	118
Change in demographic assumptions	(3,818)	-	(3,818)
Experience adjustments	<u>(2,670)</u>	<u>-</u>	<u>(2,670)</u>
	<u>(6,488)</u>	<u>118</u>	<u>(6,370)</u>
Pension fund contribution	<u>-</u>	<u>1,200</u>	<u>1,200</u>
Balance at December 31	<u>(\$ 91,032)</u>	<u>\$ 22,539</u>	<u>(\$ 68,493)</u>

d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in, accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

e) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Discount rate	1.50%	2.00%
Future salary increases	3.00%	3.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2015				
Effect on present value of defined benefit obligation	(\$ 2,781)	\$ 2,921	\$ 2,870	(\$ 2,748)
December 31, 2014				
Effect on present value of defined benefit obligation	(\$ 3,581)	\$ 3,764	\$ 3,717	(\$ 3,556)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2016 amounts to \$960.

g) As of December 31, 2015, the weighted average duration of that retirement plan is 16 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 292
1-2 year(s)	1,320
3-5 years	1,921
Over 5 years	87,622
	<u>\$ 91,155</u>

B. a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on no less than 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 Company for the years ended December 31, 2015 and 2014 were \$18,442 and \$20,944, respectively.

c) The pension costs under local pension regulations of the foreign subsidiaries for the years ended December 31, 2015 and 2014 were \$4,013 and \$4,638, respectively.

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

(15) Share-based payment

A. For the years ended December 31, 2015 and 2014, 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	2009.11.18	1,708	7 years	2 years’ service: exercise 50% 3 years’ service: exercise 75% 4 years’ service: exercise 100%
“	2011.8.22	2,405	7 years	the same as above
“	2015.8.25	5,000	7 years	the same as above

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

	Year ended December 31, 2015		Year ended December 31, 2014	
	No. of options (in thousands)	Weighted - average	No. of options (in thousands)	Weighted - average
		exercise price (in dollars)		exercise price (in dollars)
Options outstanding at beginning of the period	2,822	\$ 76.02	3,172	\$ 80.50
Options granted	5,000	54.00	-	-
Options exercised	(954)	51.59	(76)	55.70
Options forfeited	-	-	(274)	72.22
Options outstanding at December 31	<u>6,868</u>	60.68	<u>2,822</u>	76.02
Options exercisable at December 31	<u>1,868</u>		<u>2,346</u>	

- C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2015 and 2014 was \$60.68 and \$76.02 (in dollars), respectively.
- D. As of December 31, 2015 and 2014, the range of exercise prices of stock options outstanding was \$49.8~\$95.8 and \$55~\$105.8 (in dollars), respectively; the weighted-average remaining contractual period was 0.88~6.65 years and 1.88~3.64 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	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
Employee stock options	2015.8.25	54	54	23.95%	4.875	0.00%	0.81%	12.1117

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:

	Year ended December 31, 2015	Year ended December 31, 2014
Equity settled	\$ 9,405	\$ 4,554

(16) Share capital

- A. As of December 31, 2015, 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 \$967,950 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:

	2015	(Shares in thousands)	2014
At January 1	100,219		100,143
Employee stock options exercised	955		76
Shares retired	(4,379)		-
At December 31	<u>96,795</u>		<u>100,219</u>

B. Treasury shares

- a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

	December 31, 2015		
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	Maintain the Company's credit and shareholders' interest	4,379	\$ 292,931

- b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- c) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- d) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- e) The Company has completed the repurchase of treasury share as of October 23, 2015. The repurchased amount is 4,379 thousand and the registration of retirement of shares has been completed on December 20, 2015.

(17) 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.

(18) 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. On June 24, 2015 and June 19, 2014, the appropriation of 2014 and 2013 earnings had been resolved at the stockholders' meeting is as follows:

	Year ended		Year ended	
	December 31, 2014		December 31, 2013	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 70,698		\$ 70,795	
Cash dividends	<u>701,773</u>	\$ 7.00	<u>701,030</u>	\$ 7.00
	<u><u>\$ 772,471</u></u>		<u><u>\$ 771,825</u></u>	

E. For information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(23).

(19) Other equity items

	2015		
	Available-for-sale		
	Investment	Currency translation	Total
At January 1	\$ -	(\$ 57,652)	(\$ 57,652)
Revaluation			
–Group	38,954		38,954
Currency translation differences:			
–Group	-	26,674	26,674
–Associates	<u>-</u>	<u>7,073</u>	<u>7,073</u>
At December 31	<u><u>\$ 38,954</u></u>	<u><u>(\$ 23,905)</u></u>	<u><u>\$ 15,049</u></u>
	2014		
	Available-for-sale		
	Investment	Currency translation	Total
At January 1	\$ -	(\$ 73,164)	(\$ 73,164)
Currency translation differences:			
–Group	<u>-</u>	<u>15,512</u>	<u>15,512</u>
At December 31	<u><u>\$ -</u></u>	<u><u>(\$ 57,652)</u></u>	<u><u>(\$ 57,652)</u></u>

(20) Other income

	Year ended December 31, 2015	Year ended December 31, 2014
Rental income	\$ 57,442	\$ 50,242
Interest income from bank deposits	27,501	44,605
Dividend income	4,332	-
Others (Note)	<u>55,301</u>	<u>4,038</u>
	<u><u>\$ 144,576</u></u>	<u><u>\$ 98,885</u></u>

Note: Details of the Company's disposal of intangible assets in May 2015 are provided in Note 7.

(21) Other gains and losses

	Year ended December 31, 2015	Year ended December 31, 2014
Net currency exchange gains	\$ 67,259	\$ 148,096
Net gains on financial assets at fair value through profit	756	893
Impairment loss on non – financial assets	- (25,163)
Others	<u>(16,846)</u>	<u>(14,935)</u>
	<u><u>\$ 51,169</u></u>	<u><u>\$ 108,891</u></u>

(22) Costs and expenses by nature

	Year ended December 31, 2015	Year ended December 31, 2014
Cost of goods sold	\$ 14,676	\$ 30,536
Employee benefit expenses	706,044	842,264
Royalty cost	263,632	280,944
Promotional fees	104,755	93,036
Professional service fees	94,550	144,511
Product selling fees	57,409	63,954
Depreciation of property, plant and equipment	10,846	9,070
Others	<u>80,208</u>	<u>82,398</u>
Total cost of sales and operating expenses	<u><u>\$ 1,332,120</u></u>	<u><u>\$ 1,546,713</u></u>

(23) Employee benefit expenses

	Year ended December 31, 2015	Year ended December 31, 2014
Wages and salaries	\$ 612,208	\$ 744,254
Labor and health insurance fees	47,765	52,975
Pension costs	23,814	26,864
Employee stock options	9,405	4,554
Other personnel expenses	<u>12,852</u>	<u>13,617</u>
	<u><u>\$ 706,044</u></u>	<u><u>\$ 842,264</u></u>

A. The Articles of Incorporation of the Company are disclosed in Note 6(18).

However, in accordance with the Company Act amended in May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The board of directors of the Company has approved the amended Articles of Incorporation of the Company on December 16, 2015. According to the amended articles, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3.0% for employees' compensation and shall not be higher than 1.5% for directors' and supervisors' remuneration. The amended articles will be resolved in the shareholders' meeting in 2016.

B. For the years ended December 31, 2015 and 2014, employees' remuneration (bonus) was accrued at \$50,098 and \$63,628, respectively; directors' and supervisors' remuneration was accrued at \$7,515 and \$9,544, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 6.88% and 1.03% of distributable profit of current year for the year ended December 31, 2015. The accrued amount has not been resolved by the Board of Directors.

The expenses recognised for the year ended 2014 were accrued based on the net income of 2014 and the percentage as prescribed by the Company's Articles of Incorporation (10% and 1.5%, respectively), taking into account other factors such as legal reserve. Where 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 are accounted for as changes in estimates. The difference between directors' and supervisors' remuneration as resolved by the shareholders' meeting and the amount of \$9,544 recognised in the 2014 financial statements by \$233, mainly caused by the difference between accrued amount and actual distributed amount, had been adjusted in the profit or loss of 2015.

Information about employees' compensation (bonus) and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31, 2015	Year ended December 31, 2014
Current tax expense recognised for the current period	\$ 165,108	\$ 173,520
Income tax adjustments on prior years	1,367	4,927
Total current tax	<u>166,475</u>	<u>178,447</u>
Temporary differences	(30,812)	(1,812)
Total deferred tax	(30,812)	(1,812)
Income tax expense recognised in profit or loss	<u>\$ 135,663</u>	<u>\$ 176,635</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2015	Year ended December 31, 2014
Tax calculated based on profit before tax and statutory tax rate	\$ 129,097	\$ 180,123
Effects from items disallowed by tax regulation	43,868	33,004
Effect from tax credit of investment	(38,669)	(41,419)
Prior year income tax under estimation	<u>1,367</u>	<u>4,927</u>
Income tax expense	<u>\$ 135,663</u>	<u>\$ 176,635</u>

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

	Year ended December 31, 2015			
	January 1	Recognised in other comprehensive income	December 31	
Temporary differences:				
— Deferred tax assets:				
Unrealised profit on intercompany sales	\$ 12,150	\$ 6,187	-	\$ 18,337
Unrealised profit on allowance for sales	18,401	15,839	-	34,240
Unrealized exchange losses	-	4,244	-	4,244
Unused compensated absences	2,527	(571)	-	1,956
Cost of software bug-fixing	1,342	(165)	-	1,177
Actuarial gains and losses on pensions	<u>10,286</u>	(3,469)	<u>6,817</u>	
Subtotal	<u>44,706</u>	(3,469)	<u>66,771</u>	
— Deferred tax liabilities:				
Unrealised exchange gain	(6,956)	6,956	-	-
Differences of depreciation	(688)	(1,678)	-	(2,366)
Subtotal	(7,644)	5,278	-	(2,366)
Total	<u>\$ 37,062</u>	<u>\$ 30,812</u>	(\$ 3,469)	<u>\$ 64,405</u>

	Year ended December 31, 2014			
	January 1	Recognised in other comprehensive income		
		Recognised in profit or loss		December 31
Temporary differences:				
– Deferred tax assets:				
Unrealised profit on intercompany sales	\$ 7,565	\$ 4,585	\$ -	\$ 12,150
Unrealised profit on allowance for sales	16,711	1,690	-	18,401
Unused compensated absences	2,527	-	-	2,527
Cost of software bug-fixing	1,535	(193)	-	1,342
Actuarial gains and losses on pensions	9,203	-	1,083	10,286
Subtotal	<u>37,541</u>	<u>6,082</u>	<u>1,083</u>	<u>44,706</u>
– Deferred tax liabilities:				
Unrealised exchange gain	(2,910)	(4,046)	-	(6,956)
Differences of depreciation	(464)	(224)	-	(688)
Subtotal	<u>(3,374)</u>	<u>(4,270)</u>	<u>-</u>	<u>(7,644)</u>
Total	<u>\$ 34,167</u>	<u>\$ 1,812</u>	<u>\$ 1,083</u>	<u>\$ 37,062</u>

D. 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 2015 tax calculation for overall tax considerations.

E. As of December 31, 2015, the Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

F. Unappropriated retained earnings:

	December 31, 2015	December 31, 2014
Earnings generated in and before 1997	\$ 9,932	\$ 9,932
Earnings generated in and after 1998	<u>906,331</u>	<u>1,089,716</u>
	<u>\$ 916,263</u>	<u>\$ 1,099,648</u>

G. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was \$58,789 and \$64,281, respectively. The creditable tax rate was 4.70% for 2014 and is 8.16% for 2015.

H. On February 19, 2016, the Company's income tax returns of 2013 have been assessed and approved by National Taxation Bureau of the Northern Area, Ministry of Finance. Imputation tax credit for offshore income was decreased from \$53,667 to \$0. However, the Company disagreed with the assessment and will apply for reassessment within the time limit.

(25) Earnings per share

Year ended December 31, 2015

	Weighted average outstanding shares	Earnings per share
	<u>Amount after tax</u> (share in thousands)	<u>(in dollars)</u>
<u>Basic earnings per share</u>		
Profit attributable to the parent	\$ 556,640	99,353
<u>Diluted earnings per share</u>		
Profit attributable to the ordinary shareholders of the parent	\$ 556,640	99,353
Assumed conversion of all dilutive potential ordinary shares	-	777
Employees' stock options	-	1,322
Employees' bonus	-	1,322
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 556,640	101,452
	<u>\$ 556,640</u>	<u>\$ 101,452</u>
	<u>101,452</u>	<u>5.49</u>
Year ended December 31, 2014		
	Weighted average outstanding shares	Earnings per share
	<u>Amount after tax</u> (share in thousands)	<u>(in dollars)</u>
<u>Basic earnings per share</u>		
Profit attributable to the parent	\$ 706,977	100,162
<u>Diluted earnings per share</u>		
Profit attributable to the ordinary shareholders of the parent	\$ 706,977	100,162
Assumed conversion of all dilutive potential ordinary shares	-	671
Employees' stock options	-	1,149
Employees' bonus	-	1,149
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 706,977	101,982
	<u>\$ 706,977</u>	<u>\$ 101,982</u>
	<u>101,982</u>	<u>6.93</u>

(26) Business combinations

A. On May 8, 2014, the Group acquired 100% of the share capital of ImageChef for \$23,279. ImageChef provides online social networking web tools for rich collage and text. As a result of the acquisition, the Group is expected to increase its presence in digital information supply services markets. It also expects to reduce costs through economies of scale.

B. The following table summarizes the consideration paid for ImageChef and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in ImageChef:

<u>May 8, 2014</u>		
Purchase consideration		
Cash paid	\$	23,279
Fair value of the identifiable assets acquired and liabilities assumed		
Cash	(455)
Accounts receivable	(862)
Prepaid expenses	(162)
Other assets	(90)
Accounts payable		602
Accrued expenses		2,689
Total identifiable net assets		1,722
Goodwill	\$	25,001

C. The operating revenue included in the consolidated statement of comprehensive income since May 8, 2014 contributed by ImageChef was \$5,009. ImageChef also contributed loss before income tax of \$666 over the same period. Had ImageChef been consolidated from January 1, 2014, the consolidated statement of comprehensive income would increase operating revenue by \$942 and decrease profit before income tax by \$921.

(27) Operating leases

A. The Group's investment assets of two short sections numbered 229 in Xihu Section in Neihu District of Taipei City, from 1F to 9F, Building-B of "Sun-Tech Plaza" located in Nei-Hu District of Taipei City, from 5F to 6F, Building of "Jiang-Ling Information" located in Xindian District of New Taipei City and offices located in San Jose in California State are leased to others under non-cancellable operating lease agreements. These leases have terms expiring between 2013 and the third quarter of 2019, and all these lease agreements are not renewable at the end of the lease period. Recognised rental income of \$53,823 and \$50,242 were for the years ended December 31, 2015 and 2014, respectively. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Not later than one year	\$ 43,964	\$ 46,532
Later than one year but not later than five years	<u>69,277</u>	<u>81,351</u>
	<u>\$ 113,241</u>	<u>\$ 127,883</u>

B. Subsidiaries lease offices under non-cancellable operating lease agreements. The lease terms are within 1 to 2 years, and all these lease agreements are renewable at the end of the lease period. Some leases increase with the changes of local price indexes. Subsidiaries recognised rental expenses of \$5,634 and \$7,795 for the years ended December 31, 2015 and 2014, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Not later than one year	\$ 1,868	\$ 4,350
Later than one year but not later than five years	<u>-</u>	<u>1,813</u>
	<u>\$ 1,868</u>	<u>\$ 6,163</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Operating revenue:

	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2015</u>	<u>December 31, 2015</u>
Associates	<u>\$ 29,250</u>	<u>\$ -</u>

The Company has authorized the source code of U to associates starting from September 2015. Prices are based on appraisal reports issued by China Evergreen Technology Co., Ltd. and China Intangible Asset Appraisement. The total transaction amount is \$29,250, and unrealised gain recognised proportionately to shareholding ratio is \$13,138 (shown as a deduction to the investments accounted for using equity method).

B. Other receivables

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Rent income:		
-Associates	\$ 539	\$ -
Payment on behalf of others - Associates	<u>5,597</u>	<u>-</u>
	<u>\$ 6,136</u>	<u>\$ -</u>

C. Other payables

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Associates	<u>\$ 473</u>	<u>\$ -</u>

Other payables mainly are payments that were paid and received on behalf of others.

D. Property transactions

a) Disposal of intangible assets:

		Year ended December 31, 2015	
Accounts		Disposal proceeds	Gain on disposal
Associates	Other income	\$ 65,000	\$ 39,344

The Company has sold intangible assets to associates in May 2015. Prices are based on appraisal reports issued by China Evergreen Technology Co., Ltd. and China Intangible Asset Appraisement. The total transaction amount is \$65,000, gain on disposal is \$65,000, and unrealised gain recognised proportionately to shareholding ratio is \$25,656 (shown as a deduction to the investments accounted for using equity method).

b) Disposal of subsidiaries

		Year ended December 31, 2015	
Objects		Disposal proceeds	Loss on disposal
Associates	Perfect (Shanghai) Co., Ltd.	\$ 2,593	\$ 98

In order to expand the market in China, the Group invested US\$82 thousand (approximately NT\$2,531 thousand) to establish Perfect-Shanghai in April 2015. Subsequently, the Group sold the entire ownership in Perfect-Shanghai to associates in July 2015.

E. Other income

	Year ended December 31, 2015	Year ended December 31, 2014
Associates	\$ 3,619	\$ -

The Group leases offices in 14F of the corporate office building in Xindian District, New Taipei City to associates. The lease terms are between June 2015 and May 2017. Rental prices are based on the lease contracts and collection term is monthly basis. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2015	December 31, 2014
Not later than one year	\$ 6,158	\$ -
Later than one year but not later than five years	2,566	-
	\$ 8,724	\$ -

(2) Key management compensation

	Year ended December 31, 2015	Year ended December 31, 2014
Short-term employee benefits	\$ 85,667	\$ 98,699
Post-employment benefits	919	1,292
Service execution fees	77	48
	\$ 86,663	\$ 100,039

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

The Group's contingencies are disclosed in Note 6(24).

(2) Commitments

The Group's commitments are disclosed in Notes 6(27) and 7.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Group's significant events after the balance sheet date are disclosed in Note 6(24).

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

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables (including related parties), other financial assets, notes payable, accounts payable, other payables (including related parties) and guarantee deposits received) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a) The Group's activities expose it 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 programme focuses on the unpredictability of financial markets and seeks to minimise 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:

Decembr 31, 2015

Currency	Foreign currency amount (USD in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis			Effect on other comprehensive income				
				Degree of variation	Effect on profit or loss						
<u>Financial assets</u>											
<u>Monetary items</u>											
USD:NTD	\$ 63,614	\$ 32.83	\$ 2,088,448	1%	\$ 20,884	\$ -	-				
USD:JPY	10,711	120.39	351,642	1%	3,516	-	-				
USD:EUR	1,381	0.91	45,338	1%	453	-	-				
<u>Non-monetary items</u>											
USD:NTD	8,918	32.83	292,783	1%	-	2,928					
<u>Financial liabilities</u>											
<u>Monetary items</u>											
USD:NTD	6,527	32.83	214,281	1%	2,143	-	-				
USD:JPY	6,395	120.39	209,948	1%	2,099	-	-				
USD:EUR	142	0.91	4,662	1%	47	-	-				

Decembr 31, 2014

Currency	Foreign currency amount (USD in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis					
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income			
<u>Financial assets</u>									
<u>Monetary items</u>									
USD:NTD	\$ 83,651	\$ 31.65	\$ 2,647,554	1%	\$ 26,476	\$ -			
USD:JPY	11,757	119.61	372,109	1%	3,721	-			
USD:EUR	1,946	0.82	61,591	1%	616	-			
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD:NTD	6,940	31.65	219,651	1%	2,197	-			
USD:JPY	6,561	119.61	207,656	1%	2,077	-			
USD:EUR	162	0.82	5,127	1%	51	-			

iii. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2015 and 2014, amounted to \$67,259 and \$148,096, respectively.

Price risk

- The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2015 and 2014 would have increased/decreased by \$2,973 and \$2,170, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$696 and \$0, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

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

iii. There was no borrowing as of December 31, 2015 and 2014, and thus there was no interest rate risk arising from borrowing.

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. The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6.
- iv. The ageing analysis of financial assets that were past due but not impaired is provided in Note 6(4). 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.
- v. The individual analysis of financial assets that have been impaired is provided in the statement for each type of financial assets in Note 6.

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, 2015 and 2014, the Group held money market position of \$3,555,985 and \$4,165,408, 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 information

- A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(9).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in beneficiary certificates and listed stocks are included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2015 and 2014 is as follows:

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 297,250	\$ -	\$ -	\$ 297,250
Available-for-sale financial assets				
Equity securities	69,554	-	-	69,554
Total	\$ 366,804	\$ -	\$ -	\$ 366,804

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 216,954	\$ -	\$ -	\$ 216,954

D. The methods and assumptions the Group used to measure fair value are as follows:

	Listed shares	Open-end fund
Market quoted price	Closing price	Net asset value

E. For the years ended December 31, 2015 and 2014, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2015 and 2014, there was no transfer into or out from Level 3.

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 and associates): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 2.
- 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: Please refer to table 3.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

2) Information on investees

- Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT REPORTING

1) General information

The Group recognises the reportable segments based on the reporting information used by the 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 under the column heading “Media Creation and Others”.

2) Measurement 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.

3) 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:

	Year ended December 31, 2015		
	Media Experience and Entertainment	Media Creation and Others	Total
Segment Revenue	\$ 821,900	\$ 1,154,511	\$ 1,976,411
Segment Operating Income	\$ 236,579	\$ 394,574	\$ 631,153

	Year ended December 31, 2014		
	Media Experience and Entertainment	Media Creation and Others	Total
Segment Revenue	\$ 1,011,648	\$ 1,210,901	\$ 2,222,549
Segment Operating Income	\$ 280,257	\$ 395,579	\$ 675,836

4) 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.

5) Information on product and service

Please refer to Note 14(3).

5) Geographical information

Geographical information for the years ended December 31, 2015 and 2014 is as follows:

	<u>Year ended December 31, 2015</u>		<u>Year ended December 31, 2014</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
America	\$ 881,954	\$ 126,089	\$ 928,366	\$ 98,568
Japan	479,808	2,127	634,847	2,293
Taiwan	76,312	1,618,807	98,087	1,635,782
Others	538,337	179	561,249	163
	<u>\$ 1,976,411</u>	<u>\$ 1,747,202</u>	<u>\$ 2,222,549</u>	<u>\$ 1,736,806</u>

Geographical information on the revenue shows the location in which sales were generated. Non-current assets refer to property, plant and equipment, investment property and other assets, but excluded financial instruments, deferred tax assets and refundable deposits.

6) Major customer information

Major customer information of the Group for the years ended December 31, 2015 and 2014 is as follows:

	<u>Year ended December 31, 2015</u>	
	<u>Revenue</u>	<u>Operating segment</u>
Customer A	\$ 747,958	Media Experience and Entertainment and Others
<u>Year ended December 31, 2014</u>		
	<u>Operating segment</u>	
	<u>Revenue</u>	<u>Operating segment</u>
Customer A	\$ 639,110	Media Experience and Entertainment and Others
Customer B	231,631	Media Experience and Entertainment and Others

CyberLink Corp.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2015

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2015				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
CyberLink Corp.	Stock of One-Blue, LLC	Director of the investee company	Financial assets carried at cost - non-current	-	\$ 48,535	16.67%	\$ -	-
CyberLink Corp.	Yuanta Wan Tai Money Market Fund	None	Financial assets at fair value through profit or loss - current	12,027,021	180,002	-	180,002	
CyberLink Investment Corp.	Yuanta Wan Tai Money Market Fund	None	Financial assets at fair value through profit or loss - current	7,834,019	117,248	-	117,248	
CyberLink Investment Corp.	Fuh Hwa Tung-ta Fund	None	Non-current available-for-sale financial assets	3,060,000	69,554	1.60%	69,554	
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)	2.69%		
CyberLink International Technology Corp.	Preferred stock of LOFTechnology, Inc.	None	Financial assets carried at cost - non-current	100,000	US\$ 100 (in thousand of dollars)	1.25%		

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

CyberLink Corp.

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

Year ended December 31, 2015

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2015		Addition (Note 3)		Disposal (Note 3)		Balance as at December 31, 2015	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal
CyberLink Corp.	Stock of CyberLink International Technology Corp.	Investments accounted for using equity method	Capital increase by cash	Subsidiary	2,000,000	\$ 183,290	20,000,000	\$ 626,325	-	\$ (157,160)	\$ -	22,000,000 \$ 652,455 (Note 5)
CyberLink Corp.	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	6,717,270	100,013	14,708,867	219,989	9,399,116	140,160	(140,000)	160 12,027,021 180,002
CyberLink International Technology Corp.	Stock of Perfect Corp.	Investments accounted for using equity method	Capital increase by cash	Associate	-	-	147,000,000	458,346	-	-	(126,769)	- 147,000,000 331,577 (Note 5)

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: The amount is investment gain (loss) and the adjustment recognised based on shareholding ratio of long-term equity investment.

CyberLink Corp.
 Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
 Year ended December 31, 2015

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)	Percentage of consolidated total notes/accounts receivable (payable)	Footnote			
			Purchases		Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance						
			(sales)	(sales)												
CyberLink Corp.	CyberLink.Com Corp.	The Company's subsidiary	Sales	\$	198,686	12%	Note	Same with third parties	Note	\$ 27,631		23%	-			
CyberLink Corp.	CyberLink Inc.	The Company's subsidiary	Sales		200,239	12%	Note	Same with third parties	Note	29,803		25%	-			

Note: Prices to subsidiaries are based on normal transactions and sales are collected 30 days after the completion of sales.

CyberLink Corp.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2015

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	\$ 198,686	Note 4	10.1%
				Receivables	31,646	Note 4, 5	0.5%
0	CyberLink Corp.	CyberLink Inc.	1	Sales revenue	200,239	Note 4	10.1%
				Receivables	31,729	Note 4, 5	0.5%
0	CyberLink Corp.	CyberLink Europe B.V.	1	Sales revenue	96,803	Note 4	4.9%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

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

Note 5: Receivables include accounts receivable and other receivables.

Note 6: Transaction amounts over \$10,000 are disclosed; transactions are disclosed from asset and revenue sides.

CyberLink Corp.

Information on investees

Year ended December 31, 2015

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015				Investment income (loss) recognised by the Company for the year ended December		
						Balance as at December 31,		Ownership		Net profit (loss) of the investee for the year ended	Company for the year ended December	
				2015	2014	Number of shares	(%)	December 31, 2015	31, 2015	(Note 2(2))	(Note 2(3))	Footnote
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	\$ 136,327	\$ 136,327	4,000,000	100%	\$ 461,889	(\$ 12,458)	(\$ 12,458)	(\$ 12,458)	Direct subsidiary
CyberLink Corp.	CyberLink Europe B.V.	Netherlands	Sale of software	124,710	124,710	3,000,000	100%	54,750	(2,496)	(2,496)	(2,496)	Direct subsidiary
CyberLink Corp.	CyberLink International Technology Corp.	B.V.I.	Investment activities	691,146	64,821	22,000,000	100%	652,455	(137,714)	(137,714)	(137,714)	Direct subsidiary
CyberLink Corp.	CyberLink Investment Corp.	Taiwan	Investment activities	220,000	220,000	12,000,000	100%	205,430	397	397	397	Direct subsidiary
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	27,840 (USD 848 in thousand of dollars)	26,839 (USD 848 in thousand of dollars)	1,900	100%	192,712 (USD 5,870 in thousand of dollars)	21,503 (USD 677 in thousand of dollars)	-	-	Indirect subsidiary
CyberLink International Technology Corp.	Perfect Corp.	Cayman	Investment activities	482,601 (USD 14,700 in thousand of dollars)	-	147,000,000	49%	331,577 (USD 10,100 in thousand of dollars)	(274,684) (USD 8,647 in thousand of dollars)	-	-	Investment accounted for using equity method
CyberLink.Com Corp.	ImageChef Incorporated	America	Digital information supply services	35,227 (USD 1,073 in thousand of dollars)	33,960 (USD 1,073 in thousand of dollars)	7,749,447	100%	12,213 (USD 372 in thousand of dollars)	3,387 (USD 107 in thousand of dollars)	-	-	Indirect subsidiary

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2015' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the year ended December 31, 2015' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company for the year ended December 31, 2015' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

CyberLink Corp.

Information on investments in Mainland China

Year ended December 31, 2015

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2015		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2015	Remitted to Mainland China	Remitted back to Taiwan	Mainland China investee as of December 31, 2015	Net income of Company (direct or indirect)	Ownership for the year ended December 31, 2015	Book value of investments in Mainland China as of December 31, 2015	Investment income (loss) recognised by the Company for the year ended December 31, 2015	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2015	Footnote
				2015	2015										
Perfect (Shanghai) Co., Ltd.	Trading of computer peripheral and software	\$ 15,430 (USD 470 in thousand of dollars)	(2)	\$ -	\$ 2,692	\$ -	\$ 2,692	\$ -	\$ 2,692	(\$ 6,128)	49%	(\$ 3,003)	\$ 4,421	\$ -	Note 4
	Accumulated amount of remittance from Taiwan to Mainland China as of December 31,	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in Mainland China imposed by the Investment Commission of												
Company name	2015	(MOEA)	MOEA												
CyberLink Corp.	\$ 2,692 (USD 82 in thousand of dollars)	\$ 2,692 (USD 82 in thousand of dollars)	\$ 2,730,646												

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2015' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: Through investing in CyberLink International Technology Corp.