

Stock code  
5203

**CyberLink Corp.**

**2022**

# **Annual Report**

**Annual report available at: Market Observation Post System**

**(<http://mops.twse.com.tw/>)**

**(<https://tw.cyberlink.com/prog/company/ir-annual-report.jsp>)**

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# 1. Letter to Shareholders

To all stakeholders of CyberLink:

In 2022, the impact of COVID-19 gradually faded away, but influenced by the rise of interest rates in the United States and the war between Ukraine and Russia, exchange rate fluctuations and inflation factors had an impact on many industries. CyberLink (5203.TW) has more than 20 years of experience in the development and international marketing of multimedia software, and makes persistent efforts in the innovation and optimization of products in the fields of “Create, Play, Connect, Face & AI” to strengthen its competitiveness. In 2022, the Company’s overall revenue reached NT\$1.691 billion, with a growth rate of 7.2% compared with that of 2021. The three growth product lines, namely PC-Create (B2C) creative editing software, Mobile App mobile creation application and New Biz face recognition, have made outstanding achievements.

**The three major growth product lines play the role of the Company’s growth engine, with strong double-digit growth in subscription revenue.**

The period from 2019 to 2021 was the three-year transformation period of the first phase of Cyberlink Corp. The business model changed from B2B/B2C OEM binding sales to a new subscription system and cloud value-added services. In the period from 2022 to 2024, Cyberlink launched the second phase of business model transformation, aiming to achieve a rapid growth; during this period, we increased our investment in R&D and marketing business, expanded the product line and market share of creative editing software, and actively incubated FaceMe® of face recognition to become a large-scale business entity. In 2022, Cyberlink’s three growth product lines included the three new businesses of PC-Create (B2C) creative editing software, Mobile App mobile creation application and New Biz face recognition. The consolidated revenue of the three growth product lines reached NT\$1.19 billion, with an annual growth of 27%, and contributed up to 70% of the Company’s overall revenue and acted as the main driving forces of the Company’s growth.

In September 2018, CyberLink shifted its software businesses such as “Director Suite 365”, “PowerDirector 365” and “PhotoDirector 365” to the SaaS (Software as a Service) subscription model. By the end of 2022, the subscription revenue from conversion to the cloud subscription service increased by 895% compared with that in 2018, and the high renewal rate contributes to the Company’s stable and continuous revenue growth. For the three growth product lines in 2022, the revenue contribution from subscription system was as high as 67%, maintaining a double-digit high annual growth rate, and the number of new and old subscribers continues growing, indicating that the Company’s direction of transforming to the subscription system and providing cloud value-added services is quite successful.

CyberLink uses AI innovative technology to launch various new trendy functions, continuously optimizes UI/UX to create the best user experience, and provides consumers with more high-quality content packages and rich and diverse copyright materials at a faster update speed. In September 2022, CyberLink released the new versions of “PowerDirector 365”, “PhotoDirector 365” and “Director Suite 365”, and

launched a number of new AI-powered tools and features, including special effects on the real-time tracking of portraits, more accurate multi-object dynamic tracking, video and audio noise removal, photo noise reduction, AI object removal 2.0 and one-click cartoon characters. The Company also launched more than 20,000 video intros and customized templates for quick and easy content customization. Users can quickly and easily produce all kinds of trendy videos and graphic creations with few simple steps. The number of templates that can be easily applied continues to increase every day. At the same time, the Company has partnered with well-known copyright stock photo and stock footage websites such as Shutterstock and iStock by Getty Images to provide millions of videos, pictures and music materials to subscribers. CyberLink has also established a new strategic partnership with Meta/Facebook to provide subscribers with Meta's audio library. CyberLink provides rich and valuable content packages and diversified copyright materials at a faster update speed to improve user experience and subscriber satisfaction.

In recent years, we have increased investments in digital marketing of online media, such as SEO (search engine optimization), SEM (search engine advertising), and social media platforms such as YouTube and Instagram. The success of digital marketing and content marketing has brought a bright return on investment in our global business performance growth. According to statistics, the growth rate of the natural generated traffic brought by SEO in 2022 is as high as 370% from that in the last year, and digital marketing in major overseas markets such as the United States and Japan contributed significantly to the Company's revenue growth. With a market share of more than 60% in the retail market in Japan, the flagship product "Power Director" of CyberLink ranks first in the sales of film editing software, and maintained the number one status in the Japanese market for eight consecutive years; in addition, the download ranking of "Photo Master" in the Japanese market climbed to fifth place. In 2022, PowerDirector 365 won the recognition of the "Editors' Choice", the authoritative U.S. PC magazine again, and this is also the honor of the PowerDirector series for 13 consecutive years. In January 2023, "PowerDirector 365" won the highest five star award of the "Editors' Choice" PC magazine, and was also selected as the "Best Technology Product of 2022" by the magazine.

### **FaceMe® face recognition won strategic customers and established a stronger relationship with business partners for good progress**

According to Statista, a research institution, the market demand for facial recognition applications will reach USD12.67 billion in 2028, and many vertical industry applications, including the medical, retail, residential and access control and personnel attendance recording, will see rising demand for the technology. In addition, due to the continuous progress of chip development technology, AIoT devices adopting facial recognition technology have grown rapidly in recent years. Furthermore, due to the impact of the COVID-19 pandemic, the contactless feature of facial recognition is also an important factor for enterprises to choose it as an authentication method.

The FaceMe® product line of CyberLink continues to expand to more vertical applications, from security and surveillance and health to fintech, and the new FaceMe® TimeClock for smart attendance and FaceMe® Smart Retail. In 2022, the face recognition business made good progress in winning more strategic customers and establishing stronger business partners. We cooperated with Yuanta Life in the "remote

insurance purchase” scheme; FaceMe Fintech which combines ID card anti-counterfeiting, face recognition, living body recognition and video conference modules to break the previous framework of “face-to-face signing” for insurance transactions, and increase the convenience of insurance business; the FaceMe face recognition engine is also adopted by Good Finance to improve the eKYC (digital identity verification) process of account opening, and new users can have their identities verified and sign documents via the mobile phone lens and complete account opening at the remote end without having to go to the counter in person. The “Vehicle Inspection Information System” jointly developed by the Japanese system integrator Itochu and FaceMe of CyberLink was adopted by Toyota’s Vehicle Quality Control, and CAC of Japan also adopts the FaceMe face recognition engine<sup>®</sup> in the unmanned store “Ministop Pocket” of its headquarters to enable employees to pay for shopping with face recognition. CyberLink also joined hands with Union Community, a listed major manufacturer of access control machines in South Korea, to launch a new generation of face recognition access control machines to create a contactless and safe intelligent security control environment.

The FaceMe face recognition engine ranks among the world’s top face recognition algorithms, with a high recognition rate of 99.81% in the face recognition technology benchmark test of National Institute of Standards and Technology (NIST). In order to prevent intentional personage from deceiving the system through 2D photos, videos, Deepfakes or 3D masks, the live anti-counterfeiting capability is also one of the most important functions of the face recognition engine. FaceMe passed the iBeta PAD Level 2 test in 2022 with a 0% cracking rate (that is, 100% protection against any living body spoof). iBeta is one of the few biometric testing laboratories in the world certified by the National Voluntary Laboratory Accreditation Program (NVLAP) of the U.S. National Institute of Standards and Technology (NIST). The iBeta ISO PAD test is a live impersonation attack test based on the ISO/IEC 30107-3 standard, which proves that FaceMe is suitable for biometric authentication with high security requirements for fields such as finance, network transactions, remote identity authentication, etc. FaceMe<sup>®</sup> Platform stands out from thousands of works and has won the recognition of the 31st Taiwan Fine Arts Award. It is obvious that the product quality, R&D and design capabilities are highly recognized by the judges. In terms of business strategy, FaceMe<sup>®</sup> will continue strengthening the strategic partnership with the industry’s VMS (image management system) manufacturers, major Soc chip manufacturers, and SI system integration plants, continue deepening the ecosystem of partners and industrial alliances, accelerate the deployment and launch by customers, and plan to launch new products to expand market opportunities, and become a large-scale business entity.

## **Conclusion**

Looking forward to 2023, CyberLink Corp. will continue investing resources in new businesses with high growth potential, and drive the growth of the cloud service subscription scale. The business will focus on the three major growth engines: PC-Create, Mobile App and FaceMe. In terms of creative editing software, we will strengthen content marketing, launch richer seasonal content, adapt to the needs of small and medium-sized businesses and social media in the new era, and create templates for fast and convenient template-based creation, and continue expanding the current successful B2C channel cooperation model to more computer brand manufacturers, and



accelerate the distribution and business penetration in North America, Japan, Europe, Africa and the Middle East. In terms of FaceMe<sup>®</sup> face recognition, we will continue refining the algorithm to improve the NIST ranking (face/anti-counterfeit passive 2D anti-spoofing), launch the product line's new application of People Tracker footprint tracking, deepen the integration of SoC/VMS partners and channel resources, and expand overseas markets in Southeast Asia, in order to accelerate the promotion of FaceMe to become a large-scale business entity.

CyberLink expects to maintain its competitive position in the global market with the most advanced technology, the best-quality products and the best customer service, and create the maximum interests for shareholders, customers and employees. CyberLink will also fully promote corporate governance, increase the green power ratio year by year, and continue participating in various public welfare activities together with CyberLink Perfect Education Foundation to actively fulfill corporate social responsibilities.

The overall operating results of the Company in 2022 are listed below:

2022 business report:

1. Operating results:

The Company strives to promote high-quality international brands, and continues to balance and expand the hardware tie-in (B2B) and private brand (B2C) markets. The consolidated revenue in 2022 is about NT\$1.691 billion with a 7.2% increase over that of the previous year and the annual operating profit is about NT\$197 million. The annual revenue of the domestic parent company is about NT\$1.407 billion, an increase of 4.7% over that of the previous year. The annual after-tax net profit in 2022 is about NT\$184 million, which shows that the operation performance of the core business is still good.

Perfect Corp. (Cayman), a reinvested company of CyberLink, was officially listed on the New York Stock Exchange (NYSE) in October 2022, becoming the first software company in Taiwan to list on the U.S. NYSE with SaaS technology services. CyberLink Corp. and Perfect Mobile Corp. have been making continuous efforts to create a broader international stage for software talents for many years; the performance in operation is still strong, and they continue to pursue high performance growth.

## 2. Revenue, expense, and profitability analysis:

### (1) Consolidated financial information (global):

Unit: NTD thousands; %

Item		2022	2021	Variation %	
Profit and loss	Net revenue	1,691,200	1,577,069	7.2%	
	Gross profit	1,462,323	1,321,773	10.6%	
	Operating expenses	1,265,079	1,124,891	12.5%	
	Net income	183,625	-562,766	132.6%	
Profitability	Return on assets (%)	3.75	-12.37	130.3%	
	Return on equity (%)	4.99	-17.26	128.9%	
	As a percentage of paid-up capital (%)	Operating income	24.99	25.45	-1.8%
		Profit before tax	27.99	-64.84	143.2%
	Net profit margin (%)	10.86	-35.68	130.4%	
	Earnings per share (NTD)	2.34	-7.21	132.5%	

### (2) Parent company:

Unit: NTD thousands; %

Item		2022	2021	Variation %	
Profit and loss	Net revenue	1,407,331	1,343,676	4.7%	
	Gross profit	1,243,521	1,166,176	6.6%	
	Operating expenses	1,011,878	937,719	7.9%	
	Net income	183,625	-562,766	132.6%	
Profitability	Return on assets (%)	3.90	-13.19	129.6%	
	Return on equity (%)	4.99	-17.26	128.9%	
	As a percentage of paid-up capital (%)	Operating income	29.34	29.53	-0.6%
		Profit before tax	28.16	-65.19	143.2%
	Net profit margin (%)	13.05	-41.88	131.2%	
	Earnings per share (NTD)	2.34	-7.21	132.5%	

## 3. Research and development:

- (1) In 2022, we completed a number of new product development and version upgrades, and launched a special audio and video effect package for product subscription services. The published audio and video products include “Director Suite” for desktop computers and “PowerDirector” and “PhotoDirector” for mobile phones.
- (2) The new product “Promeo” was released to provide users with a solution to quickly complete video and audio works with templates on mobile phones.
- (3) With our continuous refinement of the “FaceMe face recognition technology” algorithm, we launched a major upgrade of the smart security control software

“FaceMe Security”, and published a new face recognition platform “FaceMe Platform” to provide corporate customers with a solution to quickly build face recognition.

- (4) We will deepen the “FaceMe Fintech” system built for the financial and insurance industries, which can integrate various eKYC functions such as face recognition, living body recognition, identity card authenticity verification, etc., into video conferencing, and help the financial and insurance industry to quickly create end-to-end remote insurance purchases, remote account openings, and other financial services.

## **Summary of 2023 Business Plan**

### **1. Business direction:**

- (1) Cyberlink enters phase 2 - expansion and growth between 2022 and 2024

2019 to 2021 is the first phase of CyberLink’s three-year transformation period. The business model has shifted from traditional B2B/B2C OEM bundled sales to a new type of subscription system and the provision of cloud value-added services. Marketing activities have also shifted from multimedia audio and video software in the past to actively expanding into new areas of AI facial recognition in recent years, with the Company increasing investments in domestic and overseas digital marketing to expand market opportunities, and launching a number of new AI effects and AI tools in terms of technological innovation. The first phase of the Company’s transformation from 2019 to 2021 has delivered impressive results in terms of success of subscription services and revenue growth in three major growth product lines. In the second phase of the Company’s transformation period from 2022 to 2024, CyberLink will invest more in R&D and marketing activities, continue to expand product lines of creative editing software and new functions, and actively grow FaceMe® to become a large-scale business venture.

Over the past four years of business model transformation, CyberLink’s three growing product lines, including PC-Create (B2C creative editing software), Mobile Apps (creative editing apps), and New Biz (facial recognition) have contributed to a higher percentage of the Company’s revenue year by year. By the end of FY2022, the annual revenue of the three growth product lines reached 70% of the Company’s overall revenue, becoming the main engine of growth. CyberLink will continue to build on the growth trajectory of its three major growth product lines to ensure continued success.

By the end of 2022, CyberLink’s overall subscription revenue grew by up to 895% compared to 2018, contributing significantly to the Company’s steady recurring revenue growth. Subscriptions contributed to 67% of the revenue from the three growth product lines in FY2022, and delivered an impressive double-digit YoY growth rate in 2022. CyberLink will continue to enrich product content, optimize user experience, introduce the best value subscription solutions, and continue to harness AI technology to develop new features and functions. We will leverage our successful experience in domestic and overseas

digital marketing to increase our market share, deepening strategic cooperation with business partners to expand market opportunities, pursuing the scalable growth of our three growth product lines, and increasing the revenue growth of our subscription services.

- (2) Enrich the product content of PC/APP mobile version of creative editing software and further expand the cloud subscription (SaaS) service

In terms of creative editing software, we will strengthen content marketing, launch richer seasonal content, adapt to the needs of small and medium-sized businesses and social media in the new era, and create templates for fast and convenient template-based content creation. We have introduced cool AI functions such as AI Avatar and AI auto-editing to expand the current successful B2B2C channel collaboration model to more major computer brands and accelerate the distribution and market penetration in North America, Japan, Europe, Africa and the Middle East.

The new “Promeo APP” mobile version was launched in 2022, providing tens of thousands of templates-based video and image design templates for quick and easy customization. Whether users want to create advertisements, posters, seasonal promotions, holiday promotions, social posts, web videos, etc., they can choose from a wide range of templates with a variety of themes and customize them to adjust colors, fonts, effects, etc. The simple, easy-to-use, and quick templates allow non-professional users, small and medium-sized businesses, and social media content creators to easily produce unique videos and graphic designs that can be quickly published on various social media platforms. A PC version, “Promeo PC”, is planned for 2023. In 2022, CyberLink launched “MyEdit”, an online audio & photo editing service for web pages, enabling creators the convenience of editing online from anywhere, anytime. In just six months since the launch of “MyEdit” in Q4 2022, the number of active monthly visitors to the site has grown by 500% to over 100,000 MAUs. In 2023, MyEdit is planned to be launched as an online editorial subscription service with the goal of attracting more new users and contributing to the Company’s subscription revenue growth.

- (3) Growing facial recognition and computer vision product FaceMe<sup>®</sup> into a large-scale business

CyberLink’s FaceMe<sup>®</sup> facial recognition business made good progress in 2022 in winning strategically important customers and building stronger business partnerships. FaceMe<sup>®</sup> product lines have been expanded to more vertical applications, including Security&Surveillance, eKYC&Fintech. In 2022, features such as TimeClock and Smart Retail were launched. People Tracker was launched in 2023, which can track all the footprints of targeted people by their physical features without requiring facial recognition.

CyberLink’s new product, People Tracker, adopts the latest computer vision technology, Person Re-ID and Person Attribute Recognition, to track a target whose face has been blocked. It can find out the footprints of target objects

according to body shape, gender, age, and even clothing, hats, bags and other attributes, and can be deeply integrated with major mainstream video management systems (VMS). Combined with FaceMe® Security solution, we aim to capture the smart security market.

FaceMe® Security is a smart security solution that helps system integrators quickly implement facial recognition-enabled smart security systems in factories, offices, campuses and other areas. Deepen cooperation with Axis, Network Optix, Genetec, Milestone and other major VMS vendors to integrate identity verification, attendance management, access control, real-time video monitoring, notification alerts and other functions. We continue to optimize the technical integration with hardware manufacturers to enable high-performance face recognition applications even on lower-end devices.

In 2022, CyberLink and Yuanta Life collaborated on a “remote insurance” solution that combines ID card security, facial recognition, biometric identification, and video conferencing modules to break the previous framework of “in-person” insurance transactions and enhance the convenience of insurance business processes. FaceMe facial recognition technology is also deployed in the Good Finance app to improve the eKYC (digital identity verification) processes for account activation. Customers can identify themselves, sign documents and open accounts remotely without having to come to a service counter in person. CyberLink is optimistic that facial recognition and ID matching functions can be applied to many financial service scenarios, such as account activation, ATM cardless transactions, mobile internet banking, etc. Through facial recognition, user identity can be verified quickly and securely for login and transaction confirmation, and the facial features can be stored in the server for subsequent use. CyberLink plans to further deepen and expand the application of face recognition in related financial fields.

#### (4) Product/technology innovation and persistent brand management

In addition to technological advancements, CyberLink continues to enhance its global brand value and deepen its marketing presence in both domestic and overseas markets. With a market share of more than 60% in the retail market in Japan, the Company’s flagship product “PowerDirector” ranks first in the sales of video-editing software, and has remained the market leader in Japan for eight consecutive years. In addition, the download ranking of “PhotoDirector” in the Japanese market climbed to fifth place. In 2022, PowerDirector was again recognized with “Editors’ Choice” by PC Magazine, which is the 13th consecutive year that PowerDirector series of products has received this recognition.

FaceMe® offers exceptional performance with regard to identity verification and anti-spoofing technologies, and continues to rank among the world’s leading technologies in the Face Recognition Vendor Test (FRVT) conducted by the National Institute of Standards and Technology (NIST). CyberLink will continue refining its algorithms with the goal of further improving ranking in NIST’s FRVT, and making FaceMe® the world’s leading brand in facial recognition.

## 2. Production/sales policies:

CyberLink leverages its existing advantages and continues to invest resources into new business activities that present growth potentials, and is shifting emphasis toward growing cloud-based services and subscriptions. The business will focus on the three major growth engines: PC-Create, Mobile App and FaceMe. “Expand globally by capturing the right technology segment” has long been the key sales strategy since the establishment of the Company. CyberLink has a strong R&D team and has long been dedicated to the development of innovative software. By studying and understanding consumers’ needs, the Company is able to commercialize software technologies and turn them into successful products. By maintaining productive working relationships with major PC manufacturers, we have formed alliances with business partners to expand market opportunities, grasp global technology and market development trends, and lay out multiple global marketing channels, including online and offline, to expand our market share in major markets such as the United States, Japan, and Taiwan.

Creative editing software developers have increased investments in online media digital marketing such as Search Engine Optimization (SEO), Search Engine Marketing (SEM), and social media such as YouTube and Instagram in recent years; this has seen significant growth in digital marketing in major overseas markets such as the U.S. and Japan. In 2023, CyberLink will continue to invest in digital marketing to deepen its existing market share and cover more potential markets, leveraging its successful experience in digital marketing to effectively acquire new users and drive sales growth.

The FaceMe<sup>®</sup> facial recognition business has formed strategic alliances with Intel, NVIDIA, NXP, Qualcomm, MediaTek, and other leading chip manufacturers to support a wide range of mainstream chipsets. We have also successfully worked with major VMS vendors Genetec, Axis, Milestone, Network Optix, and Vivotek to deepen technology integration. FaceMe<sup>®</sup> will continue to strengthen strategic partnerships with VMS, SoC chip makers and system integrators (SI) to accelerate global business growth. We envisage to synergize SoC/VMS partners and channel resources, expand overseas markets in Southeast Asia, and accelerate FaceMe to become a large-scale business.

Lastly, we wish all our shareholders

a prosperous future ahead

Chairman: Jau Huang

President: Jau Huang

## 2. Company Profile

### 2.1. Date of incorporation

The Company was established on August 8, 1990 under the name Jing Hua Consultancy Co., Ltd. with an initial share capital of NT\$1 million. In February 1996, the Company underwent a re-organization and was renamed CyberLink Corp.

### 2.2. Company history

The Company is a provider of multimedia software featuring advanced video and audio technologies, and specializes in the research and development of audiovisual software and multimedia streaming solutions. The Company adopts the business strategy of “identifying critical technologies for global application,” and implements plans from Taiwan to the rest of the world, for which it has been rewarded with favorable results.

<u>Year</u>	<u>Major events/product development history</u>
August 1990	Company was founded with an initial capital of NT\$1 million.
February 1996	Company was renamed “CyberLink Corp.”
April 1996	Completed a cash issue that increased share capital to NT\$5 million.
October 1996	Relocated to 9F., No. 381, Section 2, Fuxing South Road, Taipei City for business expansion.
December 1996	1. Launched the first software package - “VCD PowerPlayer.” 2. Completed a cash issue that increased share capital to NT\$10 million.
July 1997	Signed an agency agreement with Sumitomo Metal System Development Co., Ltd. and marketed the Japanese version of CDWizard’s “MightyPEG” to the software retail market in Japan later in August. The product was able to produce favorable sales.
October 1997	Launched new media player software - “PowerDVD.”
June 1998	Established a subsidiary in Japan
August 1998	1. Relocated to 15F., No. 100, Minquan Road, Xindian District, New Taipei City for business expansion. 2. Released new product - “PowerVCR.”
September 1998	Completed a cash issue that increased paid-up capital to NT\$70 million.
January 1999	Established subsidiary in Silicon Valley, USA, where the world’s top tech companies gather.
May 1999	Capitalized NT\$14 million of earnings and NT\$35 million of capital surplus that increased paid-up capital to NT\$119 million.
June 1996	Shares of the Company were publicly offered
August 2000	Capitalized NT\$59.5 million of earnings, NT\$14.637 million of capital surplus, and NT\$6.863 million of employee profit-sharing that increased paid-up capital to NT\$200 million. Employee size expanded to 100.
October 2000	Shares of the Company were listed for trading on TPEX.

<u>Year</u>	<u>Major events/product development history</u>
January 2001	1. Completed a cash issue that increased paid-up capital to NT\$256.85 million. 2. Established a Germany Branch for access to the European market.
July 2001	After issuing stock dividends against capitalized earnings, paid-up capital increased from NT\$226.85 million to NT\$353.3 million.
August 2002	Capitalized NT\$88.325 million of earnings, NT\$35.33 million of capital surplus, and NT\$10.145 million of employee profit-sharing that increased paid-up capital to NT\$487.1 million.
November 2003	Launched a new CyberLink product - "PowerCinema."
September 2004	Shares of the Company were listed for trading on TWSE, while the stock code remained 5203.
March 2005	Became the world's first company to receive certification for DVD-VR PC Recording Logo.
March 2006	CyberLink SoftDMA and CyberLink Media Server received certification for DLNA.
May 2006	Launched Power2Go 5.5, the first all-in-one disc-writing software that supports both Blu-ray and HD DVD formats.
July 2006	CyberLink's patent became an essential patent of the Blu-ray Disc specification.
September 2007	"PowerProducer" received BD-RE 3.0 certification for authoring and burning rewritable Blu-ray discs.
November 2007	Named Asia 200 Best Under a Billion by Forbes Asia, a world-renowned commercial media.
July 2008	"PowerDVD" was awarded DTS-HD Master Audio certification.
July 2008	"PowerDVD Ultra" passed certifications for BD-Live and AVCREC.
July 2009	CyberLink's multimedia playback software - "PowerDVD 9" passed certification for Microsoft Windows 7.
August 2009	The entire lineup of multimedia software supported Windows 7 and was awarded the certification logo - "Compatible with Windows 7."
April 2010	"PowerDVD" was the world's first software to be certified by Blu-ray Disc Association for 3D Blu-ray playback.
October 2010	CyberLink won the "Outstanding ICT Elite Award" for the fourth time in 2010; Senior Assistant Vice President Ho-Chao Huang, Ph.D., was commended for having exhibited an exceptional level of professional capacity.
April 2011	"Media Server" and "SoftDMA" were certified as DLNA Protected Streaming TestBed Devices.
August 2012	Flagship products received Windows 8 certification logo
January 2013	AMD chose YouCam and CyberLink's proprietary FaceMe technology to improve man-machine interaction on Richland and Temash platforms.



<u>Year</u>	<u>Major events/product development history</u>
December 2013	YouCam 6 was introduced as a powerful video conferencing and camera application.
March 2014	Introduced “CyberLink Certified Professional” (CCP), Taiwan’s first global certification for software professionals that covers everything from teaching materials, and course content to professional capacity to help businesses train talents.
May 2014	Acquired U.S. business ImageChef for total enhancement of cloud service and to provide a global solution for mobile App-based content creation.
June 2014	Launched a new “U Messenger App” that promised a new video conferencing experience.
April 2015	Ventured into mobile Internet applications and invested in “Perfect Corp.” for the development of mobile cosmetic App and cloud-based cosmetic services for social networks.
October 2015	Joined “Ultra HD Focus Group” (UHDG) and cooperated with UHDG to create a next-generation video playback experience.
August 2016	Bringing technology into makeup art! CyberLink launched a digital makeup tool called “MakeupDirector.”
September 2016	Launched “PhotoDirector 8” with a new snapshot feature that enables users to turn 4K video into still photos.
January 2017	The Android version of PowerDirector received a major upgrade and was the world’s first mobile App to support editing of 4K video.
January 2017	Released the world’s first Ultra HD Blu-ray playback software for PC.
April 2017	CyberLink’s new playback software - “PowerDVD 17” incorporated next-generation media technologies including 4K Blu-ray, HDR, and VR.
June 2017	Launched “PowerStarter 15,” a multimedia software bundle.
August 2017	Launched “PerfectCam,” the world’s first digital cosmetic tool for video conferencing, that instantly allows users to look presentable for online meetings.
August 2017	Introduced “U Webinar” service for commercial applications such as online presentation and remote teaching.
August 2017	Introduced next-generation business communication software - “U” that supports multi-party conferencing, live presentation, and instant messaging all in one.
September 2017	Released “PhotoDirector 9” with support for 360° photo editing.
September 2017	Released “PowerDirector 16,” the world’s No. 1 editing software for VR 360° video, which incited a wave of homemade VR content.
October 2017	Launched “ActionDirector 3,” an entry-level video editing software that is essential for users of 360° cameras and action cameras.
October 2017	Launched “Power Media Player MR” to support Windows mixed reality (MR) headset.
December 2017	“ActionDirector Mobile” was named Best of 2017 on Google Play.
December 2017	The Company ventured into the field of professional plug-ins for the first time and launched the “CyberLink VR Stabilizer plug-in” that supports Adobe® editing software.
January 2018	“PowerDirector Mobile” and “ActionDirector Mobile” were named Editor’s Choice App on Google Play.

<u>Year</u>	<u>Major events/product development history</u>
April 2018	The Company ventured into e-sports for the first time and launched a live streaming and game recording software called “Screen Recorder 3.”
April 2018	Introduced “AI Style Transfer Plug-in,” the world’s first AI-assisted video effects tool.
May 2018	CyberLink launched next-generation all-in-one disc-writing software - “Power2Go 12.”
June 2018	Launched “PowerStarter 16,” a multimedia software bundle.
July 2018	“U Webinar” underwent a major upgrade to support macOS for the first time.
August 2018	Industrial Technology Research Institute (ITRI) organized an online-offline conference for more than one hundred participants using CyberLink’s “U Webinar” live stream platform.
September 2018	Introduced “FaceMe <sup>®</sup> ” and SDK as a solution to AI-assisted facial recognition.
September 2018	Launched new “Director Suite 365” with a cloud-based subscription service for flexibility and access to value-adding content, making it the top choice for professional content creators.
September 2018	Launched next-generation “PowerDirector 17” to help speed up video editing for YouTubers and vloggers.
September 2018	Launched next-generation “PhotoDirector 10” with enhanced layer editing functions and the proprietary AI art tool to support creativity.
October 2018	Launched next-generation “YouCam 8,” a total video solution that aims to deliver new live streaming and video conferencing experience.
October 2018	FaceMe <sup>®</sup> participated in the MegaFace Challenge and claimed its place as the number one AI facial recognition engine in Taiwan.
October 2018	CyberLink, Perfect Corp., and National Chiao Tung University jointly organized the AI Meets Beauty Challenge, using AI object recognition technology to create the O2O retail experience of the future.
November 2018	Introduced “AI Style Transfer Plug-in” specifically for Adobe, which brings never-before-seen visual effects to professional video workers.
November 2018	Launched a new version of “Screen Recorder 4” that supports simultaneous streaming across multiple platforms for a more comprehensive live streaming experience.
November 2018	FaceMe <sup>®</sup> was incorporated into Acer’s aiSage to create facial recognition solutions for AIoT.
November 2018	“PowerDirector 17” won The Golden Award during the “2020 Innovative Products Award” for its exceptional innovation and design concept.
November 2018	Cloud-based communication services including U Messenger, U Meeting, and U Webinar were approved by the Industrial Development Bureau, Ministry of Economic Affairs, for the 2018 (6th) computer software joint supply contract.
December 2018	CyberLink won the Best Performance Award, the most prestigious award for business management, during the 25th National Quality

<u>Year</u>	<u>Major events/product development history</u>
	Award for having demonstrated outstanding creativity and performance.
December 2018	During the “2019 Consumer Electronics Show (CES),” CyberLink showcased FaceMe® - an advanced AI-assisted facial recognition engine that supports multiple platforms.
January 2019	“U Messenger” and “U Meeting” were adopted by the Ministry of Science and Technology, Executive Yuan, to deliver secure, reliable, and mobile instant messaging and video conference services for government agencies.
January 2019	During the “2019 Consumer Electronics Show (CES),” CyberLink showcased FaceMe®, an AI-assisted facial recognition engine, along with AIoT solutions.
January 2019	Launched video conferencing tool - “PerfectCam 2” that uses AI technology to create blurry backgrounds for enhanced security and privacy during a video conference.
January 2019	PowerDirector 17 was adopted by New Taipei City Education Department for the creation of multimedia teaching materials and digital content.
March 2019	CyberLink participated in IoT ASIA 110, during which it showcased FaceMe and potential AIoT solutions to prospective partners in Southeast Asia.
April 2019	CyberLink’s FaceMe® received a favorable rating from NIST, and was the first Taiwan-made AI facial recognition engine to rank among the world’s Top 20.
May 2019	CyberLink showcased FaceMe® along with IoT and AIoT applications during COMPUTEX 2021.
June 2019	CyberLink CEO Jau Huang gave a speech during COMPUTEX FORUM and shared applications and prospects of AI facial recognition in edge computing.
June 2019	CyberLink launched next-generation disc-writing software - “Power2Go 13” that handles file transfer, disc writing, and backup all-in-one.
July 2019	CyberLink’s FaceMe® received another favorable rating from NIST, scoring exceptionally well in the WILD test that places it among the best in the world.
July 2019	CyberLink introduced facial recognition solution for smart banking that features the FaceMe® engine.
August 2019	CyberLink introduced an integrated solution that combines FaceMe®, U Alerts, and automatic license plate recognition to help system integrators create smart security, smart retail, and smart carpark applications.
September 2019	CyberLink launched next-generation “Director Suite 365,” “PowerDirector 18,” and “PhotoDirector 11” to provide the ultimate multimedia editing solution.
September 2019	CyberLink launched U Bundle in collaboration with Chunghwa Telecom to introduce new ways of communication.
October 2019	CyberLink launched FaceMe®, U Bundle, PowerDirector 18, and PhotoDirector 11

<b>Year</b>	<b>Major events/product development history</b>
October 2019	CyberLink and Perfect Corp. jointly organized the “AI Meets Beauty Challenge” to promote the use of AI object recognition technology in new retail.
November 2019	CyberLink launched “YouCam 9,” a new Windows-based video conference software.
November 2019	The FaceMe® engine was favorably received around the world, and CyberLink cooperated with business partners in Japan to grow the local market.
November 2019	CyberLink’s FaceMe® engine was adopted by The Syscom Group to power the facial recognition feature of its 4th generation smart service robot - Ayuda, for applications such as shopping malls and policy services.
December 2019	CyberLink’s “FaceMe® engine” won the 28th Taiwan Excellence Award for supporting a wide range of smart AI applications.
December 2019	CyberLink’s FaceMe® was used by Advantech in its global AIoT solutions.
December 2019	CyberLink CEO Jau Huang was invited to the “INTEL Edge Computing Solution Summit” to share views on the applications and opportunities of FaceMe® in edge computing.
December 2019	CyberLink’s FaceMe® engine was adopted by imedtac to create an automatic dispensing cabinet with a facial recognition feature.
January 2020	CyberLink’s FaceMe® engine was adopted by VIVOTEK to create smart security solutions.
February 2020	CyberLink made “U Meeting” free to download for people working from home, in light of the increasing demand for remote working and quarantine solutions.
February 2020	Supporting the fight against COVID-19! CyberLink launched a “U Campus Disease Control Campaign” and allowed colleges to make use of its remote teaching and video conferencing systems free of charge.
February 2020	Supporting the fight against COVID-19! CyberLink announced to extend the free version of “U Meeting” to 60 minutes, thereby helping businesses, government agencies, and schools adopt video conferences for the pandemic in the shortest time possible.
February 2020	Supporting the fight against COVID-19! CyberLink donated “U Webinar” and “U Meeting” to National Taiwan University to support remote teaching and video conference, and ensure that learning was uninterrupted.
February 2020	CyberLink’s FaceMe® engine was adopted by IEI Integration to create smart retail, smart security, and AIoT solutions.
March 2020	CyberLink’s FaceMe® engine was adopted by Banqiao Land Office, New Taipei City Government, on a trial basis to power the government’s “Face Identification” system.
March 2020	More than half of all colleges in Taiwan adopted CyberLink’s “U Webinar” and “U Meeting” to ensure that learning was uninterrupted during the fight against COVID-19.
March 2020	CyberLink’s FaceMe® engine was adopted by Altek Corporation to create AI BOX, an AI edge computing device for smart security.

<b>Year</b>	<b>Major events/product development history</b>
March 2020	CyberLink's "U Meeting" was adopted by Industrial Development Bureau, Ministry of Economic Affairs, to create a video conference platform for remote working arrangements during the pandemic.
April 2020	The FaceMe® engine once again received a favorable rating from NIST, delivering 99.7% accuracy that made CyberLink the only Taiwanese supplier to rank among the world's Top 20.
April 2020	CyberLink's FaceMe® engine was adopted by the National Police Agency to create a well-rounded smart public security system.
April 2020	Launched PowerDVD 20 to deliver multimedia entertainment experience across a wide range of mobile devices.
April 2020	CyberLink's FaceMe® engine was adopted by NEC Personal Computers Ltd. (Japan) to create All-in-One personal computers with a facial recognition feature.
May 2020	CyberLink's FaceMe® was adopted by Advantech to develop IoT applications featuring facial recognition.
June 2020	CyberLink introduced a masked face detection feature to FaceMe® in light of increasing demand for non-contact biometric identification during the pandemic.
July 2020	CyberLink's FaceMe® technology was adopted by MPS (USA) to create smart health detection stations that are capable of detecting masked faces.
July 2020	CyberLink engaged LILIN in a strategic cooperation to develop non-contact smart security solutions powered by FaceMe®.
July 2020	CyberLink's FaceMe® engine was adopted by Bitkey (Japan) to develop non-contact face detection security access for the "Bitkey Platform."
August 2020	CyberLink's FaceMe® engine was adopted by NTT DATA (Japan) to create a remote retail concept store for Tokyu Hands in Shibuya, Tokyo.
August 2020	CyberLink showcased disease control solutions including masked face detection and temperature measurement during the "2020 Taiwan Automation Intelligence and Robot Show."
August 2020	CyberLink announced FaceMe® Health, a non-contact smart health measurement solution, for the post-pandemic era.
September 2020	CyberLink, IEI, WPG, and Intel jointly organized a webinar on "AI in the Post-pandemic Era" to share the future of smart identification.
September 2020	CyberLink, Synnex, and Intel jointly organized a webinar on "AI Applications in Intelligent Disease Control."
September 2020	CyberLink launched two new products: PowerDirector 365 Business and AdDirector App which enterprise users may use to quickly create attractive advertisements and social media clips.
September 2020	CyberLink introduced a new generation of "PowerDirector," "PhotoDirector," and "Director Suite 365" with new special effects and upgraded functions to enhance the multimedia creation experience.
September 2020	CyberLink's FaceMe® engine was adopted by VIVOTEK to create smart security solutions with AI-assisted facial recognition.

<b>Year</b>	<b>Major events/product development history</b>
October 2020	CyberLink enhanced the disease control features of FaceMe® Security to include masked face detection and temperature measurement.
October 2020	CyberLink joined Mediatek’s AIoT ecosystem and configured FaceMe® to support Mediatek’s i350 AI platform, which helped developers create AIoT terminals with facial recognition.
October 2020	CyberLink’s FaceMe® was adopted by Talma, a Latin America airport services company.
November 2020	CyberLink was recognized by the “Taiwan Excellence Award,” in which the “PowerDirector App” received the “Taiwan Excellence Silver Award.”
December 2020	CyberLink’s FaceMe® ranked among the world’s top 10 in the NIST 1:N rating.
December 2020	CyberLink released “PowerDirector 365 for macOS.”
December 2020	CyberLink released FaceMe® eKYC & Fintech, a financial solution that can be used to create secure, responsive, reliable, and smooth eKYC applications.
December 2020	CyberLink showcased its new FaceMe® eKYC & Fintech solution during 2021 CES.
January 2021	CyberLink’s FaceMe® performed exceptionally well in NIST’s facial recognition test, which made it the No. 6 developer worldwide and No. 1 developer excluding Chinese firms.
February 2021	CyberLink’s FaceMe® was adopted by Network Optix to create smart security solutions featuring facial recognition.
March 2021	CyberLink engaged Vypin (USA) in an alliance, and contributed FaceMe® for the creation of a security and disease control self-service machine with a masked face detection feature.
March 2021	CyberLink showcased the security, disease control, and financial applications of FaceMe® during the “2021 Smart City Expo.”
March 2021	CyberLink introduced FaceMe® Security, a smart security solution that supports many mainstream VMS, to help integrate facial recognition into applications such as access control, attendance record, mask detection, and temperature measurement.
May 2021	Cooperated with ACE Biotek to introduce a premise access system featuring facial recognition that takes attendance records and body temperature in just 0.5 seconds.
June 2021	Cooperated with GIS to create 3D facial recognition terminals with features such as mask detection, temperature measurement, and liveness check.
August 2021	FaceMe® Security underwent a total upgrade to support real-time surveillance and video recording, which enables facial recognition to be incorporated into security control, premise access, and attendance record for a more well-rounded solution.
September 2021	As remote insurance application becomes popular, CyberLink introduced FaceMe® Fintech to help insurance companies incorporate facial recognition into remote insurance application over video conference.
November 2021	The liveness check technology used in FaceMe® engine passed certification for iBeta PAD.

<b>Year</b>	<b>Major events/product development history</b>
March 2022	FaceMe <sup>®</sup> delivered a perfect anti-counterfeiting performance that passed iBeta's Level 2 liveness check
April 2022	FaceMe <sup>®</sup> Security received a total upgrade and was integrated into AXIS Camera Station to create an all-in-one smart security solution
April 2022	CyberLink joined the FIDO Alliance as a commitment to making FaceMe <sup>®</sup> a more secure and easier way of identity authentication
June 2022	CyberLink's FaceMe <sup>®</sup> was adopted by Good Finance as a financial technology to simplify the eKYC process for more secure, convenient, and uninterrupted service
June 2022	CyberLink collaborated with Japanese system integrator - ITOCHU to develop a "Vehicle Examination Information System" featuring FaceMe <sup>®</sup> , which was adopted by Toyota for vehicle quality management
July 2022	CyberLink's FaceMe <sup>®</sup> was adopted by MediaTek to power facial recognition functions of Genio, a new IoT platform
August 2022	An entry-level version of FaceMe <sup>®</sup> Security was developed as a security solution and integrated into ASUS mini PC for businesses
September 2022	CyberLink launched new versions of "PowerDirector," "PhotoDirector," and "Director Suite 365" featuring upgraded AI image editing technology, and released more than 20,000 video samples
November 2022	CyberLink's investment - Perfect Corp. was officially listed on New York Stock Exchange (NYSE)
December 2022	FaceMe <sup>®</sup> passed UAF Level 1 certification of FIDO Alliance
February 2023	FaceMe <sup>®</sup> was incorporated into MediaTek's Genio 700, a new generation of IoT platform, to help optimize AI performance.

## 2.3 Enterprise and product awards

Winning year/month	Product	Award (incentive) won
February 2000	Medi@Show	CeBIT "Best of Taiwan's Best" by EuroTrade (Germany)
May 2000	PowerDVD	Computer Easy "Editor's Choice" (Germany)
May 2000	PowerDVD	Komputex Swiat "Editor's Choice" (Poland)
May 2000	PowerVCR II	Best of Computex (Best Multimedia)
June 2000	PowerDVD	PC Plus "Best Software Decoder" (UK)
June 2000	PowerDVD	PC Magazin "Editor's Choice" (Germany)
June 2000	PowerDVD	CHIP "Editor's Choice" (Germany)
November 2000	TalkingShow	Comdex "Best of Taiwan's Best" (USA)
November 2000	PowerDVD	SVM "Editor's Choice" (France)
December 2000	PowerDVD	PC Achat "Editor's Choice" (France)
December 2000	PowerDVD	DOS-V "Editor's Choice" (Japan)
March 2001	PowerDVD	PC Fun "Editor's Choice" (France)
March 2001	PowerDVD	Computer Bild "Editor's Choice" (Germany)
April 2001	PowerDVD	Info.PC "Editor's Choice" (France)
April 2001	PowerDVD	CHIP "Editor's Choice" (Germany)
April 2001	PowerDVD	PC Achat "Editor's Choice" (France)
April 2001	PowerVCR	Info PC magazine five-star (highest) rating (France)
May 2001	PowerDVD	Editor's Choice by Computer Easy, a professional IT magazine in Germany
May 2001	PowerDVD	Editor's Choice by PC Actual, a professional IT magazine in Spain
June 2001	PowerDVD 3.0	PC Praxis "Editor's Choice" (France)
June 2001	PowerDVD	"Editor's Choice" by PC Praxis, a professional IT magazine in Germany
June 2001	PowerDirector	"Best of Computex 2001" in the multimedia category
June 2001	PowerVCR II3.0 StreamAuthor TalkingShow	Won Honorable Mention during the 7th Academic Accomplishment Award
October 2001	PowerDVD 3.0	PC Achat "Editor's Choice" (France)
January 2002	PowerDirector2.0 Pro -	Eurotrade "Best of Taiwan's Best"
January 2002	PowerDVD XP 4.	Hungary CHIP - "Best of 2001"
February 2002	CyberLink Corp	BCN "Best Vendor Award" (Japan)
February 2002	PowerDVD XP 4.0	Computer Easy "Editor's Choice" (Germany)
February 2002	PowerDVD 3.0	PC Professionell "Editor's Choice" (Germany)
March 2002	PowerDVD XP 4.0	Poland Computer CHIP "Editor's Choice"
March 2002	PowerDVD XP 4.0	CHIP "Editor's Choice" (Germany)
March 2002	PowerDVD XP 4.0	PC Praxis "Editor's Choice" (Germany)
March 2002	PowerDVD XP 4.0	Computer Bild "Editor's Choice" (Germany)



Winning year/month	Product	Award (incentive) won
April 2002	PowerDVD XP 4.0	PC Welt "Editor's Choice" (Germany)
November 2002	StreamAuthor	CyberLink won the "2002 Taiwan Creative Software Award"
December 2002	PowerDirector	Won the "8th Academic Accomplishment Award"
January 2003	PowerDirector StreamAuthor	The "11th Taiwan Excellence Award"
January 2003	PowerCinema	"Best of Comdex 2002"
August 2003	CyberLink	Won the "Ministry of Economic Affairs Outstanding Performance Award for Industrial Technology Development"
September 2003	DVD PowerProducer 2	Won Eurotrade "Best of Taiwan's Best"
September 2003	StreamAuthor	The "9th Academic Accomplishment Award"
October 2003	PowerDVD 5	Won the 2003 Taiwan Creative Software Award organized by Industrial Development Bureau, Ministry of Economic Affairs
October 2003	PowerDVD PowerDirector PowerProducer	Won the "2003 Most Recommended OEM Software Award" in China
January 2004	PowerDVD	The 12th "Taiwan Excellence Award"
January 2004	PowerDirector PowerDVD PowerProducer StreamAuthor	The 12th "Taiwan Excellence Award"
January 2004	PowerDVD 5	Named "2003 Audio and Video Product of the Year" by PC Magazine
February 2004	DVD PowerProducer 2	World's first software company to pass tests of DVD Forum
March 2004	Power2Go 3	"Eurotrade Awards"
March 2004	DVD PowerProducer 2	Rated "Best and Most Innovative Software Solution" by Eurotrade, a professional IT magazine in Europe
June 2004	PowerDirector	"Best Choice of Computex 2004"
June 2004	PowerCinema	"Buyer's Choice of Computex 2004"
August 2004	PowerDVD	PC Magazine "Best Product for 2003"
November 2004	PowerCinema	Innovations Award in 2005 CES, the largest consumer electronics show in the U.S.
December 2004	DVD PowerProducer 3	2004 IT Month - "Outstanding Application Award"
December 2004	PowerStarter	Rated "Best Performance" by ComputerDIY
December 2004	PowerCinema	CES - "Innovations Award" (USA)
January 2005	PowerDVD	The "13th Taiwan Excellence Award"
January 2005	PowerDirector	The "13th Taiwan Excellence Award"
January 2005	PowerCinema	The "13th Taiwan Excellence Award"
January 2005	DVD PowerProducer 3	The "13th Taiwan Excellence Award"
January 2005	PowerCinema 4	2005 International CES Innovations Award Honoree
November 2005	PowerCinema 4	2005 IT Month - "Outstanding IT Application and Product Award"

Winning year/month	Product	Award (incentive) won
January 2006	PowerDirector 5	“Gold Award” by Top 10 Reviewer (USA)
May 2006	PDVD 7	“Best Software Award” by Retail Vision
May 2006	PDVD 7	“Gold Award” by Top 10 Reviewer (USA)
May 2006	MagicSports	Recommand logo by freenet.de (Germany)
May 2006	CyberLink DVD Solution	Recommended Product by TCN, Spain
June 2006	CyberLink PowerDVD 7	2006 COMPUTEX Best Software Award by PC Professionell (Germany)
June 2006	PDVD 7	“Editor’s Choice” in the June 2006 issue of PChome Family
September 2006	CyberLink	Outstanding Innovative Business Award in the “14th Industrial Technology Awards” by the Ministry of Economic Affairs
October 2006	CyberLink	Named Best Under a Billion by Forbes Asia, a world-renowned commercial media
October 2006	PDVD 7	Nominated for Best Product Award in the October 2006 issue of PC Shopper magazine
November 2006	MagicSports 3 PowerDVD 7	“CES 2007 Innovation Award Honoree Title” (USA)
November 2006	CyberLink	Named “2006 Top-100 Growing Companies in Asia” by Business Week (USA)
December 2006	PowerDirector 5	2006 IT Month - “Outstanding IT Application and Product Award”
May 2007	PowerDirector 6	“Editor’s Choice” in the May 2007 issue of DVD Info
May 2007	PowerDirector 6	“Editor’s Choice” in the May 2007 issue of PChome Advance
August 2007	CyberLink	2007 “Best Employer Award” by Cheers
September 2007	CyberLink	“3rd Talent and Innovation Awards - Group Award” by Council of Labor Affairs, Executive Yuan
November 2007	CyberLink	Named Asia 200 Best Under a Billion by Forbes Asia, a world-renowned commercial media
November 2007	PowerDVD Ultra	2007 IT Month - “Outstanding IT Application and Product Award”
November 2007	CyberLink Live	CES Innovation 2008 Design & Engineering Award (USA)
January 2008	CyberLink	CyberLink’s patent became an essential patent for HD DVD.
January 2008	MediaServer SoftDMA	Passed DLNA 1.5 certification and accepted as Reference Device
January 2008	PowerDVD Ultra	Certified by Blu-ray Disc Association for BD-Video Profile 1.1 playback

Winning year/month	Product	Award (incentive) won
January 2008	PowerStarter 7	“Editor Choice” in the January 2008 issue of PCDIY
March 2008	PowerDVD PowerDirector 6	2007 “Innovative Software Award”
March 2008	PowerDVD 6	Certified for DTS-HD Master Audio
March 2008	PowerDVD Ultra	Passed certifications for BD-Live and AVCREC
May 2008	PowerDirector 7	“Most Recommended” by Videoaktiv Digital (Germany)
June 2008	PowerDVD8	“Atom Award” by BurnWorld (USA)
June 2008	PowerDVD8	11 <sup>th</sup> “Proregi Award - Best Product” by Vector (Japan)
June 2008	PowerDirector 7	Received a 4.5-star recommendation by PC Magazine the, world’s largest computer magazine
June 2008	PowerDirector 7	“Editor’s Choice” by PC Utilities Magazine (UK)
June 2008	MediaShow	Editor’s 4-star recommendation in the June 2008 issue of PChome
June 2008	PowerDVD8 Ultra	Delivered No. 1 performance among all DVD playback software and won Test Winnier Award by CHIP magazine (Germany)
July 2008	PowerDirector 7	“Editor’s Choice” by LAPTOP magazine
August 2008	PowerProducer	Received AVCREC certification
August 2008	PowerDirector 7	“Most Worthy Purchase” by PC User (Australia)
August 2008	PowerDVD8	“Most Worthy Purchase” by PC User (Australia)
September 2008	PowerDirector 7	“Editor’s Choice” by PC Magazine (Singapore)
September 2008	PowerDirector 7	“Most Recommended” by PC Pro (UK)
September 2008	PowerDirector 7	“Editor’s Choice” by Personal Computer World Magazine (UK)
October 2008	PowerDirector 7	“2008 Best Recommended for Functionality” in the October 2008 issue of PChome
October 2008	CyberLink	CyberLink was named the biggest winner in the 2008 Corporate e-Learning Website by “Economic Daily News” Corporate e-Learning Website, Talent and Innovation Awards, and Brandon Hall Awards
October 2008	PowerDirector 7	“Most Recommended” by PC Authority
November 2008	PowerStarter 7	“Most Recommended” by PC Advisor (UK)
November 2008	Medi@Show4	“Most Recommended” by PC Answers (UK)
November 2008	PowerDirector 7	5-star recommendation by CHIP.de (Germany)

Winning year/month	Product	Award (incentive) won
November 2008	PowerDirector 7	“Best Recommended” by PC go! (Germany)
December 2008	PowerStarter 7	Award of Excellence by PC PR@xis (Germany)
December 2008	CyberLink	No. 1 platform provider - 2008 Winner of “e-Learning Consultancy Award,” “Most Innovative Application Award,” and “e-Learning Consultancy Quality Award” by Corporate e-Learning Website
December 2008	PowerStarter 7	“Editor’s A-tier Choice” by PChome Advance
January 2009	PowerStarter 7	Award of Excellence by PC Magazine (Germany)
January 2009	PowerDirector 7	2008 “Top-10 Technologies - Software Category - Gold Award” by PChome
January 2009	PowerStarter 7	“2009 Editor’s Choice” by PChome
January 2009	PowerStarter 7	“Best Choice” by digitalhome
February 2009	PowerStarter 7	Scored 1.5 (range: 1 to 6, the lower the better) in Com! Computer & Internet Test Result Award (Germany)
February 2009	PowerStarter 7	“Best Recommended” by CHIP (Germany)
February 2009	PowerDirector 7	“Best Recommended” by Emporio (Germany)
February 2009	CTMS 7	Most Innovative Technology and Application Award
February 2009	PowerDirector 7	“Innovative Software Award”
March 2009	PowerDVD 9	5-star rating by CHIP.EU (Germany)
March 2009	PowerStarter 7	“Editor’s Choice” by PC Magazine (USA)
March 2009	PowerDirector 7	“TopTen Review Gold Award” (USA)
March 2009	PowerStarter 7	4-star recommendation by PC Magazine
May 2009	PowerDVD 9	“Editor’s Choice” by digitalhome
September 2009	PowerDirector 8	“Editor Choice” by PCDIY
September 2009	PowerDirector 8	“Tier-A Recommendation” by PChome Advance
October 2009	CyberLink	“2009 Talent and Innovation Awards”
October 2009	CyberLink	Nominated in the top-20 brands during 2009 “Taiwan International Brand Value Survey”
December 2009	CyberLink	“Best e-Learning Technology Development Award”
January 2010	PowerDVD 9 PowerDirector 8	2010 “Taiwan Excellence Award”
January 2010	PowerDVD 9	2010 “Innovative Software Award”
March 2010	PowerStarter 8	“Editor’s Choice” by PC Magazine (USA)
September 2010	PowerDVD 10	“Innovative Software Award” and “International Buyers’ Recommendation Award”

Winning year/month	Product	Award (incentive) won
September 2010	CyberLink	Top-20 brand in the 2009 “Taiwan International Brand Value Survey”
October 2010	PowerDVD 10	2010 “Technology Trend Gold Award” in the Business Software Category by PChome
October 2010	CyberLink	Won the “Outstanding ICT Elite Award” for the fourth time in 2010 Senior Assistant Vice President Ho-Chao Huang, Ph.D., was commended for having exhibited an exceptional level of professional capacity
December 2010	PowerDVD 10	“Taiwan Excellence Award”
February 2011	PowerStarter 9	“Editor Choice” by PCDIY
February 2011	PowerStarter 9	“Most Recommended for Purchase” by ComputerDIY
March 2011	PowerStarter 9	“Tier-A Recommendation” by PChome Advance
April 2011	PowerDVD 10	“Taiwan Excellence Award - Silver”
May 2011	PowerDVD 11	Strong recommendation from editors of PC home, PC home Advance, and PCDIY!
September 2011	CyberLink	“Taiwan Top-20 International Brands”
November 2011	PowerDirector 10	“Recommended for Purchase” by ComputerDIY
December 2011	PowerDirector 10	“Best Recommended” by PChome
December 2011	PowerDirector 10	2011 “Technology Gold Award” by PChome
December 2011	PowerDirector 10	“PC Magazine Editor’s Choice” in the U.S.
January 2012	PowerDVD PowerDirector	20th “Taiwan Excellence Award”
February 2012	CyberLink	“New Taipei City Outstanding Enterprise Award”
February 2012	PowerDVD 12	“Best Recommended” by PChome
February 2012	PowerDVD 12	“Recommended for Outstanding Performance” by PCDIY
February 2012	PowerDVD 12	“Editor’s Choice” by PCDIY
March 2012	PhotoDirector 3	“Best Recommended” by PChome
March 2012	PhotoDirector 3	“Recommended for Outstanding Performance” by PCDIY
July 2012	PowerDirector 10	2012 “Digital Content Product Award”
September 2012	CyberLink	“Taiwan Most Valuable International Brand Top 20”
October 2012	PowerDirector 10	Won Best Design, the most prestigious award, during the “2012 Gold Pin Design Award”
October 2012	CyberLink	“2nd National Industrial Innovation Award”
December 2012	PowerDirector	2012 IT Month - “Outstanding IT Application and Product Award”
January 2013	PowerDVD PowerDirector PhotoDirector	21st “Taiwan Excellence Award”

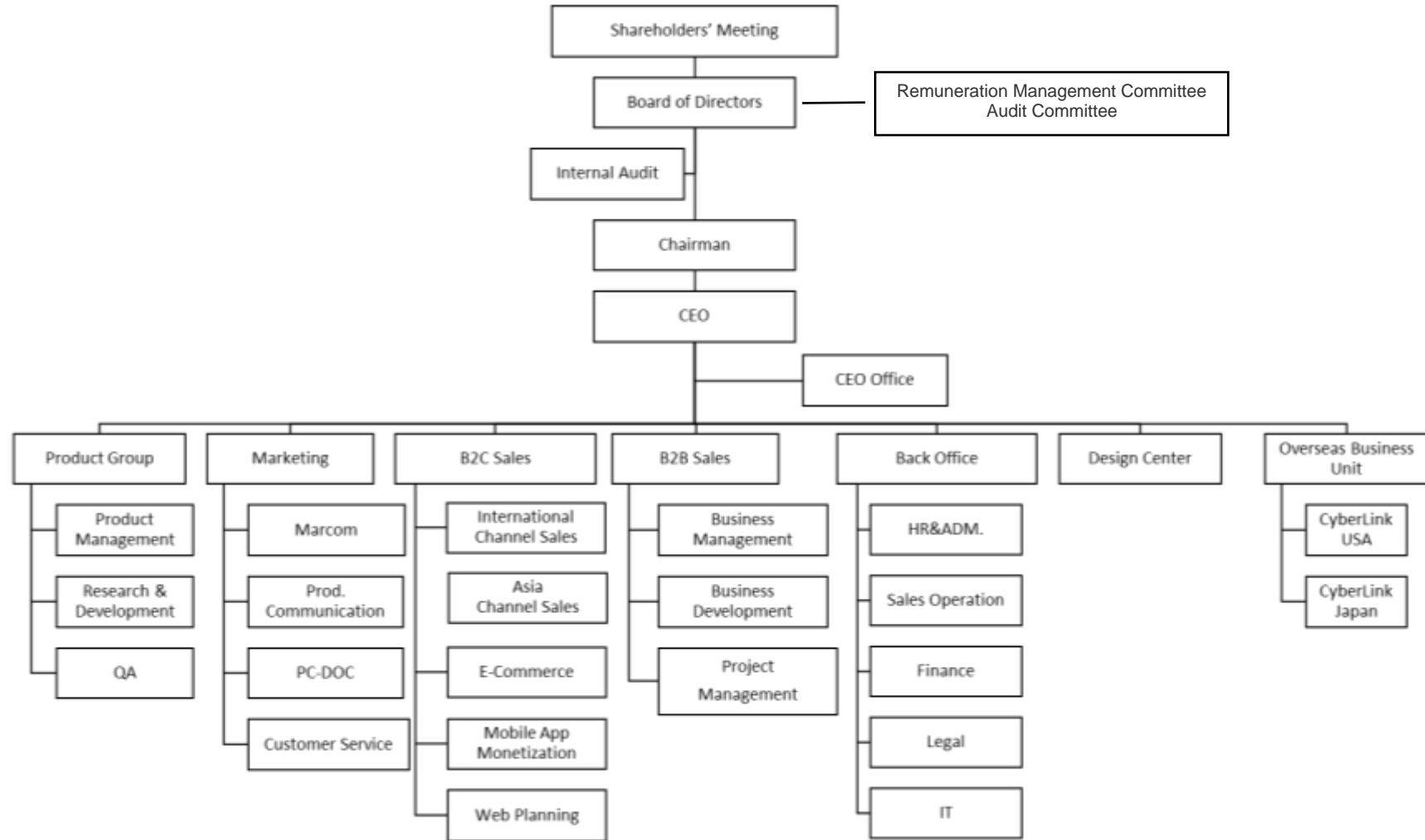
Winning year/month	Product	Award (incentive) won
November 2013	CyberLink	“Corporate Social Responsibility Award”
November 2013	PhotoDirector 4	“Award for Best Companies to Work For”
November 2013	PowerDirector 12	2013 IT Month - “Top 100 Innovative Products”
November 2013	PowerDirector 12	“CES Innovations 2014 Design and Engineering Award” - Software and Mobile Apps Category (USA)
December 2013	CyberLink	“Taiwan Top-20 International Brands”
December 2013	PowerDVD PowerDirector PhotoDirector	22nd “Taiwan Excellence Award”
January 2014	PowerDirector 12	“2013 Best Video Editing Software” by PC Magazine (USA)
February 2014	CyberLink	2nd “Taiwan Mittlestand Award” by the Ministry of Economic Affairs
April 2014	PhotoDirector 5	Won the “Taiwan Excellence Award - Gold”
May 2014	CyberLink	1st “Work-Life Balance Award - Healthy Lifestyle Medal.”
December 2014	CyberLink	“Taiwan Top-20 International Brands”
May 2015	PowerDirector 13 PowerDVD 14	“Taiwan Excellence Award”
November 2015	PowerDirector 14	“Best Product for 2015” by PC Magazine
January 2016	PowerDirector 14 PhotoDirector 7 PowerDVD 15	24th “Taiwan Excellence Award”
January 2016	PowerDirector 14	24th “Taiwan Excellence Award - Gold”
December 2016	PowerDirector App	Best of 2016 on Google Play
January 2017	PowerDirector 15 PhotoDirector 8 PowerDVD 17	25th “Taiwan Excellence Award”
January 2017	PowerDirector 15	“Editor’s Choice of Software” by PCMag (USA)
December 2017	ActionDirector Mobile	Best of 2017 on Google Play
December 2017	PowerDirector 16	26th “Taiwan Excellence Award - Gold”
December 2017	PowerDirector App ActionDirector Mobile	Editor’s Choice App on Google Play
October 2018	FaceMe™	Participated in the MegaFace Challenge and claimed its place as the number one AI facial recognition engine in Taiwan.
November 2018	PowerDirector 17	2018 IT Month - “Top 100 Innovative Products - Gold”
October 2019	PowerDirector 18 PhotoDirector 11 U Bundle with integrated FaceMe® engine	28th “Taiwan Excellence Award”

Winning year/month	Product	Award (incentive) won
November 2019	FaceMe <sup>®</sup> engine	26th “Taiwan Excellence Award - Silver”
April 2020	FaceMe <sup>®</sup> engine	Received favorable rating once again from NIST, delivering 99.7% accuracy that made CyberLink the only Taiwanese supplier to rank among the world’s Top 20
November 2020	CyberLink	Won “Taiwan Excellence Award”
November 2020	PowerDirector App	Won the “Taiwan Excellence Award - Silver”
December 2020	FaceMe <sup>®</sup> engine	Ranked among the world’s top-10 in the NIST 1:N rating.
January 2021	FaceMe <sup>®</sup> engine	Delivered exceptional performance in NIST’s facial recognition test, which made CyberLink the No. 6 developer worldwide and No. 1 developer excluding Chinese firms.
July 2021	FaceMe <sup>®</sup> engine	Ranked among the world’s top 3 in the liveness check competition during the 2021 International Conference on Computer Vision, making it a secure and reliable facial recognition technology for banks and insurance companies.
November 2021	PowerDirector 365 for macOS	Won the “2022 Taiwan Excellence Award - Silver”
November 2022	FaceMe <sup>®</sup> Platform	Won the “Taiwan Excellence Award”
January 2023	PowerDirector 365	The only video editing software to be awarded full five-star rating by U.S. tech magazine - PC Magazine

# 3. Corporate Governance Report

## 3.1. Organization

### 3.1.1. Organization chart





### 3.1.2. Department responsibilities:

Department	Main responsibilities
CEO Office	<ul style="list-style-type: none"> <li>• Long/short term strategy planning, policy execution, policy making, and supervision of business investments</li> <li>• Oversees decision-making, execution, and performance evaluation across all businesses within the Company</li> <li>• Coordinates all departments and branches around the world toward the accomplishment of operational goals</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>• Evaluates, tracks, and audits the Company’s internal control system to ensure robustness, rationality, and effectiveness</li> </ul>
Product Management	<ul style="list-style-type: none"> <li>• Determines product features, positioning, and strategy and coordinates with relevant departments</li> <li>• Planning of disc content (program, document, template)</li> <li>• Helps product marketing personnel comprehend product advantages and features</li> <li>• Gathers and analyzes marketing information relating to products</li> </ul>
Research & Development	<ul style="list-style-type: none"> <li>• Evaluates new technology trends</li> <li>• Research and development of new technologies</li> <li>• Technological development for new products</li> <li>• Technological improvement, functional enhancement, and version updates for various products</li> </ul>
QA	<ul style="list-style-type: none"> <li>• Feasibility test for products under development</li> <li>• Product compatibility test</li> <li>• Supports Customer Service, IT Management, and Marketing Planning</li> </ul>
Marcom	<ul style="list-style-type: none"> <li>• Product promotion and media communication; editing and issuance of corporate publications</li> <li>• Planning and execution of exhibitions at domestic and foreign computer shows</li> </ul>
Prod. Communication	<ul style="list-style-type: none"> <li>• Product marketing planning and integration of marketing channels</li> <li>• Maintenance of corporate website, and using the website for company introduction and product marketing</li> <li>• Responsible for product marketing, issuance of product catalog, and supporting marketing campaigns of the Business Department</li> </ul>
PC-DOC	<ul style="list-style-type: none"> <li>• Product commercialization</li> <li>• Makes multi-language versions of each product</li> <li>• Responsible for drafting digital product documents and user manuals</li> </ul>
Customer Service	<ul style="list-style-type: none"> <li>• After-sale service and technical support</li> <li>• Gathers issues from customers</li> </ul>

Department	Main responsibilities
International Channels	<ul style="list-style-type: none"> <li>• Sale of products through international channels</li> <li>• Devises international channel and marketing strategies and product pricing</li> <li>• Coordinates delivery and proceeds collection</li> <li>• Expands international channels; explores and resolves customers' issues</li> </ul>
Asia Channel Sales	<ul style="list-style-type: none"> <li>• Sale of products through Asia Pacific channels</li> <li>• Devises Asia Pacific channel and marketing strategies and product pricing</li> <li>• Coordinates delivery and proceeds collection</li> <li>• Expands Asia Pacific channels; explores and resolves customers' issues</li> </ul>
E-Commerce	<ul style="list-style-type: none"> <li>• Sale of products through online channels</li> <li>• Devises online channel and marketing strategies and product pricing</li> <li>• Coordinates online delivery and proceeds collection</li> <li>• Develops online business opportunities, makes regular customer visits, and explores and resolves customers' issues</li> </ul>
Mobile App Monetization	<ul style="list-style-type: none"> <li>• Marketing of mobile applications</li> <li>• Placement and analysis of digital advertisements</li> <li>• Analyzes behaviors of mobile App users and devises strategies</li> </ul>
Web Planning	<ul style="list-style-type: none"> <li>• Planning, design, and optimization of website content</li> <li>• Proposal and planning of product expansions</li> </ul>
Business Management	<ul style="list-style-type: none"> <li>• Global product sales and related assistance and support</li> <li>• Global businesses, investigation and resolution of customers' issues, and improvement of customer satisfaction</li> </ul>
Business Development	<ul style="list-style-type: none"> <li>• Develops international business opportunities, makes regular customer visits, and explores and resolves customers' issues</li> <li>• Supports sales activities of frontline business staff</li> <li>• Devises international marketing strategies</li> </ul>
Project Management	<ul style="list-style-type: none"> <li>• Business project management</li> <li>• Business support for various business groups</li> <li>• Follow-up and resolution of technical issues</li> </ul>
HR&ADM.	<ul style="list-style-type: none"> <li>• Human resources and training-related planning and management</li> <li>• Personnel selection, recruitment, and manpower planning</li> <li>• Planning of personnel compensation and reward system</li> <li>• Administrative tasks</li> <li>• General Affairs tasks</li> </ul>
Sales Operation	<ul style="list-style-type: none"> <li>• Global shipment and related assistance and support</li> </ul>

Department	Main responsibilities
Finance	<ul style="list-style-type: none"> <li>• Capital management, planning, and execution</li> <li>• Accounting matters and preparation of management report for decision-making and analysis</li> <li>• Tax deductions and tax-related matters</li> </ul>
Legal	<ul style="list-style-type: none"> <li>• Intellectual property rights management and related legal affairs</li> </ul>
IT	<ul style="list-style-type: none"> <li>• Planning and management of internal and external networks</li> <li>• Establishment and maintenance of Web based information management system</li> </ul>
Design Center	<ul style="list-style-type: none"> <li>• Multimedia product interface design</li> <li>• Responsible for the design of product promotion materials</li> <li>• Planning of promotional accessories that are relevant to product features</li> <li>• Design of multimedia materials</li> </ul>
CyberLink USA	<ul style="list-style-type: none"> <li>• Gathers and analyzes information of the North American market</li> <li>• Responsible for product marketing and business promotion in the North American market</li> <li>• Responsible for after-sale service and technical support in the North American market</li> </ul>
CyberLink Japan	<ul style="list-style-type: none"> <li>• Gathers and analyzes information on the Japan market</li> <li>• Responsible for product marketing and business promotion in the Japan market</li> <li>• Responsible for after-sale service and technical support in the Japan market</li> </ul>

### 3.2 Background information of directors, the CEO, vice presidents, assistant vice presidents, and heads of various departments and branches

#### 3.2.1. Director's profile:

March 31, 2023

Title	Name	Gender Age	Nationality (Place of registration)	Date Elected/ onboard	Term (Years)	Date First Elected (onboard)	Shareholding when Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding in the name of a third party		Selected Education & Experiences	Current Positions at the Company and Other Companies	Spouse or relatives of second degree or closer acting as manager, director, or supervisor			Note
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship with the counterparty	
Chairman	Jau Huang	Male 60-65	R.O.C	2020.6.23	3	2002.5.27	2,297,910	2.92	2,797,910	3.54	7,862,716	9.96	0	0	- Ph.D. in Electrical Engineering, UCLA - Founder, CyberLink	- CEO, CyberLink Corp. - Chief Technology Office, CyberLink Corp. - Director/Acting CEO of CyberLink Com Corp. - Chairman of CyberLink International Technology Corp. (BVI) - Director of CyberLink Inc. (Japan) - Director of Perfect Corp. (Cayman)	Director of the Company	Alice H. Chang	Spouse	Note 1
																	Director of the Company	Yi-Chen Huang	Father-son	
Directors	ClinJeff Corp.		R.O.C	2020.6.23	3	2002.5.27	12,176,497	15.45	12,176,497	15.42	0	0	0	0	None	None	None	None	None	
	Representative: Alice H. Chang	Female 60-65	R.O.C	2020.6.23	3	2002.5.27	0	0	7,862,716	9.96	2,797,910	3.54	0	0	MBA, UCLA - Global Executive Vice President, Trend Micro - CEO, CyberLink Corp.	- Director of CyberLink Inc. (Japan) - Chairman/CEO, Perfect Corp. (Cayman) - Director/CEO, Perfect Corp. (USA) - Director of Perfect Corp. (Japan) - Chairman of Perfect Corp. (Shanghai) - Director of Perfect Corp. SARL (France) - Chairman of Perfect Mobile Corp. (BVI)	Chairman of the Company	Jau Huang	Spouse	
	Representative: Ying-Lun Hai	Male 70-75	R.O.C	2020.6.23	3	2014.6.19	0	0	0	0	50,000	0.06	35,000	0.04	- Chairman, Protour Taiwan	- Chairman, Protour Taiwan	None	None	None	
Directors	Rocky Mountain Investment Ltd.		R.O.C	2020.6.23	3	2018.6.19	106,000	0.13	106,000	0.13	0	0	0	0	None	None	None	None	None	
	Representative: Yi-Chen Huang	Male 30-35	R.O.C	2020.6.23	3	2018.6.19	0	0	1,756,615	2.23	0	0	0	0	- Director of Perfect Corp. (Cayman) - Chairman, Perfect Corp.	- Chairman, Perfect Corp. - Director of Perfect Corp. (Perfect Japan)	Chairman of the Company	Jau Huang	Father-son	
Independent director	Wen-Hsiang Hung	Male 80-85	R.O.C	2020.6.23	3	2004.05.18	90,000	0.11	0	0	0	0	0	- Master's Degree, University of Houston - Examination Yuan - 8th and 9th Minister without Portfolio - Director, Bank of Taiwan - Principal, Takming Commercial College - Professor of Accounting, National Taiwan University - Head of Institute of Commerce, National Taiwan University - Lecturer, associate professor, professor, and dean of commerce, National Taiwan University	- Consultant, Examination Yuan - Honorary Professor of Accounting, National Taiwan University	None	None	None		

Title	Name	Gender Age	Nationality (Place of registration)	Date Elected/ onboard	Term (Years)	Date First Elected (onboard)	Shareholding when Elected		Current shareholding		Spouse & Minor Shareholding		Shareholding in the name of a third party		Selected Education & Experiences	Current Positions at the Company and Other Companies	Spouse or relatives of second degree or closer acting as manager, director, or supervisor			Note
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship with the counterparty	
Independent director	Jimmy Yang-Tzong Tsay	Male 65-70	R.O.C	2020.6.23	3	2015.8.12	0	0	5,000	0.01	8,718	0.01	0	0	Ph.D in Accounting, University of Maryland Bachelor's Degree, National Taiwan University	National Taiwan University Accounting Institute of Accounting – Professor - Independent Director, Yung Zip Chemical Ind. Co., Ltd. - Independent Director, Ever Ohms Technology Co., Ltd.	None	None	None	
Independent director	Yu Shen Lan	Male 65-70	R.O.C	2020.6.23	3	2020.6.23	65,197	0.08	65,197	0.08	1,000	0.00	0	0	- Master's Degree, Graduate Institute of Human Resource Management, National Central University - Ph.D. program, Graduate Institute of Human Resource Management, National Central University	- Vice President of Human Resources Department, Altek Corporation - Assistant Vice President of Human Resources Department, Phoenix Technologies Ltd. - Asia Pacific - Assistant Vice President of Human Resources, Lam Research Co., Ltd. - Assistant Vice President of Human Resources CitiBank	None	None	None	

Note 1: Mr. Jau Huang concurrently serves as Chairman and CEO of the Company. Being the founder of the Company, Huang is adequately familiar and technically capable of succeeding in the industry, and serving concurrent positions as Chairman and CEO is in the best interest of shareholders and employees. Furthermore, more than 80% of directors do not assume concurrent employment positions, which is favorable to the enforcement of sound corporate governance.

### 3.2.2. Major shareholders of corporate shareholders:

March 31, 2023

Name of corporate shareholder	Major shareholders of corporate shareholders (more than 10% ownership)
ClinJeff Corp.	Alice H. Chang, World Speed Company Limited
Rocky Mountain Investment Ltd.	DVDonet.com. Inc.

### 3.2.3. Key shareholders of major corporate shareholders:

March 31, 2023

Name of corporate entity	Major shareholders of corporate shareholders (more than 10% ownership)
World Speed Company Limited	Alice H. Chang
DVDonet.com. Inc.	World Speed Company Limited

### 3.2.4. Professional Qualifications and Independence Analysis of Directors:

Name \ Criteria	Professional qualifications and experience	Independence Analysis	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairman Jau Huang	Ph.D. in Electrical Engineering, UCLA. Current Chairman and CEO of the Company. Possesses at least 5 years of work experience in commerce, finance, and fields of expertise that are necessary for company operations. Visiting Professor at National Taiwan University. Expertise in leadership, marketing, operational management, and strategic planning that help promote business continuity.	<p>(1) Not a director, supervisor, or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party.</p> <p>(2) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides the above service to the Company or its affiliated companies.</p> <p>(3) Does not meet any of the conditions stated in Article 30 of The Company Act.</p> <p>(4) Not elected as a government or corporate representative according to Article 27 of The Company Act.</p>	None
Directors ClinJeff Corp. Representative: Alice H. Chang	MBA, UCLA. Currently serves as director of the Company and Chairman of Perfect Corp. Possesses at least 5 years of work experience in commerce, finance, and fields of expertise that are necessary for company operations. Specializes in business administration, financial planning, global competition, decision-making, and leadership.	<p>(1) Not a director, supervisor, or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party.</p> <p>(2) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides the above service to the Company or its affiliated companies.</p> <p>(3) Does not meet any of the conditions stated in Article 30 of The Company Act.</p>	None

Name	Criteria	Professional qualifications and experience	Independence Analysis	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Directors ClinJeff Corp. Representative: Ying-Lun Hai	Currently serves as director of the Company and is the founder and Chairman of Protour Taiwan. Possesses at least 5 years of work experience in commerce, finance, and fields of expertise that are necessary for company operations. Expertise in leadership, marketing, operational management, and strategic planning.	<ol style="list-style-type: none"> <li>(1) Not employed by the Company or any of its affiliated companies.</li> <li>(2) Not a director or supervisor of the Company or any of its affiliates.</li> <li>(3) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2).</li> <li>(4) Not a director, supervisor, or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party.</li> <li>(5) Does not assume concurrent duty as chairman, CEO or equivalent role in the Company, and is not a director, supervisor, or employee of another company or institution owned by spouse.</li> <li>(6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has a financial or business relationship with the Company.</li> <li>(7) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides the above service to the Company or its affiliated companies.</li> <li>(8) Not a spouse or relative of second degree or closer to any other directors.</li> <li>(9) Does not meet any of the conditions stated in Article 30 of The Company Act.</li> </ol>	None	

Criteria Name	Professional qualifications and experience	Independence Analysis	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Directors Rocky Mountain Investment Ltd. Representative: Yi-Chen Huang	Currently serves as director of the Company and is the Chairman of Perfect Corp. Possesses at least 5 years of work experience in commerce, finance, and fields of expertise that are necessary for company operations.	<ul style="list-style-type: none"> <li>(1) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act.</li> <li>(2) Not a director, supervisor, or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party</li> <li>(3) Does not assume concurrent duty as chairman, CEO or equivalent role in the Company, and is not a director, supervisor, or employee of another company or institution owned by spouse.</li> <li>(4) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of more than NT\$500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides the above service to the Company or its affiliated companies.</li> <li>(5) Does not meet any of the conditions stated in Article 30 of The Company Act.</li> </ul>	None



Name \ Criteria	Professional qualifications and experience	Independence Analysis	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent director Wen-Hsiang Hung	MBA, University of Houston. Currently a member of the Company's Audit Committee and Remuneration Committee, a consultant for the Examination Yuan, and Honorary Professor of Accounting at National Taiwan University. Formerly served as director of Bank of Taiwan, Principal of Takming Commercial College, and Professor of Accounting and Head of Institute of Commerce at National Taiwan University. Possesses at least 5 years of tertiary teaching experience and work experience in commerce, finance, accounting, and fields of expertise that are necessary for company operations. Able to analyze and manage affairs relating to corporate governance, finance, accounting, and commerce, and support the board of directors in the enhancement of corporate governance practice and the Audit Committee's supervisory capacity.	<ul style="list-style-type: none"> <li>(1) Not employed by the Company or any of its affiliated companies.</li> <li>(2) Not a director or supervisor of the Company or any of its affiliates.</li> <li>(3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.</li> <li>(4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).</li> <li>(5) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act.</li> <li>(6) Not a director, supervisor, or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party.</li> </ul>	None
Independent director Jimmy Yang-Tzong Tsay	Ph.D in Accounting, University of Maryland. Member of the Audit Committee and Remuneration Committee. Currently serves as an independent director of Yung Zip Chemical Ind. Co., Ltd. and Ever Ohms Technology Co., Ltd. Formerly served as supervisor of Shin Zu Shing Co., Ltd and Taishin International Bank Co., Ltd., and professor of undergraduate and postgraduate studies at National Taiwan University College of Law. Possesses tertiary teaching experience and work experience in commerce, finance, accounting, and fields of expertise that are relevant to company operations. Able to analyze corporate governance, accounting, and financial information, and has extensive insight into industry trends and technology applications.	<ul style="list-style-type: none"> <li>(7) Does not assume concurrent duty as chairman, CEO or equivalent role in the Company, and is not a director, supervisor, or employee of another company or institution owned by spouse.</li> <li>(8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has a financial or business relationship with the Company.</li> <li>(9) Not a professional who has provided audit services, or commercial, legal, financial, accounting or related services in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides the above</li> </ul>	2

Name	Criteria	Professional qualifications and experience	Independence Analysis	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent director Yu Shen Lan	Master's and Ph.D. program, Graduate Institute of Human Resource Management, National Central University. Member of the Audit Committee and Remuneration Committee. Previously worked in human resources at Citibank, Applied Materials, and Altek Corporation. Possesses work experience in commerce, finance, and fields of expertise that are necessary for company operations. Able to provide opinions and directions to the board of directors regarding corporate governance and operational management. Able to supervise the management team in the development and execution of operating strategies.	<p>service to the Company or its affiliated companies.</p> <p>(10)Not a spouse or relative of second degree or closer to any other directors.</p> <p>(11)Does not meet any of the conditions stated in Article 30 of The Company Act.</p> <p>(12)Not elected as a government or corporate representative according to Article 27 of The Company Act.</p>	None	

### 3.2.5. Diversity and independence of the board of directors:

#### 1. Board diversity

According to the Company's "Corporate Governance Code of Conduct," the composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

- (1) Basic requirements and value: Gender, age, nationality, culture etc.
- (2) Professional knowledge and skills: A professional background (e.g. law, accounting, industry, finance, marketing, or technology), professional skill, and industry experience.

All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

- (A) Ability to make business judgments.
- (B) Ability to perform accounting and financial analysis.
- (C) Ability to conduct management administration.
- (D) Ability to conduct crisis management.
- (E) Knowledge of the industry.
- (F) An International market perspective.
- (G) Ability to lead.
- (H) Ability to make policy decisions.

In accordance with the foregoing principles, the Company's diversification objectives are:

- (1) At least one-third of the board members have technology industry, marketing or technical expertise, with at least one female board member.
- (2) At least one-third of the independent directors shall have financial or technological expertise.

In accordance with the aforementioned goals, the 7 members of the board are comprised of professors, accountants, financial professionals, and practitioners from different industries, and who possess the knowledge, skills, and characters required to perform respective duties. In order to implement the Company's diversity policy, there shall be at least one female director (14%), and only one director with employee status (14%). More than half of the independent directors shall have less accrued less than three terms of service, and at least one director shall be under the age of 50. The four directors are aged 60 to 69 and two directors are aged 70 or older, and the current composition of the Board of Directors has achieved the following diversity policy goals:

Measurements of diversity		Basic composition					Terms and years as independent director			Professional background				Professional Knowledge and skills							
		Name	Nationality	Gender	Employed by the Company	Age			Below 3 years	3-9 years	Above 9 years	Accounting	Finance	Marketing	Technology	Ability to make business judgment	Ability to conduct management administration	Ability to lead and make policy decisions	Ability to conduct crisis management	Knowledge of the industry	An International market perspective
						below 50	60-69	70 and above													
Directors	Jau Huang	R.O.C	Male	✓		✓					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Alice H. Chang		Female			✓						✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Ying-Lun Hai		Male				✓					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Yi-Chen Huang		Male	✓								✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent director	Wen-Hsiang Hung		Male				✓			✓		✓	✓		✓	✓	✓	✓	✓	✓	✓
	Jimmy Yang-Tzong Tsay		Male			✓			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Yu Shen Lan		Male			✓		✓					✓	✓	✓	✓	✓	✓	✓	✓	✓

## 2. Board independence

The Company currently has 7 members on the board, including 3 independent directors and 4 non-independent directors (representing 43% and 57% of total board members, respectively); only one director assumes a concurrent employment position, whereas female directors represent 14% of total board members. All independent directors have met the requirements stipulated by the Securities and Futures Bureau, and Financial Supervisory Commission, and the directors and independent directors exhibited none of the conditions mentioned in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act.

(一) Background information of the CEO, vice presidents, assistant vice presidents, and heads of departments and branches:

March 31, 2023

Position	Name	Gender	Nationality	Date Elected/onboard	Shareholding		Spouse & Minor Shareholding		Shareholding in the name of a third party		Selected Education & Experiences	Concurrent positions in other companies	Spouse or relatives of second degree or closer serving as managers			Note
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Position	Name	Relationship with the counterparty	
Chairman/CEO/CTO	Jau Huang	Male	R.O.C	2002.05	2,797,910	3.54	7,862,716	9.96	None	None	- Ph.D. in Electrical Engineering, UCLA - Founder, CyberLink	- Director/Acting CEO of CyberLink.Com Corp. - Chairman of CyberLink International Technology Corp. - Director of CyberLink Inc. - Director of Perfect Corp. (Cayman)	None	None	None	Note
Product Management Department Vice President	YW Lei	Male	R.O.C	2003.06	243,570	0.31	None	None	None	None	- Ph.D., Department of Computer Science & Information Engineering, National Taiwan University	None	None	None	None	
Project Management Vice President	Mei Guu	Female	R.O.C	2008.05	567,939	0.72	532	0.00	None	None	Master's Degree, Department of Computer Science & Information Engineering, National Taiwan University	None	None	None	None	
E-Commerce Vice President	Vincent Lin	Male	R.O.C	2016.01	225,603	0.29	1,000	0.00	None	None	Ph.D., Graduate Institute of Electrical Engineering, National Taiwan University	None	None	None	None	
R&D Department Vice President	David Lee	Male	R.O.C	2008.05	290,862	0.37	None	None	None	None	Master's Degree, Department of Computer Science & Information Engineering, National Taiwan University	None	None	None	None	
Business Development Assistant Vice President	Hilda Peng	Female	R.O.C	2009.07	53,663	0.07	None	None	None	None	Master of Business Administration, University of Bath, UK	None	None	None	None	
Head of Accounting	Ruby Hsiao	Female	R.O.C	2021.03	None	None	None	None	None	None	Department of Accounting, Fu Jen Catholic University	None	None	None	None	

Note: Mr. Jau Huang concurrently serves as Chairman and CEO of the Company. Being the founder of the Company, Huang is adequately familiar and technically capable of succeeding in the industry, and serving concurrent positions as Chairman and CEO is in the best interest of shareholders and employees. Furthermore, more than 80% of directors do not assume concurrent employment position, which is favorable to the enforcement of sound corporate governance.

### 3.3. Compensation paid to directors (including independent directors), the CEO, and vice presidents in the last year

#### 3.3.1. Compensation to directors in 2022 (individual disclosure by name and amount)

Unit: NT\$ thousands

Title	Name	Directors' remuneration								Sum of A, B, C, and D and relative percentage to net income		Compensation received as employee								Sum of A, B, C, D, E, F, and G as a percentage of net income		Compensation from parent company or business investments other than subsidiaries
		Salary (A)		Severance pay and pension (B)		Directors' remuneration (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc (E)		Severance pay and pension (F)		Employees' compensation (G)						
		Parent Company	All companies included in the financial statements	Parent Company	All companies included in the financial statements	Parent Company	All companies included in the financial statements	Parent Company	All companies included in the financial statements	Parent Company	All companies included in the financial statements	Parent Company	All companies included in the financial statements	Parent Company	All companies included in the financial statements	Parent Company		All companies included in the financial statements		Parent Company	All companies included in the financial statements	
																Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
Chairman	Jau Huang	500	500	0	0	0	0	0	0	500 0.27%	500 0.27%	10,941	10,941	0	0	0	0	0	0	11,441 6.23%	11,440 6.23%	None
Directors	ClinJeff Corp. Representative: Alice H. Chang	500	500	0	0	0	0	0	0	500 0.27%	500 0.27%	0	0	0	0	0	0	0	0	500 0.27%	500 0.27%	None
Directors	ClinJeff Corp. Representative: Ying-Lun Hai	500	500	0	0	0	0	2	2	502 0.27%	502 0.27%	0	0	0	0	0	0	0	0	502 0.27%	502 0.27%	None
Directors	Rocky Mountain Investment Ltd. Representative: Yi-Chen Huang	500	500	0	0	0	0	0	0	500 0.27%	500 0.27%	0	0	0	0	0	0	0	0	500 0.27%	500 0.27%	None
Independent director	Wen-Hsiang Hung	500	500	0	0	0	0	2	2	502 0.27%	502 0.27%	0	0	0	0	0	0	0	0	502 0.27%	502 0.27%	None
Independent director	Jimmy Yang-Tzong Tsay	500	500	0	0	0	0	2	2	502 0.27%	502 0.27%	0	0	0	0	0	0	0	0	502 0.27%	502 0.27%	None
Independent director	Yu Shen Lan	500	500	0	0	0	0	2	2	502 0.27%	502 0.27%	0	0	0	0	0	0	0	0	502 0.27%	502 0.27%	None

### Directors' remuneration brackets range

Range of remuneration paid to the Company's directors	Names of the directors			
	Sum of first 4 compensations (A+B+C+D)		Sum of first 7 compensations (A+B+C+D+E+F+G)	
	Parent Company	All companies included in the financial statementsH	Parent Company	All companies included in the financial statements I
Below NT\$ 1,000,000	Jau Huang, Wen-Hsiang Hung, Jimmy Yang-Tzong Tsay, Yu Shen Lan, Rocky Mountain Investment Ltd.,	Jau Huang, Wen-Hsiang Hung, Jimmy Yang-Tzong Tsay, Yu Shen Lan, Rocky Mountain Investment Ltd.,	Wen-Hsiang Hung, Jimmy Yang-Tzong Tsay, Yu Shen Lan, Rocky Mountain Investment Ltd.,	Wen-Hsiang Hung, Jimmy Yang-Tzong Tsay, Yu Shen Lan, Rocky Mountain Investment Ltd.,
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive)	ClinJeff Corp.	ClinJeff Corp.	ClinJeff Corp.	ClinJeff Corp.
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (non-inclusive)				
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive)				
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive)				
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive)			Jau Huang	Jau Huang
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (non-inclusive)				
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive)				
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive)				
NT\$ 100,000,000 and above				
Total	6	6	6	6

\* The basis of compensation disclosed above is different from the basis of the income tax law, hence the above table has been prepared solely for information disclosure, and not for tax purposes.

### 3.3.2.Compensation to the CEO and vice presidents in 2022

Unit: NT\$ thousands

Title	Name	Salary (A)		Severance pay and pension (B)		Bonus and special allowances (C)		Employee remuneration (D)				Sum of A, B, C, and D as a percentage of net income (%)		Compensation from parent company or business investments other than subsidiaries		
		Parent Company	All companies included in the financial statements	Parent Company	All companies included in the financial statements	Parent Company	All companies included in the financial statements	Parent Company		All companies included in the financial statements		Parent Company	All companies included in the financial statements			
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares					
Chairman/CEO/CTO	Jau Huang															
Vice President	YW Lei															
Vice President	Mei Guu	26,030	26,030	432	432	10,639	10,639	0	0	0	0	37,101	37,101	20.20%	20.20%	None
Vice President	Vincent Lin															
Vice President	David Lee															

\* The basis of compensation disclosed above is different from the basis of the income tax law, hence the above table has been prepared solely for information disclosure, and not for tax purposes.

### Directors' remuneration brackets range

Range of compensations paid to the CEO and vice presidents	Name of CEO and vice presidents	
	Parent Company	All companies included in the financial statements (E)
Below NT\$ 1,000,000		
NT\$ 1,000,000 (inclusive) ~ NT\$ 2,000,000 (non-inclusive)		
NT\$ 2,000,000 (inclusive) ~ NT\$ 3,500,000 (non-inclusive)		
NT\$ 3,500,000 (inclusive) ~ NT\$ 5,000,000 (non-inclusive)		
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000 (non-inclusive)	Mei Guu, Vincent Lin, David Lee, YW Lei	Mei Guu, Vincent Lin, David Lee, YW Lei
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000 (non-inclusive)	Jau Huang	Jau Huang
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000 (non-inclusive)		
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000 (non-inclusive)		
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	5	5

\* The basis of compensation disclosed above is different from the basis of the income tax law, hence the above table has been prepared solely for information disclosure, and not for tax purposes.



3.3.3. Managers receiving employee remuneration and details of remuneration received in 2022

The Company reported losses before tax in 2021, therefore no employee remuneration or director remuneration was allocated as per Articles of Incorporation.

3.3.4. Amount of compensation paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company’s directors, CEO, and vice presidents, and their respective proportions to standalone and consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which compensations were determined, and their association with business performance and future risks:

1. Directors’, CEO’s, and vice presidents’ compensations paid in the last two years as a percentage of net income

Title	Total compensation as a percentage of net income			
	2021		2022	
	Parent Company	Parent Company	Parent Company	All companies included in the financial statements
Directors	(2.59%)	(2.59%)	7.85%	7.85%
CEO and vice presidents	(6.54%)	(6.54%)	20.20%	20.20%

2. Compensation policies, standards, packages and procedures, and association with future risks and business performance:

(1) Directors’ compensation package includes benefits, remuneration, and fees for services rendered:

A. Directors’ compensation: According to Article 23 of the Articles of Incorporation, “The board of directors is authorized to determine compensation for all directors in reference to peer levels. “

B. Directors’ remuneration: According to Article 27 of the Articles of Incorporation, “Profits concluded in a given year shall have no more than 1.5% allocated as director remuneration. However, profits must first be taken to offset against cumulative losses if any.”

C. Fees for services rendered: Consist mainly of travel allowance. Amounts are determined in reference to public listed companies or peers.

D. Directors’ benefits are determined by the Remuneration Committee after taking into account the level of participation and contribution

value of each director, the rationality and fairness of benefits given the performance delivered and the risks borne, the overall operating performance of the Company, and peer standards. All proposals raised by the committee are presented for resolution by the board of directors.

- (2) Managers' compensations comprise a fixed component and a variable component. The fixed component represents monthly salary; whereas the variable component includes employee remuneration, year-end bonus, and employee stock option, which are allocated based on the annual assessment of individual performance, the time committed, the responsibilities borne, attainment of personal targets, and performance in other job roles. As for employee remuneration, Article 27 of the Articles of Incorporation states that "Profits concluded from a financial year are subject to employee remuneration of no less than 3%. However, profits must first be taken to offset against cumulative losses if any." Details and rationality of the compensation package are supported by the Remuneration Committee and resolved by the board of directors.
- (3) The remuneration procedures for directors and managerial officers are based on the evaluation results of the "Directors' Performance Evaluation Regulations" and the "Performance Management Evaluation", and reasonable remuneration is provided with reference to the industry's standards and the Company's operating performance, personal performance and individual contribution to the Company. The performance of the Company's managerial officers for FY2022 has met the predetermined target requirements, and the results of the external evaluation of the Board of Directors and the self-evaluation of the performance of the members of the Board of Directors and functional committees have been above the standard required. The reasonableness of the remuneration system is reviewed in a timely manner depending on the actual business conditions and relevant laws and regulations, and is submitted to the Remuneration Committee and the Board of Directors for regular review.
- (4) The Company adopts a compensation policy that takes into account the organization's current financial position, business performance, and future capital requirements. The Company also assesses future risk exposures and takes actions to minimize the chances of risk occurrence. As of the publication date of the annual report, there had been no occurrence that would give rise to future responsibilities, obligations, or liabilities for the Company.

### 3.4. Corporate governance

#### 3.4.1. Functionality of the board of directors:

A total of 7 meetings (A) were held in the most recent year; below are directors' attendance records:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate in person (%) 【B/A】	Note
Chairman	Jau Huang	7	0	100%	
Directors	ClinJeff Corp. Representative: Alice H. Chang	6	1	86%	
Directors	ClinJeff Corp. Representative: Ying-Lun Hai	7	0	100%	
Directors	Rocky Mountain Investment Ltd. Representative: Yi-Chen Huang	7	0	100%	
Independent director	Wen-Hsiang Hung	7	0	100%	
Independent director	Jimmy Yang-Tzong Tsay	6	1	86%	
Independent director	Yu Shen Lan	7	0	100%	

Other mandatory disclosures:

(1) For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed topics, independent directors' opinions and how the Company has responded to such opinions.

(I) Conditions described in Article 14-3 of the Securities and Exchange Act. Date of board meeting	Motion details and subsequent actions taken	Independent directors' opinions and the Company's response to all independent directors' opinions
13th meeting of the 9th board 2022.3.3	<ul style="list-style-type: none"> <li>● 2021 director remuneration</li> <li>● Change of financial statement auditor</li> </ul>	<p>Motion was supported unanimously by all independent directors, and no objection or reservation was expressed.</p> <p>Company's response to independent directors' opinions: None</p>
14th meeting of the 9th board 2022.3.29	<ul style="list-style-type: none"> <li>● Amendments to Asset Acquisition and Disposal Procedures.</li> </ul>	
15th meeting of the 9th board 2022.4.26	<ul style="list-style-type: none"> <li>● Establishment of Issuance and Subscription Policy for 2022 First Employee Stock Option Offering.</li> </ul>	
16th meeting of the 9th board 2022.7.26	<ul style="list-style-type: none"> <li>● Acknowledgment of amendments to the Issuance and Subscription Policy for the 2022 First Employee Stock Option Offering</li> <li>● Issuance of 2022 first employee stock option offering.</li> </ul>	
18th meeting of the 9th board 2023.3.7	<ul style="list-style-type: none"> <li>● 2022 director's and employee's remuneration</li> <li>● 2022 director remuneration.</li> <li>● Independence assessment, suitability assessment, and compensation of financial statement auditors for 2023.</li> </ul>	
19th meeting of the 9th board 2023.3.28	<ul style="list-style-type: none"> <li>● Passed the 2022 Declaration of Internal Control System.</li> </ul>	

(II) Any other documented objections or reservations raised by independent directors against board resolution in relation to matters other than those described above: None.

(2) Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process: None.

(3) Information on the evaluation cycle, duration, scope, method, and detail of Board of Directors performance self (or peer) evaluations performed:

The Company has established a set of board performance evaluation policy and assessment methods, and completed the board performance evaluation for 2022. Details of the evaluation are as follows:

The board of directors has passed the establishment of the “Rules for Performance Evaluation of Board of Directors” in accordance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies as a way to enforce sound corporate governance practices and improve board function. The policy introduces a set of performance targets that aim to increase the efficiency of board, and imposes rules that require the performance of the board to be evaluated on a yearly basis; furthermore, board performance has to be evaluated by independent institutions or experts/scholars from outside the organization at least once every three years.

A. Period of assessment: January 1, 2022 to December 31, 2022

The board is required to assess the performance of individual directors on a yearly basis using the procedures and indicators outlined in the policy.

B. Scope of assessment: Covers performance of the board as a whole, the individual directors, and functional committees.

C. Assessment method and procedures

- Board of Directors performance evaluation for 2022 was executed by an external independent institution called “Taiwan Institute of Ethical Business” and involved the use of questionnaires, interviews with directors, and an evaluation of internal policies and records. Outcomes of the evaluation were presented in an official report.
- Self-assessments of individual directors and functional committees (including Audit Committee and Remuneration Committee) were conducted using “Individual Director Performance Self-assessment Questionnaire” and “Functional Committee Performance Self-assessment Questionnaire,” respectively.

D. Board member and functional committee performance evaluation indicators and outcomes

Board member performance self-assessment	Assessment of functional committee performance
1. Comprehension of the Company’s targets and missions	1. Level of participation in the Company’s operations
2. Directors’ duty awareness	2. Awareness towards duties of the functional committee
3. Level of participation in the Company’s operations	3. Improvements to the quality of decisions made by functional committees
4. Management and communication of internal relations	4. Composition of the functional committee and selection of committee members
5. Professionalism and ongoing education of directors	5. Internal control
6. Internal control	
21 assessment indicators	15-18 assessment indicators
4.95/5	4.93/5

Individual directors and functional committees averaged scores above 4.9 on all aspects of the performance evaluation in 2022, and rated themselves between 5 - “Strongly agree” and 4 - “Agree” across all performance indicators. Individual directors “Agreed” on most of the performance indicators, and the board of directors and functional committees are deemed to have functioned properly in line with corporate governance requirements.

E. Outcome of external evaluation on Board of Directors performance

Board of Directors performance evaluation for 2022 was executed by external independent

institution - "Taiwan Institute of Ethical Business," for which a team of experts including Ching-Ping Shao, Chien-Ran Li, Yue-Ping Yang had issued an official evaluation report. Assessment criteria and outcomes of the questionnaire are as follows:

Four aspects	Professional capacity of the board of directors (3 assessment indicators)	Efficiency of Board of Directors decision (9 assessment indicators)	Board of Directors' attention and supervision over internal control (6 assessment indicators)	Board of Directors' attitude toward sustainability (6 assessment indicators)
Average category score	4.9	4.9	4.95	4.86
Average overall score	4.90/5			

Conclusions and recommendations:

Board of Directors members offer a broad diversity of backgrounds from accounting, industries to technology and are able to contribute professional opinions to the management team in ways that strengthen the Company's resilience to market risks. The management team duly reports business progress to keep directors informed of the Company's performance and competitive strategies. In the future, it is advisable to enhance board diversity, increase the number of independent director seats, and adjust limitations on consecutive terms of service so as to improve the Board of Directors' supervisory function. The Company should survey directors' needs for ongoing education and introduce a broader variety of courses and assemble functional committees as deemed necessary to support Board of Directors functions.

(4) Enhancements to the functionality of board of directors in the current and most recent year, and progress of such enhancements:

The Company believes that sound corporate governance is made possible only with a strong and efficient board of directors. With this understanding in mind, the Company set the following objectives to improve the performance of the 9th board of directors in 2022 and the progress is as explained below:

Item No.	Objective	Execution progress
1	Improvement of information transparency	The Company makes announcement for material information on the day of board of directors meeting.
2	Directors are encouraged to undergo continuing education as a way to improve professional capacity	Directors of the Company are required by policy to complete at least 6 hours of continuing education.
3	Increase in board meeting attendance rate	By scheduling board meetings and notifying participants in advance, the Company aims to increase directors' meeting attendance rate. Directors' in-person attendance rate in 2022 was reported at 100%.
4	Enhancement of corporate governance by facilitating communication between directors and internal and external auditors	All directors of the Company would regularly follow up on the execution and improvement of internal control and internal audit practices. They also gain insight into the Company's operations and governance practices through independent auditor's report, correspondences, and one-on-one meetings.
5	Board performance evaluation	Individual directors and functional committees averaged scores above 4.9 on all aspects of the performance evaluation in 2022, and rated themselves between 5 - "Strongly agree" and 4 - "Agree" across all performance indicators. Individual directors "Agreed" on most of the performance indicators, whereas the external institution considered the board of directors and functional committees having functioned properly in line with corporate governance requirements, and the performance evaluation is deemed effective at enhancing board duties and protecting shareholders' interests.

### 3.4.2 Functionality of the Audit Committee:

#### (1) Professional qualification and experience of Audit Committee members:

Criteria Name	Professional qualifications and experience
Independent director Wen-Hsiang Hung	Consultant for the Examination Yuan and Honorary Professor of Accounting at National Taiwan University. Formerly served as director of Bank of Taiwan, Principal of Takming Commercial College, and Professor of Accounting and Head of Institute of Commerce at National Taiwan University. Possesses at least 5 years of tertiary teaching experience and work experience in commerce, finance, accounting, and fields of expertise that are necessary for company operations. Able to analyze and manage affairs relating to corporate governance, finance, accounting, and commerce.
Independent director Jimmy Yang-Tzong Tsay	Currently serves as an independent director of Yung Zip Chemical Ind. Co., Ltd. and Ever Ohms Technology Co., Ltd. Formerly served as supervisor of Shin Zu Shing Co., Ltd. and professor of undergraduate and postgraduate studies at National Taiwan University College of Law. Possesses tertiary teaching experience and work experience in commerce, finance, accounting, and fields of expertise that are relevant to company operations. Able to analyze corporate governance, accounting, and financial information, and has extensive insight into industry trends and technology applications.
Independent director Yu Shen Lan	Master's and Ph.D. program, Graduate Institute of Human Resource Management, National Central University. Previously worked in human resources at Citibank, Applied Materials, and Altek Corporation. Possesses work experience in commerce, finance, and fields of expertise that are necessary for company operations. Able to provide opinions and directions to the board of directors regarding corporate governance and operational management. Able to supervise the management team in the development and execution of operating strategies.

(2) The Company assembled an Audit Committee to supersede supervisors on June 23, 2020. The committee comprises three independent directors, and at least one of whom has expertise in accounting or finance. The Committee convenes meetings at least one per quarter according to the "Audit Committee Charter"; its main responsibilities in 2022 were to review financial statements, supervise risk management issues, and discuss finance-related motions, specifically:

- A. Financial reports, accounting and internal control systems, transaction of major assets or derivative, offering or issuance of securities, appointment/dismissal/compensation of financial statement auditors, matters concerning directors' personal interests, and appointment/dismissal of the head of finance, accounting, or internal audit.
- B. Review of the financial report: The Company's business report, annual financial report, and earnings appropriation proposal are reviewed by the Audit Committee and subsequently resolved by the board of directors and presented for acknowledgment during the annual general meeting. The Company's 2022 financial statements have been reviewed

by the Audit Committee and approved by the board of directors on March 7, 2023, and will be presented for acknowledgment during the 2023 annual general meeting. Quarterly financial statements have also been discussed and passed by the Audit Committee, and presented to the board of directors for final resolution.

- C. Assessment of the internal control system: The Company conducts self-assessments of its internal control system and requires internal departments to complete their assessments according to the internal control cycle. The Audit Committee then verifies whether the design and execution of the internal control system is effective and provides assurance with regard to business performance, target accomplishment, reliability, timeliness and transparency of reported financial information, and compliance with relevant laws. Outcomes of the 2022 internal control system self-assessment were reviewed and approved by the Audit Committee and the board of directors on March 28, 2023.
- D. Appointment and evaluation of financial statement auditor: The Audit Committee assesses the professional capacity, independence, and compensation of the financial statement auditor regularly at the end of each year. Outcomes of the 2022 and 2023 financial statement auditor evaluation were reviewed and approved by the Audit Committee on July 26, 2022 and March 7, 2023.

(3)The Audit Committee comprises 3 members; tenure of members began on June 23, 2020 and ends on June 22, 2023. A total of 7 Audit Committee meetings (A) were held in the most recent year; committee members' attendance records are summarized below:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate in person (%) (B/A)	Note
Convener	Wen-Hsiang Hung	7	0	100%	
Committee member	Jimmy Yang-Tzong Tsay	6	1	86%	
Committee member	Yu Shen Lan	7	0	100%	

Other mandatory disclosures:

(1) For Audit Committee meetings that meet any of the following descriptions, details such as the date and session of Audit Committee meeting held, the motions discussed, independent directors' objections, reservations, or key recommendations, the Audit Committee's resolution, and how the Company has responded to Audit Committee's opinions are disclosed in the chart below:

(I) Conditions described in Article 14-5 of the Securities and Exchange Act.

Date of board meeting	Motion details and subsequent actions taken	Audit Committee's resolution and the Company's response to Audit Committee's opinions
13th meeting of the 9th board 2022.3.3	<ul style="list-style-type: none"> <li>● Presentation of the Company's 2021 financial statements for review.</li> <li>● Change of financial statement auditor.</li> </ul>	All motions were supported unanimously by Audit Committee members, and subsequently

14th meeting of the 9th board 2022.3.29	<ul style="list-style-type: none"> <li>● 2021 loss reimbursement proposal.</li> <li>● 2021 Declaration of Internal Control System.</li> <li>● Amendments to Asset Acquisition and Disposal Procedures.</li> </ul>	approved by the board of directors as the Audit Committee had recommended.
15th meeting of the 9th board 2022.4.26	<ul style="list-style-type: none"> <li>● Discussion of the Company's 2022 first quarter financial statements.</li> <li>● Establishment of Issuance and Subscription Policy for 2022 First Employee Stock Option Offering.</li> </ul>	
16th meeting of the 9th board 2022.7.26	<ul style="list-style-type: none"> <li>● Presentation of the Company's 2022 first-half financial statements.</li> <li>● Evaluation of financial statement auditor's independence.</li> <li>● Amendment of Issuance and Subscription Policy for 2022 First Employee Stock Option Offering.</li> </ul>	
17th meeting of the 9th board 2022.10.27	<ul style="list-style-type: none"> <li>● Presentation of the Company's 2022 Q1-Q3 financial statements.</li> </ul>	
18th meeting of the 9th board 2023.3.7	<ul style="list-style-type: none"> <li>● Presentation of the Company's 2022 financial statements for review.</li> <li>● Independence assessment, suitability assessment, and compensation of financial statement auditors for 2023.</li> </ul>	
19th meeting of the 9th board 2023.3.28	<ul style="list-style-type: none"> <li>● 2022 earnings appropriation proposal.</li> <li>● 2022 Declaration of Internal Control System.</li> </ul>	

(II) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.

- (2) Avoidance of involvement in interest-conflicting motions by independent directors; state the names of independent directors, the motion discussed, the nature of conflicting interests, and the voting process: None.
- (3) Communication between independent directors and internal/external auditors (e.g. discussions concerning the Company's financial and business affairs, the method of communication used, and the outcome).
- (a) All independent directors of the Company would regularly follow up on the execution and improvement of internal control and internal audit practices.
- (b) Independent directors gain insight into the Company's operations through regular examination of CPA audit reports.
- (c) Communication between independent directors and internal auditors:

Date	Form of communication	Subject of communication
2023.3.3	Conference report	Report on the execution of 2021 Q4 audit tasks
2022.4.26	Conference report	Report on the execution of 2022 Q1 audit tasks
2022.7.26	Conference report	Report on the execution of 2022 Q2 audit tasks
2022.10.27	One-on-one meeting	Report on the execution of audit tasks
2022.10.27	Conference report	Report on the execution of 2022 Q3 audit tasks
2023.3.7	Conference report	Report on the execution of 2022 Q4 audit tasks
2023.3.7	One-on-one meeting	Report on the execution of audit tasks



(4) Summary of communications between independent directors and external auditors

Date	Form of communication	Subject of communication
2022.3.3	Written correspondence	<ol style="list-style-type: none"><li>1. The completion phase and communication with the governance body</li><li>2. Draft version of audited consolidated and parent company only financial statements</li><li>3. Major adjusting entries</li><li>4. Information of related party</li><li>5. Customer's declaration</li><li>6. CPA's independence</li></ol>
2022.10.27	One-on-one meeting	<ol style="list-style-type: none"><li>1. Communication schedule</li><li>2. Role and responsibilities of the lead accountant</li><li>3. Audit plan</li><li>4. The auditor's independence declaration</li><li>5. Significant amendments to International Code of Ethics for Professional Accountants</li></ol>
2023.3.7	One-on-one meeting	<ol style="list-style-type: none"><li>1. Independent auditor's report and conclusions on the 2023 financial statements</li><li>2. Description of audit quality indicators (AQIs)</li></ol>

### 3.4.3. Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
1. Does the Company established and disclosed the Corporate Governance Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company established its Corporate Governance Code of Conduct on October 27, 2014 and disclosed it to the public. Relevant details can be found on the Company’s website.	None
2. Shareholding structure and shareholders’ interests (1) Does the Company implemented a set of internal procedures to handle shareholders’ suggestions, queries, disputes, and litigations? (2) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?  (3) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	✓		(1) The Company has assigned dedicated personnel to oversee shareholder service. All shareholders’ suggestions are handled by dedicated personnel.  (2) The management is duly informed of the identities of its major shareholders and maintains sound interaction with them. All directors of the Company are appointed by major shareholders. Board of directors meetings are convened on a regular basis to keep major shareholders and directors informed of the Company’s operations. Directors would provide the management with useful suggestions at appropriate times and all major motions are executed with the board of directors’ approval.  (3) Although the Company has dealings with related enterprises, all business relationships are considered to be independent and at arm’s length. All related enterprises are financially independent and do not provide joint guarantees to each other. Robust risk management practices and firewalls have been implemented, and no non-arms length transactions had taken place.	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
(4) Has the Company established internal policies that prevent insiders from trading securities against non-public information?			(4) The Company has established “Insider Trading Prevention Procedures” to serve as guidance for directors, managers, and employees. On July 26, 2022, the board of directors passed the establishment of “Material Insider Information Handling Procedures” to prohibit directors, managers, and employees from trading securities against non-public information. The procedures specifically prohibit insiders (including but not limited to directors) from trading the Company’s listed securities or any other securities with equity characteristics held in possession after gaining knowledge of financial statement or performance details, including the blackout period 30 days before publication of annual financial statements and 15 days before publication of quarterly financial statements. The procedures have been posted on the corporate website (www.cyberlink.com) for view by employees to avoid violation or occurrence of insider trading.	
3. Composition and responsibilities of the board of directors (1) Does the board of directors have a diversity policy and management goals that are duly enforced?	✓		(1) The Company has implemented and enforced a diversity policy for board members as part of its Corporate Governance Code of Conduct. The 9th board of directors has a total of 7 members, including 3 independent directors and 4 non-independent directors (representing 43% and 57% of total board members, respectively); only one director assumed concurrent employment position while female directors represented 14% of the board. All directors possess adequate knowledge of the industry and global markets, and specialize in skills such as leadership, finance, accounting, decision-making, operational management, and crisis	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
<p>(2) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?</p> <p>(3) Has the Company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation and nomination decisions?</p> <p>(4) Does the Company regularly evaluate its external auditors' independence?</p>			<p>management.</p> <p>(2) The Company has assembled a Remuneration Committee and an Audit Committee, and may consider assembling other functional committees in the future to support operational requirements.</p> <p>(3) The Company has implemented Rules for Performance Evaluation of Board of Directors along with detailed assessment methods, and engages independent institutions, experts, and scholars from outside the organization to conduct evaluations at least once every three years. The 2022 board performance evaluation was conducted by "Taiwan Institute of Ethical Business"; outcomes of the evaluation were reported to the board of directors on March 7, 2023.</p> <p>(4) The Company evaluates the independence of its financial statement auditors on a regular basis, and adopts the practice of reappointing financial statement auditors every five years to ensure CPA's independence. The Company assesses the independence of its financial statement auditors on a regular basis. A shareholder service department has been assigned to make sure that the financial statement auditor neither holds shares in the Company nor assumes concurrent employment position in the Company. In addition, according to the "independence statement that outlines the roles and responsibilities of the financial statement auditor "and "Audit Quality Indicators (AQI)" issued by the certified public accountants by PwC Taiwan , the professionalism, quality control, independence, supervision and innovation ability of</p>	

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
			the certified public accountants were evaluated , The 2022 and 2023 assessment of independence were discussed and approved by the Audit Committee on July 26, 2022 and March 7, 2023, and submitted to the Board of Directors for resolution on the same day.	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	✓		The Company has designated the CEO Office as the concurrent corporate governance unit. On April 26, 2023, the Board appointed Manager Hsiao-Lin Chou as Head of Corporate Governance. Chou is responsible for matters related to corporate governance, including but not limited to providing directors with the information needed to perform their duties, handle matters related to the meetings of the Board of Directors and shareholders' meetings, register and change the registration of the Company, prepare minutes of the Board of Directors and shareholders' meetings, assist directors and supervisors in their appointment and continuing education, providing information necessary for directors and supervisors to perform their duties, and assist directors and supervisors in complying with laws and regulations.. Complete the corporate governance refresher course within one year from the date of appointment in accordance with the law.	None
5. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	✓		The Company has established channels for communication with the stakeholders, and has set up a stakeholder section on its official website for proper response to stakeholders' concerns on issues related to corporate social responsibility. (Stakeholders' grievance channels can be found at: "https://tw.cyberlink.com/prog/company/ir-contact-details.jsp	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
6. Does the Company engage a stock transfer agent to handle shareholders' meeting affairs?	✓		The Company has always engaged a professional stock transfer agent, the Share Administration Department of Yuanta Securities Co., Ltd., to handle matters relating to shareholders' meetings.	None
7. Information disclosure (1) Has the Company established a website that discloses financial, business, and corporate governance-related information? (2) Has the Company adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of investor conferences via the company website)? (3) Does the Company publish and make an official filing of the annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates?	✓		(1) The Company has created a website to make timely disclosure of financial, business, and corporate governance-related information. (2) The Company has created an English website, assigned dedicated personnel to gather and disclose company information, enforced a spokesperson system, and adopted the practice of posting investor conferences on the company website for information disclosure. (3) The Company complies with relevant rules and publishes Q1, Q2, Q3, and yearly financial reports along with monthly business performance within the required timeframe.	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
8. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)?	✓		<p>(1) Protection of employees' interests: The Company has established a safety and health code in accordance with worker safety and health regulations, and assigned the Human Resources Department to oversee workplace safety and personnel safety. Health checkups are organized on a yearly basis to provide total protection for employees' health and safety.</p> <p>(2) Environmental protection: The Company operates in the information and software industry, and engages disc manufacturers and package manufacturers to produce discs and color packages for the products developed. The Company is not involved in manufacturing activities and therefore does not generate wastewater, exhaust, or industrial waste. Products of the Company are manufactured through subcontract arrangements. All suppliers have signed commitments not to use prohibited or restricted substances in their production activities, and to ensure that all final products provided to the Company have complied with environmental regulations in the EU.</p> <p>(3) Stakeholders' rights: In addition to appointing a spokesperson, the Company also discloses on its website the various grievance channels available to stakeholders. Furthermore, an Investors section has been created on the website to disclose financial, service, and product information (URL: <a href="http://www.cyberlink.com/">http://www.cyberlink.com/</a>).</p> <p>(4) Directors' ongoing education: All directors of the Company have completed ongoing education according to Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.</p> <p>(5) All directors of the Company are able to uphold the integrity</p>	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
			<p>and exercise their duties as prudent managers.</p> <p>(6) The Company has been purchasing liability insurance for directors and supervisors since 2002. The purchase of directors' liability insurance for 2023 was reported during the board of directors meeting held on October 25, 2022.</p> <p>(7) The Company convenes board of directors meetings at least once a quarter as a means to enhance corporate governance.</p> <p>(8) The Company convenes Remuneration Committee meetings at least twice a year.</p>	
<p>9. Please explain the improvements made based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. (Not required if the Company is not one of the evaluated subjects)</p> <p>(1) Improvement progress:</p> <p>(A) Board of Directors performance external evaluation for 2022 has been completed</p> <p>(B) Upload annual reports 18 days before the annual general meeting</p> <p>(C) Internal rules have been established to prohibit directors, employees, and insiders from trading securities against non-public information; detailed terms and updates are being disclosed on the corporate website.</p> <p>(D) The Company will make detailed disclosure of employee welfare measures, pension system, and the implementation progress in annual reports and over the website</p> <p>(E) A whistleblowing system has been established to facilitate report of illegal and unethical conducts (including bribery) involving internal as well as external personnel; details of which have been disclosed on the corporate website</p> <p>(F) Depreciation method and useful years of property, plant, and equipment have been disclosed on the annual report</p> <p>(2) Priority enhancements and measures</p> <p>(A) Enhanced disclosure of material information in annual reports and disclosure of shareholders' meeting information in English</p> <p>(B) Enforcement of corporate governance practices in accordance with laws</p>				



3.4.4. Composition, Responsibilities, and Operation of the remuneration:

1. The Company has a Remuneration Committee that is responsible for the regular review of directors’ and managers’ performance evaluation, the compensation policy, system, standards, and structure, and regular assessment and determination of compensations for directors and managers. Background information of committee members is as follows:

Role	Name	Criteria	Professional qualifications and experience	Independence Analysis	Number of positions as Remuneration Committee member in other public companies
Independent director (Convener)	Yu Shen Lan		<p>Master’s and Ph.D. program, Graduate Institute of Human Resource Management, National Central University. Member of the Audit Committee and Remuneration Committee. Previously worked in human resources at Citibank, Applied Materials, and Altek Corporation. Possesses work experience in commerce, finance, and fields of expertise that are necessary for company operations. Able to provide opinions and directions to the board of directors regarding corporate governance and operational management. Able to supervise the management team in the development and execution of operating strategies.</p>	<p>(1) Not employed by the Company or any of its affiliated companies.                      (2) Not a director or supervisor of the Company or any of its affiliates.                      (3) Does not hold more than 1% of the Company’s outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.                      (4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).                      (5) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company’s outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act.                      (6) Not a director, supervisor, or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party.</p>	0

Role	Criteria Name	Professional qualifications and experience	Independence Analysis	Number of positions as Remuneration Committee member in other public companies
Independent director	Wen-Hsiang Hung	MBA, University of Houston. Currently a member of the Company's Audit Committee and Remuneration Committee, a consultant for the Examination Yuan, and Honorary Professor of Accounting at National Taiwan University. Formerly served as director of Bank of Taiwan, Principal of Takming Commercial College, and Professor of Accounting and Head of Institute of Commerce at National Taiwan University. Possesses at least 5 years of tertiary teaching experience and work experience in commerce, finance, accounting, and fields of expertise that are necessary for company operations. Able to analyze and manage affairs relating to corporate governance, finance, accounting, and commerce, and support the board of directors in the enhancement of corporate governance practice and the Audit Committee's supervisory capacity.	<p>(7) Does not assume concurrent duty as chairman, CEO or equivalent role in the Company, and is not a director, supervisor, or employee of another company or institution owned by spouse.</p> <p>(8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has a financial or business relationship with the Company.</p> <p>(9) Not a professional who has provided audit services, or commercial, legal, financial, accounting or related services in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides the above service to the Company or its affiliated companies.</p>	0
Independent director	Jimmy Yang-Tzong Tsay	Ph.D in Accounting, University of Maryland. Member of the Audit Committee and Remuneration Committee. Currently serves as an independent director of Yung Zip Chemical Ind. Co., Ltd. and Ever Ohms Technology Co., Ltd Formerly served as supervisor of Shin Zu Shing Co., Ltd. and Taishin International Bank Co., Ltd., professor of undergraduate and postgraduate studies at National Taiwan University College of Law. Possesses tertiary teaching experience and work experience in commerce, finance, accounting, and fields of expertise that are relevant to company operations. Able to analyze corporate governance, accounting, and financial information, and has extensive insight into industry trends and technology applications.	<p>(10) Not a spouse or relative of second degree or closer to any other directors.</p> <p>(11) Does not meet any of the conditions stated in Article 30 of The Company Act.</p> <p>(12) Not elected as a government or corporate representative according to Article 27 of The Company Act.</p>	2

3. Functionality of the Remuneration Committee:

(1)The Company’s Remuneration Committee consists of 3 members.

(2)Duration of service: from June 23, 2020 to June 22, 2023. The Remuneration Committee held 4 meetings (A) in the most recent year; details of members’ attendance are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance rate in person (%) (B/A)	Note
Convener	Yu Shen Lan	4	0	100%	
Committee member	Wen-Hsiang Hung	4	0	100%	
Committee member	Jimmy Yang-Tzog Tsay	3	1	75%	

Other mandatory disclosures:

(1) In the event where the Remuneration Committee’s proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the motion, the board’s resolution, and how the Company had handled the Remuneration Committee’s opinions (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None

(2) Should any member object or express reservations to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the motion, the entire members’ opinions, and how their opinions were addressed: None

(3) Functionality of the Remuneration Committee in the most recent year:

Remuneration Committee Date/session	Motion details and subsequent actions taken	The final resolution and the Company’s response to Remuneration Committee’s opinions
4th meeting of the 4th committee 2022.3.3	● 2021 director remuneration.	Passed as proposed without objection from attending members when inquired by the chairperson. The Company’s response to committee members’ opinions: Not applicable.
5th meeting of the 4th committee 2022.4.26	● Managers’ salary adjustment for 2022.	
6th meeting of the 4th committee 2022.7.26	● Passed the list of beneficiaries for 2022 first employee stock option offering.	
7th meeting of the 4th committee 2023.3.7	● 2022 director remuneration and employee remuneration. ● 2022 director remuneration.	

3.4.5. Sustainable development practices; deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
1. Has the Company implemented a governance framework that supports sustainable development, and designated a unit that specializes (or is involved) in the promotion of sustainable development? Is the unit empowered by the board of directors and run by senior management, and how does the board supervise progress?	✓		The Company has empowered the CEO Office and the Administration Department to oversee sustainability development. The board of directors has authorized the senior management to exercise discretion over related matters, and to report to the board of directors on subsequent progress.	None
2. Has the Company conducted a risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?	✓		All major policies, investment projects, asset acquisitions/disposals, endorsements, guarantees, third-party lending, and bank borrowing that pose business risks to the Company are subject to comprehensive assessment and analysis by responsible departments in accordance with relevant rules of the authority and the Company, and executed with board's resolution. Each department performs its own risk management process and is responsible for conducting preliminary assessments and making reports on risk management activities and outcomes.	None
3. Environmental issues (1) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?	✓		The Company operates in the information and software industry, and engages disc manufacturers and package manufacturers to produce discs and color packages for the products developed. The Company is not involved in manufacturing activities and therefore does not generate wastewater, exhaust, or industrial waste.	None

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
			Products of the Company are manufactured through subcontract arrangements. All suppliers have signed commitments not to use prohibited or restricted substances in their production activities, and to ensure that all final products provided to the Company have complied with environmental regulations in the EU.	
(2) Is the Company committed to making efficient use of energy, and using renewable materials that produce less impact on the environment?	✓		The Company engages certified vendors to recycle waste, and promotes digital processes that encourage employees to make use of electronic files and documents, thereby reducing the need for paper. Waste sorting, recycling, and reduction measures are persistently enforced for environmental protection and energy conservation. The Company works with Perfect CyberLink Education Foundation regularly to donate secondhand clothes and organize charity auctions, which optimizes the utilization of available resources.	None
(3) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	✓		In addition to monitoring how climate change affects operations, the Company also reminds employees to turn off the power when appliances are not in use, reduce lighting in certain parts of the office, and adopt energy-efficient lighting where possible. Energy conservation practices are being enforced to minimize energy consumption and carbon footprint throughout the organization.	None
(4) Does the Company maintain statistics on greenhouse gas emission, water usage, and total waste volume in the last two years, and implement policies aimed at reducing greenhouse gas,	✓		The Company generates greenhouse gas emission primarily from electricity purchased by the headquarters (scope 2). The Company does not engage in production activities and therefore does not generate emission from production activities or stationary sources. Use of gasoline for	None

Assessment Item	Implementation Status			Reason for Non-implementation												
	Yes	No	Summary													
water, and waste?			<p>corporate vehicle (mobile sources) and coolant (dispersive sources) are the only sources of scope 1 emission. The results of greenhouse gas emissions (Scope 1 and 2) for the past two years are as follows:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>GHG emission</td> <td>About 423.4 metric tons CO<sub>2</sub>e</td> <td>About 434.3 metric tons CO<sub>2</sub>e</td> </tr> </tbody> </table> <p>The Company as a support to the sustainability of our environment, the Company has initiated a decade-long plan starting from 2021 to progressively increase utilization of green energy and completely phase out conventional sources of power by 2030. By supporting the United Nation’s Sustainable Development Goals (SDGs), CyberLink demonstrates its resolve toward global environmental protection and social responsibilities. Office air conditioning and domestic water consumption make up the majority of water usage within the Company. Water usage in the last 2 years is shown below:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Water usage</td> <td>6,063 cubic meters</td> <td>9,255 cubic meters</td> </tr> </tbody> </table> <p>The Company has long devoted attention to issues concerning water resources, energy conservation, and environmental protection. In terms of water conservation, the Company encourages employees to save water and make the best use of available water resources starting from their routines and habits.</p> <p>The Company is involved in the software industry, and is not a manufacturing enterprise, and is therefore considered a green industry, with no disposable waste generated in the</p>	Item	2021	2022	GHG emission	About 423.4 metric tons CO <sub>2</sub> e	About 434.3 metric tons CO <sub>2</sub> e	Item	2021	2022	Water usage	6,063 cubic meters	9,255 cubic meters	
			Item	2021	2022											
			GHG emission	About 423.4 metric tons CO <sub>2</sub> e	About 434.3 metric tons CO <sub>2</sub> e											
			Item	2021	2022											
			Water usage	6,063 cubic meters	9,255 cubic meters											

Assessment Item	Implementation Status			Reason for Non-implementation						
	Yes	No	Summary							
			<p>product development process. The main waste generated is from employees while carrying out day-to-day activities. Based on the average daily waste generation of 1.173 kg per person as estimated by the EPA in 2021, the amount of waste generated is estimated as follows:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Waste</td> <td>About 58.3 tons</td> <td>About 62.8 tons</td> </tr> </tbody> </table> <p>Although waste is not a major issue for the Company, the Company is still committed to energy and carbon reduction and green manufacturing. With the transformation of the Company's main products to subscription-based system, the production volume of retail color boxes and optical discs has been reduced by 12% - 14% annually, and the internal system has been fully digitized to achieve paperless internal processes, making a significant contribution to environmental protection.</p>	Item	2021	2022	Waste	About 58.3 tons	About 62.8 tons	
Item	2021	2022								
Waste	About 58.3 tons	About 62.8 tons								
<p>4. Social issues</p> <p>(1) Has the Company developed its policies and procedures in accordance with laws and the International Bill of Human Rights?</p>	✓		<p>The Company complies with employment regulations and observes international conventions on human rights issues such as gender equality and work rights. A set of "Human Rights Protection Policy" and work rules have been established for the protection of employees' rights.</p>	None						

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
(2) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence, and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	✓		<p>The Company offers favorable compensations and benefits, and pays incentive bonuses and remuneration to employees depending on business performance. Stock options are sometimes issued to employees as an incentive. An Employee Welfare Committee has been assembled to arrange benefits such as wedding subsidies, funeral subsidies, childbirth subsidies, club subsidies, and festive gifts/gift vouchers.</p> <p>The Company values workplace diversity, gender equality, equal pay, and equal promotion opportunities. In 2022, females accounted for 32.5% of staff and 21.7% of managers.</p> <p>Top-performing employees are offered favorable promotion opportunities, whereas bonuses, remuneration, and stock options are granted in close association with individual work performance.</p>	None
(3) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		<p>The Company has established a safety and health code in accordance with worker safety and health regulations to maintain workplace safety and personnel safety. The Company arranges annual health checkups to monitor employees' physical and mental health. Safety awareness campaigns and disaster prevention seminars are organized from time to time to ensure that the work environment conforms to safety standards.</p>	None
(4) Has the Company implemented an effective training program that helps employees develop skills over their careers?	✓		<p>The Company organizes suitable training courses and allocates budgets on a yearly basis depending on employees' current work requirements and career development needs. These training arrangements cover orientation, special skills, and managerial training.</p>	None



Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
(5) Has the Company complied with laws and international standards with respect to customers' health, safety, and privacy, marketing and labeling in all products and services offered, and implemented consumer/customer protection policies and complaint procedures?	✓		The Company complies with laws and international standards with respect to customers' health, safety, and privacy, marketing, and labeling in all products and services offered, and has implemented consumer protection policies and complaint procedures.	None
(6) Has the Company implemented a supplier management policy that regulates suppliers' conduct with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	✓		The Company has implemented a "Supplier Management Policy" and requires suppliers to comply with environmental protection, occupational safety and health, and work rights/human rights issues, and considers suppliers having duly complied with requirements.	None
5. Does the Company prepare a sustainability report or any report of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by assurance or the opinion of a third-party certifier?		✓	Although the Company does not prepare a sustainability report, it discloses sustainability practices and progress in public documents such as the prospectus and annual reports.	None
6. If the Company has established sustainability policies in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None				

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
7. Other information useful to the understanding of sustainable practice: The Company coordinates with Perfect CyberLink Education Foundation to give back to society through action, and in doing so, fulfills social responsibilities. In 2022, CyberLink and Perfect CyberLink Educational Foundation jointly made “charity donations” and executed “Magical Creative Camps” project (where employees traveled to junior high schools and elementary schools in remote areas to help underprivileged students learn and use multimedia software, which in turn narrows the urban-suburban divide).				
	Item		Key measurements	
	1. Arts, culture, and educational activities (including Magical Creative Camps)		Participant count: 1,078	
	2. Donations to New Taipei City Dream Fund, Kanner Foundation of Taiwan, Chin-Ai Music & Culture Foundation, and BOYO Social Welfare Foundation		Total donations: NT\$2,231,000	
Aside from donating to non-profit organizations and sponsoring campus activities through Perfect CyberLink Education Foundation, the Company also offers employment opportunities to persons with disabilities out of compliance with government policies and support for social care. Furthermore, the Company continues to devote attention to core business activities and strives to explore ways to optimize revenues, work environment, and work conditions in favor of the employees.				

3.4.6. Performance of business integrity and differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the reasons

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
<p>1. Establishment of integrity policies and solutions</p> <p>(1) Has the Company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?</p> <p>(2) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to a higher risk of dishonesty, and implement preventions against dishonest conduct that include at least the measures mentioned in Paragraph 2, Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?</p> <p>(3) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties, and grievance</p>	✓		<p>(1) The Company has established the “Corporate Governance Code of Conduct,” “Ethical Corporate Management Best Practice Principles,” “Employee Code of Conduct,” “Whistleblowing Policy,” and “Insider Trading Prevention Procedures” to serve as guidance for employees. All business decisions are made in conformity with business integrity principles and in compliance with The Company Act, International Accounting Standards, International Financial Reporting Standards, Securities and Exchange Act, and regulations relevant to public listing.</p> <p>(2) The Company has established its own “Corporate Governance Code of Conduct “and “Ethical Corporate Management Best Practice Principles,” and has rules in place to regulate recusal from conflict of interest and prevent inappropriate dealings. Furthermore, awareness campaigns are organized on a regular basis to reinforce employees’ training.</p> <p>(3) The Company has also developed effective internal control systems and compliance practices to support business integrity.</p>	None

Assessment Item	Implementation Status			Reason for Non-implementation					
	Yes	No	Summary						
systems as part of its preventive measures against dishonest conduct? Are the above measures reviewed and revised on a regular basis?									
<p>2. Enforcement of business integrity</p> <p>(1) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(2) Does the Company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conduct) to the board of directors on a regular basis (at least once a year)?</p>	✓	<p>(1) The Company is a world-leading multimedia software developer. All of its major customers are world’s reputable hardware providers, and the Company avoids dealing with counterparties that exhibit a history of dishonesty.</p> <p>(2) The Company has designated the CEO Office as a concurrent unit to promote corporate integrity management. In accordance with the duties and responsibilities of each unit, we assist the Board of Directors and the management in formulating integrity management policies and prevention plans and integrity policies. At present, the Company has formulated the “Corporate Governance Code of Conduct”, the “Ethical Corporate Management Best Practice Principles”, the “Employee Code of Conduct”, “Whistleblowing Management Regulations”, and the “Prevention of Insider Trading Procedures”, which are all publicly disclosed on the Company’s official website.</p> <p>The Company’s integrity management policy for 2022 and its implementation are as follows and were reported to the Board of Directors on March 7, 2023.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Execution item</th> <th style="width: 45%;">Execution policy</th> <th style="width: 30%;">Execution status</th> </tr> </thead> <tbody> <tr> <td>Education and training</td> <td>Through regular education and integrity training courses, the Company has enhanced</td> <td>As of 2022, a total of 435 people have participated in the Ethical Corporate</td> </tr> </tbody> </table>	Execution item	Execution policy	Execution status	Education and training	Through regular education and integrity training courses, the Company has enhanced	As of 2022, a total of 435 people have participated in the Ethical Corporate	None
Execution item	Execution policy	Execution status							
Education and training	Through regular education and integrity training courses, the Company has enhanced	As of 2022, a total of 435 people have participated in the Ethical Corporate							

Assessment Item	Implementation Status			Reason for Non-implementation	
	Yes	No	Summary		
			employees' awareness of integrity matters.	Management Best Practice Principles training courses, with a total of 50.58 hours of learning and a 100% completion rate.	
			Supplier Pledge	Establish a supplier management policy and promote the Company's integrity policy.	100% of the Company's major suppliers have signed the "Integrity Pledge" and "Environmental Pledge".
			Regular audits	The Company has established an effective and continuous internal control system and compliance mechanism, and the auditing unit conducts independent audits to ensure the overall operation of the mechanism and to jointly manage and prevent dishonest behavior. The Company has established a "Employee Code of Conduct" and incorporated integrity management into employee performance appraisal and human resources policies, and established a clear and effective disciplinary system.	No corruption or anti-competitive behavior occurred in 2022.
			Whistleblower System and Whistleblower Protection	Formulate the "Whistleblowing Management Regulations" to specify the whistleblowing process and the review unit to encourage internal and external personnel to report dishonest behavior or misconduct. We	No whistleblower cases occurred in 2022.

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
<p>(3) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?</p> <p>(4) Has the Company implemented an effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?</p> <p>(5) Does the Company organize internal or</p>			<p>have also established a whistleblower protection system to protect the identity and content of whistleblowers from being improperly disposed of because of their whistleblowing actions.</p>	
			<p>(3) The Company has outlined recusal rules as part of its "Ethical Corporate Management Best Practice Principles," which state that directors are not allowed to participate in the discussion or voting of Board of Directors motions that concern their own interests or the interests of the corporate entities they represent. Not only are they required to recuse from discussion and voting, they must also refrain from exercising voting rights on behalf of other directors. Directors and managers of the Company must not exploit their vested authorities for improper gains, whether for themselves or for spouse, parents, children, or any other parties.</p> <p>(4) The Company has developed an effective accounting system and internal control system, and assigned an internal audit unit to conduct independent audits, enforce system function, and monitor/prevent dishonest conducts. Both systems and audit practices are being properly executed. Internal auditors would review the design and execution of the above systems on a regular basis, and present relevant reports issuance by the Board of Directors.</p> <p>(5) All concerned personnel actively take part in internal and</p>	

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
external training on a regular basis to maintain business integrity?			external business integrity training. In 2022, business integrity courses received 435 enrollments and delivered 58 hours of training in total.	
<p>3. Whistleblowing system</p> <p>(1) Does the Company provide incentives and means for employees to report misconduct? Does the Company assign dedicated personnel to investigate the reported misconduct?</p> <p>(2) Has the Company implemented any standard procedures for handling reported misconduct, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?</p> <p>(3) Has the Company provided proper whistleblower protection?</p>	✓		<p>(1) The Company has established a “Whistleblowing Policy” that outlines available whistleblowing channels as well as disciplinary actions against integrity violations and a grievance system. Dedicated personnel have been assigned to handle related requests.</p> <p>(2) The “Whistleblowing Policy” outlines standard procedures for handling reported misconducts and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation</p> <p>(3) The Company’s whistleblowing system is deemed to have been properly executed. Furthermore, measures have been taken to maintain the secrecy of whistleblower identities and to protect them from retaliation.</p>	None
<p>4. Enhanced information disclosure</p> <p>Has the Company disclosed integrity principles and progress on its website and MOPS?</p>	✓		The Company has disclosed the terms of its Business Integrity Code of Conduct and execution progress on the corporate website and MOPS.	None
<p>5. If the Company has established business integrity policies in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies,” please describe its current practices and any deviations from the Best Practice Principles: None.</p>				

Assessment Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary	
6. Other information useful to the understanding of integrity in business dealings:				
<p>The Company makes all business decisions in conformity with business integrity principles and in compliance with The Company Act, International Accounting Standards, International Financial Reporting Standards, Securities and Exchange Act, and regulations relevant to public listing. The Company has established its own Corporate Governance Code of Conduct and Ethical Corporate Management Best Practice Principles, and outlined recusal practices in “Rules of Procedure for Board of Directors’ Meeting” that allow directors to express opinions and answer queries, but prohibit them from discussing and voting, on any motion that poses a conflict between the Company’s interests and interests of the director or the corporate entity they represent. In which case, the directors concerned may not exercise voting rights on behalf of other directors. The Company has developed effective and sustainable internal controls and compliance systems to enforce business integrity. Internal auditors would review the design and execution of the above systems on a regular basis, and present relevant reports to the board of directors. External auditors (CPAs), too, issue internal control recommendations based on audit findings to provide a useful reference to the Company on the improvement of the internal control system.</p> <p>The Company has implemented a spokesperson system to ensure the consistency of messages communicated with the public, and to address the public’s queries regarding the Company’s operations in a complete and efficient manner. The Company’s directors, managers, employees, and controllers are prohibited from offering, committing, requesting or accepting any illegitimate benefits, or involving in any conduct that would be construed as dishonest, illegal or in breach of trust, whether directly or indirectly, while carrying out their duties. Parties referred to in the preceding paragraph include civil servants, election candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, managers, employees or substantive controllers or other stakeholders.</p>				



3.4.7. If the Company has established corporate governance principles or related guidelines, references to such principles must be disclosed: The Company discloses the terms of its Corporate Governance Code of Conduct and related information continuously over the corporate website (<http://tw.cyberlink.com>).

3.4.8. Other important information material to the understanding of corporate governance within the Company:

1. The board meeting organizer assigns employees to corporate governance courses from time to time, and provides directors and managers with information on the latest regulations.
2. The Company has the following employees that are relevant to the transparency of financial information: one IIA-affiliated Certified Internal Auditor (CIA), one Certified Public Accountant, two Securities Investment Analysts, one Futures Trading Analyst, one AML and CTF Specialist, one Trust Service Personnel, one Stock Affairs Specialist, one Certified Financial Planner, two Senior Securities Specialists, one Foreign Exchange Specialist, and one Securities Investment Trust and Consulting Professional.
3. The Company has developed robust practices on the handling and disclosure of material insider information to ensure the completeness and accuracy of information released to the outside world. A set of “Insider Trading Prevention Procedures” was established and was announced on July 26, 2022 for compliance by managers and staff. The terms of which are also being communicated to new recruits at a higher intensity.
4. Managers’ corporate governance training: Managers of the Company are given the option to choose training courses that best meet their professional requirements and the requirements of the authority. Managers’ participation in corporate governance training:

Title Name	Training details		
	Training institution	Course name	Training hours
Chairman and CEO Jau Huang	Securities and Futures Institute	2022 Insider Trading Prevention Seminar	3
		2022 Compliance Seminar on Share Transfers by Insiders	3
	TWSE Corporate Governance Center	Seminar on Sustainability Roadmap for Industries	2

Title Name	Training details		
	Training institution	Course name	Training hours
Finance Manager and Head of Accounting Ruby Hsiao	Accounting Research and Development Foundation of the R.O.C.	The Latest Developments of Report Self-compiling “Financial Statement Self-preparation” Policy and Internal Control Management Practices	6
		How to Analyze Critical Corporate Financial Information and Enhance Crisis Alerting Capacity.	6
		Analysis of Latest Corporate Governance Policies and Legal Compliance Audit Practices for Corporate Governance Personnel	6
Audit Manager Tzu-Chiang Cheng	The Institute of Internal Auditors-Chinese Taiwan	“Functions and Missions of Corporate Governance Personnel” and “Latest Insider Trading Prevention Practices”	6
	The Institute of Internal Auditors-Chinese Taiwan	“Fraud Detection Technology” and “Technology Applications” in the Digital Era	6

### 3.4.9. Execution of internal control system

#### 1. Declaration of Internal Control System:

## CyberLink Corp. Declaration of Internal Control System

Date: March 28, 2023

Based on the results of the self-assessment, the Company's internal control system for the year 2022 is stated as follows:

1. The Company acknowledges and understands that the establishment, implementation, and maintenance of the internal control system are the responsibility of the board of directors and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance and efficiency (including profitability, performance, asset security etc.), reliable, timely, and transparent financial reporting, and regulatory compliance.
2. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure the achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
3. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether existing policies continue to be effective. Assessment criteria introduced by "The Governing Principles" consisted of five main elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for details.
4. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
5. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2022. This system (including supervision and management of subsidiaries) has provided assurances with regards to the Company's business results and target accomplishment, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
6. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or omission in the public statement above is subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This declaration was passed unanimously without objection by all 7 directors present at the board meeting dated March 28, 2023.

CyberLink Corp.

Chairman and CEO: Jau Huang

2. CPA's review of the internal control system: Not applicable.

3.4.10. Penalties imposed against the Company for regulatory violation, or penalties against insiders for violation of internal control system in the most recent year up until the publication date of annual report; describe areas of weakness and any corrective actions taken: None.

3.4.11. Major resolutions passed in shareholders' meetings and board of directors meetings held in the most recent year up until the publication date of annual report:

1. The Company held its 2022 annual general meeting on June 21, 2022 at The Koos Suite located in Xindian. Resolutions passed by shareholders during the meeting and the execution progress:

Resolutions of Shareholder's Meeting	Execution status
1. Acknowledgment of 2021 business report and year-end accounts.	1. Minutes of the 2022 annual general meeting have been distributed to shareholders according to laws.
2. Acknowledgment of the 2021 deficit compensation proposal.	2. Minutes of the 2022 annual general meeting have been distributed to shareholders according to laws.
3. Passed distribution of cash from capital reserves in 2021.	3. With regard to the cash distribution of capital reserves, the Company completed payment of cash dividends on August 31, 2022.
4. Passed amendments to the Company's Articles of Incorporation.	4. Change of company registration was completed on July 8, 2022
5. Passed the re-establishment of Rules of Procedure of Shareholders' Meeting	5. Announcements have been made in accordance with laws
6. Passed amendments to Asset Acquisition and Disposal Procedures	6. Announcements have been made in accordance with laws

2. Significant resolutions made by the board of directors in 2022 and up until the publication date of annual report are summarized below:

	Time of meeting	Major resolutions
2022 1st meeting	March 3, 2022	<ol style="list-style-type: none"> <li>1. Passed the 2021 remuneration to directors.</li> <li>2. Presentation of the Company's 2021 financial statements and business report.</li> <li>3. Passed re-appointment of the Company's financial statement auditors.</li> <li>4. Passed the decision to have a 100%-owned subsidiary - Cyberlink International Technology Corp. (BVI) subscribe the common shares issued by the Company's business investment - Perfect Corp. (Cayman).</li> <li>5. Passed the decision to have a 100%-owned subsidiary - Cyberlink International Technology Corp. (BVI) merge one of its business investments, namely Perfect Corp. (Cayman), with U.S. listed company - Provident Acquisition Corp. (Cayman).</li> </ol>
2022 2nd meeting	March 29, 2022	<ol style="list-style-type: none"> <li>1. Passed the 2021 loss reimbursement proposal.</li> <li>2. Passed the decision to make cash payout from capital surplus in 2021 at NT\$1.72 per share.</li> <li>3. Passed the 2021 Declaration of Internal Control System.</li> <li>4. Passed the decision to convene the 2022 annual general meeting at 9:00am, June 21, 2022 (Tuesday) at 2F, No. 219-2, Section 3, Zhongxing Section, Xindian District, New Taipei City (The Koos Suite).</li> <li>5. Passed amendments to the Company's Articles of Incorporation.</li> <li>6. Passed the establishment of new "Rules of Procedure of Shareholders' Meeting" and abolishment of existing "Rules of</li> </ol>

	Time of meeting	Major resolutions
		<p>Procedure of Shareholders’ Meeting.”</p> <p>7. Passed amendments to Asset Acquisition and Disposal Procedures.</p>
2022 3rd meeting	April 26, 2022	<ol style="list-style-type: none"> <li>1. Passed discussion of the Company’s 2022 first quarter financial statements.</li> <li>2. Passed acknowledgment of the 2022 manager salary adjustment.</li> <li>3. Passed the establishment of Issuance and Subscription Policy for the 2022 First Employee Stock Option Offering.</li> </ol>
2022 4th meeting	July 26, 2022	<ol style="list-style-type: none"> <li>1. Passed discussion of the Company’s 2022 second quarter financial statements.</li> <li>2. Passed the decision to adjust the percentage of cash dividends paid.</li> <li>3. Passed the distribution of cash dividends.</li> <li>4. Passed regular reviews of financial statement auditor’s independence.</li> <li>5. Passed amendments to “Insider Trading Prevention Procedures.”</li> <li>6. Passed acknowledgment of amendments to the Issuance and Subscription Policy for the 2022 First Employee Stock Option Offering.</li> <li>7. Passed issuance of 2022 first employee stock option offering.</li> </ol>
2022 5th meeting	October 27, 2022	<ol style="list-style-type: none"> <li>1. Passed discussion of the Company’s 2022 Q1-Q3 financial statements</li> <li>2. Passed the Company’s 2023 audit plan.</li> <li>3. Passed the decision to donate to Perfect CyberLink Education Foundation.</li> </ol>
2023 1st meeting	March 7, 2023	<ol style="list-style-type: none"> <li>1. Passed 2022 director remuneration and employee remuneration.</li> <li>2. Passed the 2022 remuneration to directors.</li> </ol>

	Time of meeting	Major resolutions
		3. Passed review of the Company's 2022 financial statements and business report. 4. Passed independence assessment, suitability assessment, and compensation of financial statement auditors for 2023 5. Passed to engage the Company's auditing firm (i.e. PwC Taiwan) and CPAs and related enterprises thereof for non-assurance services to the Company and subsidiaries.
2023 2nd meeting	March 28, 2023	1. Passed the 2022 earnings distribution proposal. 2. Passed the 2021 Declaration of Internal Control System. 3. Passed comprehensive re-election of the Company's directors. 4. Passed the date and details relating to the Company's 2023 annual general meeting.

3.4.12. Documented opinions or declarations made by directors against board resolutions in the most recent year, up until the publication date of the annual report: None.

3.4.13. Resignation or discharge of personnel relevant to Company's financial reporting (including the Chairman, CEO, head of accounting, CFO, chief internal auditor, and head of R&D) in the most recent year up till the publication date of this annual report: None.

### 3.5. Certified Public Accountant (CPA) Fees Information

#### 3.5.1. Information on CPA's Fees

Unit: NT\$ thousands

Name of accounting firm	Name of CPA	Period of audit service	Auditing fee	Non-auditing fee	Total	Remarks
PwC Taiwan	Huang, Chin-Lien	2022Q1 to 2022Q4	4,135	782	4,917	The non-audit fee includes services such as transfer pricing, issuance of employee stock option certificates, attesting CPA's disclosure statement and business registration fees.
	Lai, Chung-Hsi					

3.5.2. If the accounting firm changes, and the audit fee paid in the year of such change is reduced from the audit fee of the previous year, the amounts of the audit fees before and after such change and the reason of such change should be disclosed: None.

3.5.3. If the audit fee is reduced by more than 10% from the previous year, the amount, ratio, and reason for the reduction of the audit fee should be disclosed: None.

### 3.6. Information on replacement of CPA in the past two years

#### 3.6.1. Information relating to the former CPA

Date of replacement	2022Q1
Reasons and explanations of replacement	Replacement of CPA Chun-Yao Lin, following an internal adjustment within PwC Taiwan
State whether the appointment is terminated or rejected by the consignor or CPAs	Not applicable.
The opinions other than unmodified opinion in the last 2 years and the reasons for the said opinions	None
Any disagreement in opinion with the issuer	Not applicable.
Supplementary disclosure	None



### 3.6.2. Information relating to the successor CPA

Name of accounting firm	PwC Taiwan
Name of CPA	CPA Huang, Chin-Lien
Date of engagement	2022Q1
Prior to the formal engagement, any inquiry or consultation on the accounting treatment or accounting principles for specific transactions, and the type of audit opinion that might be rendered on the financial report	None
Written opinions from the successor CPA that are different from the former CPA opinions	None

3.6.3. The reply of Former CPA Article 10.6.1 and Article 10.6.2.3 of the Standards :None.

### 3.6.4. Evaluation of the external auditor's independence

The Audit Committee annually monitors the independence of the Company's external by conducting the following evaluation standards and reports the same to the board of directors:

- (1) The auditor's independence declaration.
- (2) The auditor neither holds shares in the Company nor assumes concurrent employment position in the Company.
- (3) Audit Quality Indicators (AQIs)

**3.7. Any of the Company's Chairman, CEO, or any manager involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated company within the most recent year: None.**

**3.8.Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest in the last year, up until the publication date of annual report:**

Unit: thousand shares

Title	Name	2022		Current year up to March 31, 2023	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Jau Huang	500	0	0	0
Director Major shareholder with 10% ownership	ClinJeff Corp.	0	0	0	0
Director	Representative: Alice H. Chang	1000	0	0	0
	Representative: Ying-Lun Hai	0	0	0	0
Director	Rocky Mountain Investment Ltd.	0	0	0	0
	Representative: Yi-Chen Huang	0	0	0	0
Independent director	Wen-Hsiang Hung	0	0	0	0
Independent director	Jimmy Yang-Tzong Tsay	(2)	0	0	0
Independent director	Yu Shen Lan	0	0	0	0
Vice President	YW Lei	0	0	0	0
Vice President	Mei Guu	200	0	0	0
Vice President	Vincent Lin	68	0	(30)	0
Assistant Vice President	Hilda Peng	30	0	(9)	0
Vice President	David Lee	100	0	(42)	0
Head of Accounting	Ruby Hsiao	0	0	0	0

Disclosure of share transfer or collateralization where the counterparty is a related party: None.

### 3.9. Relationship among the Top Ten Shareholders

April 22, 2023

Name (Note 1)	Personal shareholding		Spouse & Minor Shareholding		Total shareholding in the name of a third party		Relationships characterized as spouse or second-degree relative or closer among top-ten shareholders (Note 3)		Note
	Shares (units)	%	Shares (units)	%	Shares (units)	%	Name	Relationship with the counterparty	
ClinJeff Corp.	12,176,497	15.42%	0	0	0	0	Alice H. Chang	The subject company's major shareholder	
Alice H. Chang	7,862,716	9.96%	2,797,910	3.54%	0	0	ClinJeff Corp.	The subject company's major shareholder	
							Jau Huang	Spouse	
							Yi-Chen Huang	Mother-son	
Jau Huang	2,797,910	3.54%	7,862,716	9.96%	0	0	Alice H. Chang	Spouse	
							Yi-Chen Huang	Father-son	
Yi-Chen Huang	1,756,615	2.23%	0	0	0	0	Alice H. Chang	Mother-son	
							Jau Huang	Father-son	
Jui-Hsing Huang	1,143,000	1.45%	0	0	0	0	None	None	
Rhine Investment Ltd.	1,016,424	1.29%	0	0	0	0	Alice H. Chang	The subject company's major shareholder	
Citibank (Taiwan) in its capacity as Master Custodian for the Investment Account of UBS Europe SE	860,028	1.09%	0	0	0	0	None	None	
Changbai Mountain Investment Ltd.	781,707	0.99%	0	0	0	0	Alice H. Chang	The subject company's Major Shareholders	
J.P. Morgan Securities PLC	664,610	0.84%	0	0	0	0	None	None	
Mitsubishi Ufj Morgan Stanley Securities Co., Ltd.	659,000	0.83%	0	0	0	0	None	None	

**3.10. Investments jointly held by the Company, the Company’s directors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties**

Unit: shares; %

Business investments (Note)	Held by the Company		Held by directors, managers, and directly or indirectly controlled enterprises		Aggregate ownership	
	Number of shares (units)	%	Number of shares (units)	%	Number of shares (units)	%
CyberLink.Com Corp.	4,000,000	100%	None	None	4,000,000	100%
CyberLink International Technology Corp.	44,000,000	100%	None	None	44,000,000	100%
CyberLink Inc.	1,900	100%	None	None	1,900	100%
Perfect Corp.	None	None	36,960,961	31.25%	36,960,961	31.25%

Note: Investments that the Company has accounted for using the equity method

## 4. Capital Overview

### 4.1. Capital and Shares

#### 4.1.1. Source of Capital:

##### 1. Source of share capital:

Unit: NT\$ thousands; thousand shares

Year/month	Issued price	Authorized capital		Paid-up capital		Remarks		
		Shares (units)	Amount	Shares (units)	Amount	Source of share capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
1998.09	18.53	25,000	250,000	7,000	70,000	Cash	None	None
1999.05	10	25,000	250,000	8,400	84,000	Capitalization of earnings	None	None
1999.05	10	25,000	250,000	11,900	119,000	Capitalization of capital surplus	None	None
2000.08	10	25,000	250,000	17,850	178,500	Capitalization of earnings	None	None
2000.08	10	25,000	250,000	19,314	193,137	Capitalization of capital surplus	None	None
2000.08	10	25,000	250,000	20,000	200,000	Capitalization of employee profit sharing	None	None
2001.01	210	25,000	250,000	22,685	226,850	Cash issue	None	November 1, 2010 Tai-Tsai-Cheng-(1)-88178 Dec. 1, 2000 Tai-Tsai-Cheng-(1)-97357
2001.06	10	100,000	1,000,000	34,027.5	340,275	Capitalization of capital surplus	None	May 30, 2001 Tai-Tsai-Cheng-(1)-133405
2001.06	10	100,000	1,000,000	35,330	353,300	Capitalization of employee profit sharing	None	May 30, 2001 Tai-Tsai-Cheng-(1)-133405
2002.06	10	100,000	1,000,000	48,710	487,100	Capitalization of earnings, employee profit sharing, and capital surplus	None	June 27, 2002 Tai-Tsai-Cheng-(1)-0910135184
2003.03	90	100,000	1,000,000	48,713	487,133	Conversion of convertible bonds into shares	None	August 30, 2003 Jing-Shou-Shang-09201260800
2003.06	10 74.3	100,000	1,000,000	59,197	591,971	Conversion of earnings, employee profit sharing, and convertible bonds into shares	None	June 20, 2003 Tai-Tsai-Cheng-(1)-920127506
2003.09	74.3	100,000	1,000,000	60,709	607,093	Conversion of convertible bonds into shares	None	September 15, 2003 Jing-Shou-Shang - 09201269190
2003.11	74.3	100,000	1,000,000	63,371	633,714	Conversion of convertible bonds into shares	None	November 12, 2003 Jing-Shou-Shang - 09201312100
2004.02	74.3	100,000	1,000,000	67,764	677,642	Conversion of convertible bonds into shares	None	February 23, 2004 Jing-Shou-Shang 09301027310
2004.05	74.3	100,000	1,000,000	68,521	685,219	Conversion of convertible bonds into shares	None	May 6, 2004 Jing-Shou-Shang 09301077220
2004.07	74.3	100,000	1,000,000	68,538	685,381	Conversion of convertible bonds into shares	None	July 29, 2004 Jing-Shou-Shang 09301132540
2004.10	74.3	100,000	1,000,000	84,861	848,606	Conversion of earnings, employee profit sharing, and convertible bonds into shares	None	October 19, 2004 Jing-Shou-Shang 09301197590
2005.07	58.6-62.2	101,000	1,010,000	85,740	857,395	Conversion of convertible bonds into shares and exercise of employee stock option	None	July 14, 2005 Jing-Shou-Shang 09401124820

Unit: NT\$ thousands; thousand shares

Year/month	Issued price	Authorized capital		Paid-up capital		Remarks		
		Shares (units)	Amount	Shares (units)	Amount	Source of share capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
2005.10		140,000	1,400,000	96,651	966,518	Capitalization of earnings and employee profit sharing	None	October 6, 2005 Jing-Shou-Shang 09401195800
2005.12	48.3~65.1	140,000	1,400,000	97,215	972,150	Exercise of employee stock option	None	December 13, 2005 Jing-Shou-Shang 09401256770
2006.4	48.3~65.1	140,000	1,400,000	97,479	974,793	Exercise of employee stock option	None	April 28, 2006 Jing-Shou-Shang 09501078040
2006.9	48.3~54.0	140,000	1,400,000	97,798	977,982	Exercise of employee stock option	None	September 15, 2006 Jing-Shou-Shang 09501207510
2006.10	41.1~46.4	140,000	1,400,000	102,347	1,023,471	Capitalization of earnings and employee profit sharing	None	October 2, 2006 Jing-Shou-Shang 09501222330
2006.11	41.1~46.4	140,000	1,400,000	102,613	1,026,128	Exercise of employee stock option	None	November 10, 2006 Jing-Shou-Shang 09501253910
2007.4	41.1~46.4	140,000	1,400,000	102,833	1,028,333	Exercise of employee stock option	None	April 10, 2007 Jing-Shou-Shang 09601070800
2007.5	41.1~46.4	140,000	1,400,000	102,867	1,028,667	Exercise of employee stock option	None	May 22, 2007 Jing-Shou-Shang 09601103860
2007.8	41.1~46.4	140,000	1,400,000	103,146	1,031,462	Exercise of employee stock option	None	August 24, 2007 Jing-Shou-Shang 09601207310
2007.9		140,000	1,400,000	107,029	1,070,294	Capitalization of earnings and employee profit sharing	None	September 29, 2007 Jing-Shou-Shang 09601239270
2007.11	33.1~38.3	140,000	1,400,000	107,039	1,070,391	Exercise of employee stock option	None	November 14, 2007 Jing-Shou-Shang 09601277520
2008.3	33.1~38.3	140,000	1,400,000	107,225	1,072,253	Exercise of employee stock option	None	March 6, 2008 Jing-Shou-Shang 09701054930
2008.4	33.1~38.3	140,000	1,400,000	107,474	1,074,743	Exercise of employee stock option	None	May 15, 2008 Jing-Shou-Shang 09701112980
2008.7	33.1~38.3	140,000	1,400,000	107,516	1,075,159	Exercise of employee stock option	None	August 25, 2008 Jing-Shou-Shang 09701213670
2008.9		140,000	1,400,000	112,278	1,122,780	Capitalization of earnings and employee profit sharing	None	October 1, 2008 Jing-Shou-Shang 09701251350
2009.3	24.4~29.2	140,000	1,400,000	112,633	1,126,335	Exercise of employee stock option	None	March 12, 2009 Jing-Shou-Shang 09801046520
2009.4	24.4~29.2	140,000	1,400,000	112,952	1,129,516	Exercise of employee stock option	None	May 15, 2009 Jing-Shou-Shang 09801096950
2009.8	24.4~29.2	140,000	1,400,000	113,125	1,131,250	Exercise of employee stock option	None	August 6, 2009 Jing-Shou-Shang 09801176600
2009.9		140,000	1,400,000	115,596	1,155,964	Capitalization of earnings and employee profit sharing	None	September 25, 2009 Jing-Shou-Shang 09801221850
2009.11	21.2	140,000	1,400,000	115,627	1,156,267	Exercise of employee stock option	None	November 11, 2009 Jing-Shou-Shang 09801262570

Unit: NT\$ thousands; thousand shares

Year/month	Issued price	Authorized capital		Paid-up capital		Remarks		
		Shares (units)	Amount	Shares (units)	Amount	Source of share capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
2010.3	21.2	140,000	1,400,000	115,705	1,157,048	Exercise of employee stock option	None	March 16, 2010 Jing-Shou-Shang 09901049760
2010.4	21.2~101.6	140,000	1,400,000	115,924	1,159,243	Exercise of employee stock option	None	May 18, 2010 Jing-Shou-Shang 09901101630
2010.6	21.2	161,000	1,610,000	116,305	1,163,045	Exercise of employee stock option	None	August 26, 2010 Jing-Shou-Shang 09901193810
2010.10		161,000	1,610,000	117,684	1,176,837	Capitalization of earnings and employee profit sharing	None	October 1, 2010 Jing-Shou-Shang 09901221660
2011.3	94.1	161,000	1,610,000	117,740	1,177,398	Exercise of employee stock option	None	April 15, 2011 Jing-Shou-Shang 10001075100
2011.8	54.8	161,000	1,610,000	117,899	1,178,990	Exercise of employee stock option	None	August 24, 2011 Jing-Shou-Shang 10001197630
2011.8		161,000	1,610,000	94,351	943,507	Capital reduction for cash	None	August 24, 2011 Jing-Shou-Shang 10001197630
2013.9		161,000	1,610,000	100,012	1,000,118	Capitalization of capital surplus	None	September 3, 2013 Jing-Shou-Shang 1020118106
2013.11	59.2	161,000	1,610,000	100,143	1,001,429	Exercise of employee stock option	None	November 12, 2013 Jing-Shou-Shang 10201231940
2014.4	59.2	161,000	1,610,000	100,147	1,001,473	Exercise of employee stock option	None	April 10, 2014 Jing-Shou-Shang 10301061700
2014.6	59.2	161,000	1,610,000	100,156	1,001,557	Exercise of employee stock option	None	June 6, 2014 Jing-Shou-Shang 10301103000
2014.11	55	161,000	1,610,000	100,171	1,001,706	Exercise of employee stock option	None	November 21, 2014 Jing-Shou-Shang 10301235600
2015.3	55	161,000	1,610,000	100,238	1,002,383	Exercise of employee stock option	None	March 16, 2015 Jing-Shou-Shang 10401046350
2015.5	55	161,000	1,610,000	100,380	1,003,802	Exercise of employee stock option	None	May 27, 2015 Jing-Shou-Shang 10401094400
2015.8	55	161,000	1,610,000	100,549	1,005,487	Exercise of employee stock option	None	August 13, 2015 Jing-Shou-Shang 10401168830
2015.11	49.8	161,000	1,610,000	101,144	1,011,443	Exercise of employee stock option	None	November 18, 2015 Jing-Shou-Shang 10401243820
2016.1		161,000	1,610,000	96,765	967,653	Retirement of treasury stock	None	January 15, 2016 Jing-Shou-Shang 10501006440
2016.3	49.8	161,000	1,610,000	96,795	967,950	Exercise of employee stock option	None	March 14, 2016 Jing-Shou-Shang 10501050150
2016.5	49.8	161,000	1,610,000	96,855	968,547	Exercise of employee stock option	None	May 17, 2016 Jing-Shou-Shang 1050199710
2016.8	49.8	161,000	1,610,000	96,880	968,797	Exercise of employee stock option	None	August 17, 2016 Jing-Shou-Shang 10501204050
2016.11	47	161,000	1,610,000	96,886	968,860	Exercise of employee stock option	None	November 16, 2016 Jing-Shou-Shang 10501267780

Unit: NT\$ thousands; thousand shares

Year/month	Issued price	Authorized capital		Paid-up capital		Remarks		
		Shares (units)	Amount	Shares (units)	Amount	Source of share capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
2017.3	47	161,000	1,610,000	92,359	923,590	Retirement of treasury stock, exercise of employee stock option	None	March 23, 2017 Jing-Shou-Shang 10601034470
2017.5	47	161,000	1,610,000	92,389	923,890	Exercise of employee stock option	None	May 18, 2017 Jing-Shou-Shang 10601064720
2017.8	47	161,000	1,610,000	86,915	869,150	Retirement of treasury stock, exercise of employee stock option	None	August 29, 2017 Jing-Shou-Shang 10601118910
2017.12	49.6	161,000	1,610,000	87,071	870,710	Exercise of employee stock option	None	December 5, 2017 Jing-Shou-Shang 10601161840
2018.4	45.7~49.6	161,000	1,610,000	87,160	871,600	Exercise of employee stock option	None	April 3, 2018 Jing-Shou-Shang 10701030110
2018.4		161,000	1,610,000	84,161	841,610	Retirement of treasury stock	None	April 12, 2018 Jing-Shou-Shang 10701039050
2018.5	45.7~49.6	161,000	1,610,000	84,597	845,970	Exercise of employee stock option	None	May 29, 2018 Jing-Shou-Shang 10701057290
2018.9	45.7~49.6	161,000	1,610,000	84,769	847,690	Exercise of employee stock option	None	September 14, 2018 Jing-Shou-Shang 10701105310
2018.11	48.4	161,000	1,610,000	84,914	849,140	Exercise of employee stock option	None	November 21, 2018 Jing-Shou-Shang 10701142870
2019.3	48.4	161,000	1,610,000	83,585	835,850	Retirement of treasury stock, exercise of employee stock option	None	March 25, 2019 Jing-Shou-Shang 10801031280
2019.5	48.4	161,000	1,610,000	83,684	836,840	Exercise of employee stock option	None	May 21, 2019 Jing-Shou-Shang 10801058390
2019.9	48.4	161,000	1,610,000	83,858	838,580	Exercise of employee stock option	None	September 5, 2019 Jing-Shou-Shang 10801116230
2019.12	46.6	161,000	1,610,000	84,352	843,528	Exercise of employee stock option	None	December 2, 2019 Jing-Shou-Shang 10801168040
2020.3	46.6	161,000	1,610,000	84,656	846,565	Exercise of employee stock option	None	March 13, 2020 Jing-Shou-Shang 10901042150
2020.5	46.6	161,000	1,610,000	84,923	849,231	Exercise of employee stock option	None	May 22, 2020 Jing-Shou-Shang 10901083830
2020.8	46.6	161,000	1,610,000	83,918	839,183	Retirement of treasury stock, exercise of employee stock option	None	August 31, 2020 Jing-Shou-Shang 10901158060
2020.11		161,000	1,610,000	82,418	824,183	Retirement of treasury stock	None	November 9, 2020 Jing-Shou-Shang 10901207080
2020.11	45.2	161,000	1,610,000	82,485	824,853	Exercise of employee stock option	None	November 18, 2020 Jing-Shou-Shang 10901214560
2021.1		161,000	1,610,000	80,485	804,853	Retirement of treasury stock	None	January 21, 2021 Jing-Shou-Shang 11001011630
2021.3	45.2	161,000	1,610,000	80,636	806,363	Exercise of employee stock option	None	March 16, 2021 Jing-Shou-Shang 11001044700
2021.04		161,000	1,610,000	78,636	786,363	Retirement of treasury stock	None	April 19, 2021 Jing-Shou-Shang 11001065200
2021.05	45.2	161,000	1,610,000	78,793	787,933	Exercise of employee stock option	None	May 31, 2021 Jing-Shou-Shang 11001085870



Unit: NT\$ thousands; thousand shares

Year/month	Issued price	Authorized capital		Paid-up capital		Remarks		
		Shares (units)	Amount	Shares (units)	Amount	Source of share capital	Capital Increase by Assets Other than Cash	Date of Approval & Approval Document No.
2021.08	44	161,000	1,610,000	78,843	788,433	Exercise of employee stock option	None	August 30, 2021 Jing-Shou-Shang 11001151400
2021.12	44	161,000	1,610,000	77,088	770,883	Exercise of employee stock option Retirement of treasury stock	None	December 13, 2021 Jing-Shou-Shang 11001215710
2022.04	44	161,000	1,610,000	77,514	775,143	Exercise of employee stock option	None	April 7, 2022 Jing-Shou-Shang 11101052620
2022.04	44	161,000	1,610,000	1,286	12,865	Exercise of employee stock option	None	May 30, 2022 Jing-Shou-Shang 11101086440
2022.08	44	161,000	1,610,000	141	1,410	Exercise of employee stock option	None	September 7, 2022 Jing-Shou-Shang 11101161690

## 2. Share category

Unit: thousand shares

Share category	Authorized capital			Note
	Outstanding shares (Note)	Unissued shares	Total	
Common shares	789,418	0	789,418	

Note: The Company's shares are listed for trading on TWSE.

## 3. Information relevant to the aggregate reporting policy: None.

### 4.1.2. Composition of Shareholders

April 22, 2023

Type of Shareholders Quantity	Government Agencies	Financial institutions	Other juridical persons	Natural persons	Foreign institutions and Natural Persons	Total
Number of Shareholders	0	0	174	20,403	131	20,708
Shareholding	0	0	16,960,276	53,174,647	8,806,877	78,941,800
Shareholding percentage	0	0	21.48	67.36	11.16	100.00

Description: Out of the shares held by foreign institutions and foreigners, none of which involved an individual, corporation, organization, or institution of Mainland origin, or any company owned by the above party in a foreign location, as defined in Article 3 of Regulation Governing Mainland Residents' Investment in Taiwan.

### 4.1.3. Status Distribution of Ownership

#### 1.Common shares:

April 22, 2023

Shareholding range	Shareholder count	Number of shares held	Shareholding percentage %
1 ~ 999	14559	831,556	1.05
1,000 ~ 5,000	4862	9,093,803	11.52
5,001 ~ 10,000	563	4,317,515	5.47
10,001 ~ 15,000	212	2,714,185	3.44
15,001 ~ 20,000	103	1,879,038	2.38
20,001 ~ 30,000	125	3,123,268	3.96
30,001 ~ 40,000	63	2,181,837	2.76
40,001 ~ 50,000	47	2,152,166	2.73
50,001 ~ 100,000	87	6,145,593	7.78
100,001 ~ 200,000	49	6,605,295	8.37
200,001 ~ 400,000	20	5,601,410	7.1
400,001 ~ 600,000	7	3,928,627	4.98
600,001 ~ 800,000	4	2,754,317	3.49
800,001 ~ 1,000,000	1	860,028	1.09
1,000,001 and above	6	26,753,162	33.88
Total	20,708	78,941,800	20,708

#### 2.Preferred shares: None.

#### 4.1.4. Major shareholders:

April 22, 2023

Name of major shareholder	Shares	Number of shares held (Shares)	Shareholding ratio (%)
ClinJeff Corp.		12,176,497	15.42%
Chang, Hua-Jen		7,862,716	9.96%
Jau Huang		2,797,910	3.54%
Yi-Chen Huang		1,756,615	2.23%
Jui-Hsing Huang		1,143,000	1.45%
Rhine Investment Ltd.		1,016,424	1.29%
Citibank (Taiwan) in its capacity as Master Custodian for the Investment Account of UBS Europe SE		860,028	1.09%
Changbai Mountain Investment Ltd.		781,707	0.99%
J.P. Morgan Securities PLC		664,610	0.84%
Mitsubishi Ufj Morgan Stanley Securities Co., Ltd.		659,000	0.83%

#### 4.1.5. Market price, net worth, earnings, dividends per share for the last 2 years.

Unit: NTS

Item	Year		2021	2022
	Market price per share (Note 1)	Highest		113
	Lowest		74	80
	Average		89.9	88.06
Net worth per share	Before Distribution		34.99	58.90
	After Distribution (Note 2)		33.24	56.60(Note 7)
Earnings per share (EPS) (losses per share)	Weighted average shares		78,006 thousand shares	78,600 thousand shares
	Earnings per share		-7.21	2.34
Dividends per share	Cash Dividends		-	2.30(Note 7)
	Stock Dividends	From earnings	1.27	-
		From capital surplus	0.45	-
	Cumulative undistributed dividends (Note 3)		-	-
Analysis of investment returns	Price / Earnings ratio (Note 4)		-	37.65
	Price / Dividends ratio (Note 5)		-	38.30
	Cash Dividend yield rate (Note 6)		-	2.61%

Note 1: The table shows the highest and lowest market price of shares in each year; average market price is calculated by weighing transacted prices against transacted volumes in the respective years.

Note 2: Calculated based on the number of outstanding shares at year-end; the amount of distribution resolved in next year's shareholders' meeting is presented in the table.

Note 3: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes a profit, the amount of cumulative undistributed dividends up until the current year is disclosed separately.

Note 4: P/E ratio = average closing price per share for the year / earnings per share.

Note 5: Price to dividends ratio = average closing price per share for the year / cash dividends per share.

Note 6: Cash dividend yield = cash dividends per share / average closing price per share for the current year.

Note 7: The proposed appropriation of earnings for FY2022 has been approved by the Board of Directors on March 28, 2023 and is pending resolution at the shareholders' meeting.

#### 4.1.6. Dividend policy and execution

##### 1. Dividend policies stated in the Company's Articles of Incorporation:

After closing of accounts, if there is earnings during this period, it shall make up for the cumulative losses of the previous years (including adjusted for the amount of undistributed surplus earnings); the remaining amount, if any, shall be used for an appropriation of 10% legal reserve in accordance with the law, unless the legal reserve is already equal to the Company's capital contribution, and recognize or reverse special reserve return earnings in accordance with laws and regulations. The remaining amount together with undistributed earnings at the beginning of this period (including adjusted for the amount of undistributed surplus earnings), shall be distributed as the shareholder dividend if it is proposed by the board of directors and resolved in the shareholder meeting before implementation.

The Company's dividend policy would in line with the current and future development plan, and consider the investment environment, capital needs and domestic and international competition, and take into account the interests of shareholders and other factors. The annual dividend distribution to shareholders shall be based on the principle of not less than 50% of the distributable earnings for the current year, and the principle of matching stock dividends with cash dividends. Twenty percent is the principle in the current stage; however, if the Company has major capital expenditure plans, the distribution of cash dividends may be less than 20% of the annual dividend with the approval of the shareholders' meeting. The dividend policy of our company is anticipated to remain stable without significant changes.

##### 2. Dividends proposed for the current year: (approved by the board of directors but not yet resolved in a shareholders' meeting)

The Company intends to distribute cash dividends of NT\$181,566,140 from its net earnings for FY2022. The distribution of earnings is as follows.

CyberLink Corp.  
Earnings Distribution Schedule  
2022

Unit: NT\$

Item	Amount	
	Subtotal	Total
2022 profit		183,625,128
Add: reversal of special reserve	72,105,498	
Add: actuarial gain of the defined benefit plan of the current year	6,342,320	
Less: current adjustment to retained earnings	(824,483)	
Distributable earnings of the year		261,248,463
Add: undistributed retained earnings of previous years		37,360,911
Distributable earnings of the year		298,609,374
Distribution items:		
Cash dividends on common stock (NT\$2.30 per share)		181,566,140
All distribution items:		181,566,140
Undistributed retained earnings at the end of the period		117,043,234

Note:

1. The dividend distribution amount of NT\$2.3 per share is based on the number of outstanding shares of 78,941,800 as of March 27, 2023.
2. If the legal reserve has exceeded the paid-in capital, it is not required to set aside any further legal reserve according to law; therefore, it is not proposed to set aside any legal reserve this year.
3. In accordance with the provisions of the letter from the Ministry of Finance dated April 30, 1998 referenced Tai-Tsai-Shui No. 871941343, the surplus of 2022 will be distributed first; if there is any deficiency, the surplus will be distributed in the order of last in first out according to the year in which it is generated.
4. Cash dividends distributed to shareholders are calculated up to NT\$1 and rounded off below NT\$1. Any amount less than NT\$1 is transferred to the Company's Employee Welfare Committee. Therefore, the above is in line with the principle that the current cash dividend distribution shall not be less than 20% of the annual dividend distribution as required in the dividend policy of the Company.

However, if the total share capital changes due to the repurchase of shares of the Company or the implementation of employee stock options or other factors, it is proposed to request the shareholders' meeting to authorize the Chairman to handle the relevant changes, and an announcement will be made separately in due course.

4.1.7. Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable as no stock dividend was proposed for 2022.

4.1.8. Remuneration to employees, directors:

1. Percentage or range of employee/director remuneration stated in the Articles of Incorporation:

If the Company records a profit (the income before tax that undistributed employee's compensation and director's remuneration) in a year, the Company shall allocate no less than 3% of the profits earned during the current year for the purpose of employee's compensation and no more than 1.5% of the same for the director's remuneration; provided, however, that the Company shall first reserve a sufficient amount to compensate its accumulated deficits (including adjusted for the amount of undistributed surplus earnings). A company may have the profit distributable as employees' compensation in the preceding paragraphs distributed in the form of shares or in cash; qualification requirements of employees who may receive employee compensation, including the employees of subsidiaries of the company meeting certain specific requirements.

A company shall only have the profit distributable as director's remuneration in the preceding paragraphs distributed in cash.

A company may, by a resolution adopted by a majority vote at a meeting of

board of directors, have the profit distributable in the preceding two paragraphs; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

2. Basis for estimating employee/director remuneration and stock dividends, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid:

If the Company records a profit (the income before tax that undistributed employee's compensation and director's remuneration) in a year, the Company shall allocate no less than 3% of the profits earned during the current year for the purpose of employee's compensation and no more than 1.5% of the same for the director's remuneration; provided, however, that the Company shall first reserve a sufficient amount to compensate its accumulated deficits (including adjusted for the amount of undistributed surplus earnings).

A company may have the profit distributable as employees' compensation in the preceding paragraphs distributed in the form of shares or in cash; qualification requirements of employees who may receive employee compensation, including the employees of subsidiaries of the company meeting certain specific requirements.

3. Information on the proposed allocation of remuneration as approved by the Board of Directors:

The board of directors passed a resolution on March 7, 2023 to pay NT\$3,150,000 of director remuneration (representing 1.11% of current year's profits); this amount is indifferent from the amount of director remuneration previously estimated. The board also resolved to pay NT\$59,590,000 of employee remuneration (in cash; representing 20.90% of current year's profits); this amount is indifferent from the amount of employee remuneration previously estimated.

4. Actual distribution of employees' compensation and director's remuneration recognized in the previous year:

The Company reported losses before tax in 2021, therefore no employee remuneration or director remuneration was allocated.

4.1.9. Buyback of company shares: None.

#### **4.2. Corporate bonds**

None.

#### **4.3. Issuance of preferred shares**

None.

#### **4.4. Depository receipts**

None.

#### 4.5. Employee stock options

The Company sought approval from the Financial Supervisory Commission in April 2015 and June 2022 to issue employee stock options (FSC approval reference: Correspondence Jin-Guan-Zheng-Fa No. 1040012145 dated April 14, 2015 and Jin-Guan-Zheng-Fa No. 1110346790 dated June 20, 2022); these issues totaled 5,000,000 units in 2015 and 2,000,000 units in 2022; each unit was vested with the right to subscribe to one share for a total of 5,000,000 and 2,000,000 common shares, respectively. All new subscriptions were to be delivered by way of new share issuance. The exercise price was determined as the closing price of underlying shares on the date of issuance. Employees may exercise the stock option according to the Company's "Employee Stock Option Issuance and Subscription Policy" two years after being granted the stock option.

Disclosure relating to stock options:

##### 1. Disclosure relating to stock options

March 31, 2023

Type of employee stock option	The 10th employee stock option offering	The 11th employee stock option offering
Announcement/effective date and total number of units	2015.4.14 5,000,000	2022.6.20 2,000,000
Issuance (processing) date	2015.8.25	2022.7.26
No. of units issued	5,000,000	2,000,000
Remaining units available for issuance	0	0
Exercisable shares as a percentage of total outstanding shares	5.91%	2.53%
Duration of stock option	7 years	7 years
Method of delivery	Issuance of new shares	Issuance of new shares
Period and percentage of exercise restriction (%)	50% exercisable after 2 years 75% exercisable after 3 years 100% exercisable after 4 years	50% exercisable after 2 years 75% exercisable after 3 years 100% exercisable after 4 years
No. of shares acquired through exercise	4,666,250	0
Amount of shares subscribed through exercise	213,449,050	0
No. of shares unexercised	0	2,000,000
Subscription price per unexercised share	Not applicable.	87.7
Number of unexercised shares as a percentage of total outstanding shares(%)	0%	2.53%
Effects on shareholders' equity	None	None

2. Names of managers receiving employee stock options, names of employees ranking top ten in terms of exercisable shares, amount acquired, and amount exercised:

March 31, 2023

	Title	Name	Exercisable shares (thousand shares)	Exercisable shares as a percentage of total outstanding shares (%)	Exercised			Not exercised				
					Quantity exercised (thousand shares)	Average subscription price (NT\$)	Subscription amount (in thousands)	Exercised shares as a percentage of total outstanding shares (%)	Quantity exercised (thousand shares)	Average subscription price (NT\$)	Subscription amount (in thousands)	Exercised shares as a percentage of total outstanding shares (%)
Manager	Chairman/CEO/CTO	Jau Huang	2,800	3.55%	1,680	44	75,510	2.13	1,120	87.7	98,224	1.42
	Vice President	YW Lei										
	Vice President	Mei Guu										
	Vice President	Vincent Lin										
	Vice President	David Lee										
Employees	Assistant Vice President	Hilda Peng	885	1.12%	445	44	20,673	0.56	440	87.7	38,588	0.56
	Assistant Vice President	Ting-Wei Yang										
	Assistant Vice President	Chun-Yueh Ou										
	Assistant Vice President	Yu-Chou Tsai										
	Assistant Vice President	Kuo-Chiang Hsieh										
	Chief Engineer and Senior Manager	Chung-Ren Yen										
	Architect and Senior Manager	Chun-Pu Chen										
	Senior Manager	Meng-Hsuan Lin										
	Principal Architect	Sheng-Wen Chen										
	Chief Engineer and Manager	I-Lung Tsai										

**4.6 New issuance of employee restricted shares**

None.

**4.7 New shares issued for merger or acquisition**

None.

**4.8 Progress on the planned use of capital**

Uncompleted securities offering or private securities placement or any capital plans completed in the last three years that have yet to yield the desired outcome: None.



## 5. Operational Overview

### 5.1. Business activities

#### 5.1.1. Business Scope

##### 1. The Main Business business activities of Company

- (1). Research, design, and sale of computer peripherals equipment, software, and hardware.
- (2). Design of computer peripherals equipment, and design and maintenance of circuit boards services.
- (3). Trading of computers, electronics, mechanical equipment, and books.
- (4). Import, export, and trading of the aforementioned products.
- (5). Planning of computer and electronic information systems and related consultancy services.
- (6). I401010 General Advertisement Service.
- (7). I501010 Product Designing.
- (8). ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Current products (services) of the Company and revenue weight (worldwide, consolidated)

Unit: %

Product category/year	2021	2022
Media Creation	62	70
Media Experience and Entertainment and Others	38	30
Total	100	100

##### 3. Current products (services) of the Company:

Products of the Company can be divided into the five categories below:

- (1) Media Entertainment software, including
  - PowerDVD
- (2) Media Creation software, including
  - PowerDirector
  - PhotoDirector
  - ActionDirector
  - MakeupDirector
  - Director Suite
  - Power2Go

- PowerProducer
- Media Suite
- Color Director
- Audio Director
- MediaEspresso
- ScreenRecorder
- YouCam

(3) Work software, including

- U Webinar
- U Meeting
- U Messenger
- PerfectCam
- PowerDirector 365 Business

(4) Mobile App, including

- PowerDirector
- PhotoDirector
- ActionDirector
- AdDirector
- U Scanner
- U Meeting/ Messenger/ Webinar
- PowerPlayer

(5) AI-assisted facial recognition engine and solutions, including

- FaceMe SDK
- FaceMe® Security
- FaceMe® Platform
- FaceMe® eKYC & Fintech
- FaceMe® TimeClock
- FaceMe® Smart Retail

4. New product and service development plans

Cyberlink now leads global peers in digital multimedia solutions after accumulating success in multiple product lines. The Company will continue investing manpower into the development of new technologies and new products to sustain its existing competitive advantage. Below is a description of the Company's new product research and development plans:

Item	Expected time of completion	Project description			
2023 R&D projects	2023	<p>In addition to making version upgrades and user experience optimizations to existing products, research projects in 2023 will also focus on: development of AI algorithms for video and photo editing, optimization of video and photo editing experience on mobile devices, development of facial recognition (FR) SDK, and development of technologies that are relevant to the creation of a FR System.</p> <p>The projected expenses, estimated timeline, and details of future R&amp;D projects are presented below:</p>			
		R&D projects	Expected project timeline	Required budget	Factors affecting the success of future R&D
		Development of video and photo editing solutions and AI algorithms	2023 full year	210,000 (in thousands)	1. Whether there is an adequate number of competent R&D personnel 2. Customers' requirements and market changes 3. Product development schedule of other competing companies
		Development of video software technologies for mobile device	2023 full year	192,000 (in thousands)	
		Development of FR SDK	2023 full year	85,000 (in thousands)	
		Development of technologies relevant to the creation of FR System	2023 full year	95,000 (in thousands)	
		Development of other new products and technologies	2023 full year	18,000 (in thousands)	

## 5.1.2 Industry overview

### 1. Current and future industry prospects

According to market surveyor - Report Linker, the global market for video & audio software is expected to expand at a compound annual growth rate (CAGR) of 8% to 9% between 2021 and 2025, and may reach a size of US\$1.97 billion within this period. The report mentioned that the increasing popularity of online video content, social media, and digital marketing has inspired a massive wave of content creators, and demands for video editing software will continue to grow at a fast rate. According to the report, changes in cloud-based service delivery and payment models in recent years have also driven the popularity of creative editing software and the growth of the market size. More and more people are using editing software to produce content for social media platforms and marketing advertising materials, personalized creative editing for self-media content creation and image distribution, digital marketing for small and medium-sized enterprises, and the popularity of short video clips and video creation and sharing on mobile phones. All of these factors are driving up the demand for creative editing software, and these rising waves of content creation are causing paradigm shifts in the market.

Since September 2018, CyberLink has been transitioning into a subscription-based sales approach for software products of the PC Create segment, namely Director Suite, PowerDirector, and PhotoDirector. The subscription model provides users with greater flexibility and more attractive pricing. We also continue to enhance product features such as providing a large number of additional design kits and a rich library of materials as an incentive to enhance user stickiness and renewal rates, thereby encouraging subscription renewals. In recent years, CyberLink has incorporated AI technology to develop a variety of attractive AI functions and effects. In September 2022, the Company launched PowerDirector 365, PhotoDirector 365, and Director Suite 365, which features a variety of AI-powered tools & effects include portrait tracking, multi-object motion tracking, AI audio noise reduction, photo noise reduction, AI object removal 2.0, one-click character cartoonization, etc. The AI-powered tools & effects also include more than 30,000 video intros and customizable video & graphics templates with various themes, so users can quickly create appealing videos and graphic creations with simple steps, and can be quickly exported to various social media platforms. CyberLink continues to collaborate with well-known copyrighted material sites such as stock photo and stock footage sites such as Shutterstock

and Getty Images to provide subscribers with over 8 million videos, images and music clips. The Company collaborated with Meta (Facebook) in 2022 to provide subscribers with Meta's library of audio clips, offering a rich content suite and a variety of themed materials at a faster update rate. The Company is committed to enhancing user experience and improving user satisfaction. By the end of 2022, CyberLink's overall subscription revenue grew by up to 895% compared to 2018, with growing subscriber numbers contributing significantly to the Company's steady recurring revenue growth. The share of revenue contribution from subscription system in the three growth product lines was as high as 67% in 2022. Subscription revenue continued to grow at a double-digit annual growth rate in 2022, with the number of new and renewing subscribers increasing, indicating the success of the Company's transformation into a subscription-based business offering cloud-based value-added services.

AI and facial recognition technologies have flourished in recent years. According to a market survey by Report Ocean, global demands for facial recognition and identification have risen progressively over time, and the market for facial recognition solutions is expected to expand at a compound annual growth rate (CGAR) of 17.2% between 2020 and 2030, reaching US\$20.6 billion in size by 2030. According to Statista, a research institution, the market demand for facial recognition applications is set to grow exponentially with the development of many vertical industry applications, including the medical, retail, residential and access control and personnel attendance recording, will see rising demand for the technology. In addition, due to the continuous progress of chip development technology, AIoT devices adopting facial recognition technology have grown rapidly in recent years. Furthermore, due to the impact of the COVID-19 pandemic, the contactless feature of facial recognition is also an important factor for enterprises to choose it as an authentication method.

FaceMe<sup>®</sup> is a facial recognition engine designed by CyberLink specifically for edge computing that works on a variety of platforms including Windows, Linux, Android, and iOS. CyberLink continues to collaborate with major SoC majors such as Intel, NVIDIA, NXP, MediaTek, and Qualcomm to optimize performance and expand distribution channels for FaceMe<sup>®</sup>, and the facial recognition engine has so far been adopted by several local and international IoT manufacturers. The FaceMe<sup>®</sup> product line of CyberLink continues to expand to more vertical applications, from security and surveillance and eKYC&Fintech. The new FaceMe<sup>®</sup> TimeClock smart

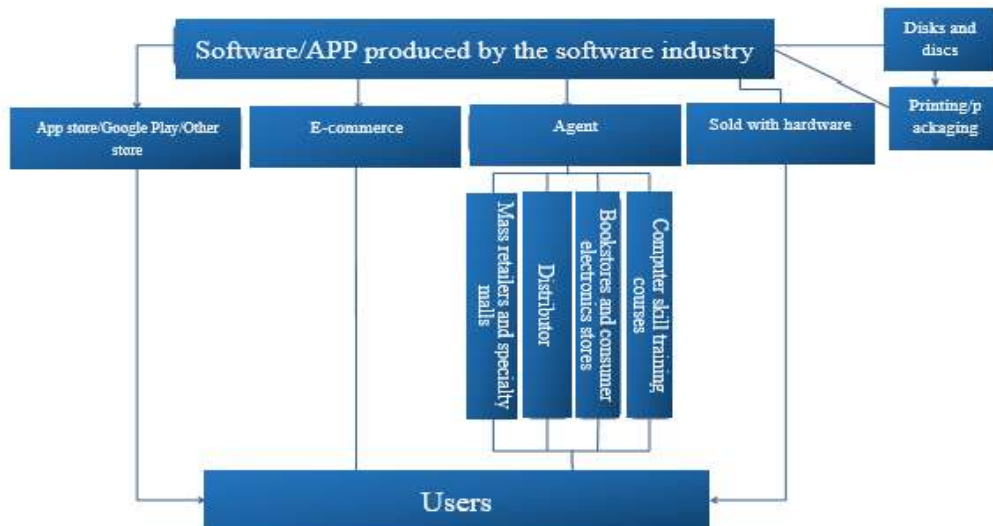
attendance and FaceMe® Smart Retail solutions were launched in 2022, and the new People Tracker tracking function was launched in 2023. In 2022, CyberLink's facial recognition business made good progress in winning strategically important customers and building stronger business partnerships.

## 2. Association between upstream, midstream, and downstream industry participants

### (1) Create PC & APP

Technology is a fast-changing industry. The most significant difference between software and hardware developers is that the former makes products in non-physical form, which allows updates to be made at any time to extend the product life cycle. This is also the reason why software developers have to devote more attention to anticipating market changes and making timely adjustments to product strategy (in terms of function, pricing, sales channel, and promotion method). While software developers enjoy greater flexibility than their hardware counterparts, they have to respond more quickly to changes.

In the early years, CyberLink used to engage major PC/NB manufacturers as the main customers, and sold its proprietary multimedia playback software - PowerDVD as a pre-loaded program with the computers shipped. CyberLink was able to build up global brand awareness through pre-load sales of PowerDVD. After the initial success, the Company started exploring diverse channels for the distribution of products under the CyberLink brand, including the use of a proprietary online store, physical channels, and third-party distributors. App versions of the Company's products are also available for download by consumers around the world through the App Store, GooglePlay, and online stores of similar nature. CyberLink sells its software and mobile apps through online stores, third-party app stores (Play Store, Apple App Store, Mac App Store, Microsoft Store, etc.), multiple physical and virtual channels, and a unique B2B2C model with major computer brands. The Company's flagship product, PowerDirector (Windows/Mac version) and PowerDirector Mobile App (Android/iOS), have been selling well across various channels.



(2) A global facial recognition system powered by FaceMe®

With regard to facial recognition, CyberLink was able to leverage its past experience in AI, image enhancement, hardware acceleration, and cross-platform optimization that it had accumulated over the last 20 years into creating an AI-assisted facial recognition engine called FaceMe® first launched in 2018. The engine works across platforms (Windows/Linux/iOS/Android) and supports a broad diversity of mainstream hardware (including Intel, NVIDIA, Qualcomm, and MediaTek); it delivers outstanding accuracy and has been rated by world-renowned NIST as one of the top-10 facial recognition solutions. CyberLink is currently working with tier 1 chip makers such as Intel, NVIDIA, NXP, Qualcomm, and MediaTek to broadly support hardware-based facial recognition, and incorporate the technology into the respective ecosystems. CyberLink has also successfully collaborated with Genetec, Axis, Milestone, Network Optix, Vivotek and other major VMS companies.

FaceMe® is currently adopted by more than one hundred reputable businesses local and abroad; nearly 25% of which are IoT hardware manufacturers based in Taiwan that specialize in the development of industrial applications, security gates, e-bulletins, and meal ordering kiosks. Today, FaceMe® is adopted by many domestic and foreign IoT manufacturers including Bitkey, CAC (Japan), ASUS IoT, Advantech, Syscom Group, QNAP, ACE Biotek, BitoPro, FaceScan, and Microprogram Information and is incorporated into various hardware devices such as security systems, surveillance cameras, smart bulletin boards, smart PoS, self-service kiosks, hospital self-registration kiosks,

smart drug dispensing cabinets, door access control, and service robots to support AIoT applications across various industries.

CyberLink continues to enhance its FaceMe® Security smart security solutions that helps system integrators quickly implement facial recognition-enabled smart security systems in factories, offices, campuses and other areas. Continue to deepen cooperation with Axis, Network Optix, Genetec, Milestone and other major VMS vendors to integrate identity verification, attendance management, access control, real-time video monitoring, notification alerts and other functions. We continue to optimize the technical integration with hardware manufacturers to enable high-performance face recognition applications even on lower-end devices.

For the new generation of smart financial (eKYC/Fintech) applications such as remote insurance and remote identity verification, we provide various development kits such as eKYC and video conferencing features to help domestic life insurance companies create remote insurance solutions.



### 3. Product development trends

#### (1) Create PC & APP

The Director Suite, PowerDirector and PhotoDirector series are the main products that have achieved outstanding results in the transition to subscription models, and CyberLink continues to enhance product features and service content, and continues to introduce new effects and a rich library of value-added materials. We have developed many cool new features such as object detection, sky replacement, and noise removal with AI technology, and continue to optimize UI/UX to enhance user experience. CyberLink collaborated with reputable stock footage and photo websites such as Shutterstock and iStock by Getty Images in 2021 to give subscribers access to more than 8 million license-free



videos, images, and music clips that can be used for content creation at no additional charge. In 2022, we established a partnership with Meta (Facebook) to provide our subscribers with Meta's library of sound effects, and we continue to release a wide range of new features, effects kits, video and graphic design templates every month to provide our users with the richest selection of creative tools and materials.

Since its launch in 2001, the Company's flagship product, PowerDirector, has been released for Windows, Mac, Android and iOS to meet the needs of users on different platforms and has been recognized by major awards worldwide. In 2022, PowerDirector was again recognized with "Editors' Choice" by PC Magazine, which is the 13th consecutive year that PowerDirector series of products has received this recognition. In January 2023, PowerDirector 365 received the highest rating of 5 stars from PC Magazine's "Editors' Choice", and was also named "Best Technology Product of 2022" by the magazine.

In order to realize the vision that everyone can create and non-professionals can easily produce creative content, in 2022, PowerDirector also launched video-intro templates, PowerDirector Business, and the "Promeo" app mobile template editor, providing tens of thousands of video/photo customizable templates can be easily customized for users to quickly create a variety of themed and unique marketing materials and social media content. MyEdit, a new web-based service, was launched in the fourth quarter of 2022, allowing users to edit images and audio online anytime, anywhere.

(2) FaceMe - world's advanced multi-platform AI-assisted facial recognition engine

FaceMe<sup>®</sup> is a facial recognition engine designed specifically for edge computing on a variety of platforms including Windows, Linux, Android, and iOS. CyberLink continues to collaborate with major SoC makers such as Intel, NVIDIA, NXP, MediaTek, and Qualcomm to optimize performance and expand distribution channels for FaceMe<sup>®</sup>.

The FaceMe<sup>®</sup> product line has been expanded progressively to support a wider range of vertical applications from Security & Surveillance to Fintech in 2021. New solutions such as FaceMe<sup>®</sup> TimeClock Smart Attendance and FaceMe<sup>®</sup> Smart Retail were also launched in 2022. In 2023, CyberLink launched People Tracker, a new feature that allows users to find the complete footprint of a target person by body shape or other features. By adopting the latest AI vision technology, Person Re-

ID and Person Attribute Recognition, the system can track a target person whose face is covered. It can quickly locate the target's footprints from the long recording time of multiple cameras, significantly saving security personnel's time.

CyberLink continues to work with Genetec Axis, NX, and other major VMS vendors to deepen integration, combining identity verification, attendance management, access control, real-time video monitoring, notification alerts, etc., and integrating existing VMS to easily deploy and expand from a small office space with 20 people to a dispersed site with over 10,000 people.

For the next generation of financial technology (eKYC/Fintech) applications such as remote insurance and remote identity verification, CyberLink's FaceMe<sup>®</sup> KYC/Fintech solution provides a variety of development kits such as eKYC and video conferencing to help domestic life insurance companies offer more remote insurance solutions. In 2022, CyberLink and Yuanta Life collaborated on a "remote insurance" solution that combines ID card security, facial recognition, biometric identification, and video conferencing modules to break the previous framework of "in-person" insurance transactions and enhance the convenience of insurance business processes, thereby empowering the industry with smart fintech solutions.

### (3) Enterprise online conference and communication solutions (Work)

At the end of 2021, CyberLink released "U Meeting" version 7.3, which allows Android and iOS users to "share screen" during video conferences, which opens up a wide range of applications such as remote presentation, online teaching, and smartphone App demonstration. CyberLink's U Meeting has been adopted by many businesses and academic institutions during the pandemic, and while there is no shortage of video conferencing software on the market, applications such as remote briefing and teaching still require the use of laptops and functions remain limited on smartphones. With the addition of the "share screen" function in U Meeting version 7.3, Android and iOS users are able to share presentation screens or App screens with other parties during a conference, thereby allowing conferences and teaching activities to proceed without the constraint of location or equipment.

Furthermore, webcams on personal computers are pre-configured to display an image in mirror mode by default, which tends to horizontally invert the background, text, logo, or document in a video conference. U Meeting version 7.3 introduces a new function that Windows and macOS users can use to horizontally flip the video stream, so that text can be displayed in the correct orientation in a video conference.

U Meeting version 7.3 for Windows also updates the screen sharing function, allowing users to share system audio when sharing the screen

of a single application. This feature is especially useful when playing back multimedia files in an online course or demonstrating products through an application.

#### (4) Video and multimedia solutions (Play)

The evolution of Youtube, smartphone, digital stills camera, and digital video camera in recent years have enabled consumers to accumulate a massive volume of video content; meanwhile, personal computers have improved progressively in terms of hardware and storage capacity that make them the ideal equipment for storing, managing, and viewing personal digital contents. Combined with the increasing availability of network applications, consumers can now easily share video content to different digital devices or upload and share with others online. This growing diversity of applications ultimately increases demand for video playback software.

Having accumulated know-how and experience on different video formats, software/hardware compatibility, and the digital home revolution, CyberLink is able to combine knowledge with experience to quickly keep up with the uprise of mobile devices. The new PowerDVD 21 brings an improved viewing experience across devices, supporting all popular media formats with enhanced video and audio quality, whereas the introduction of an intuitive file management tool allows easy management of photos, videos, music, Blu-ray, and DVD. The software even supports playback of YouTube 8K video for the ultimate viewing experience, as well as download of favorite videos for offline viewing. CyberLink helps users create their own streaming platforms. Whether at home or outdoors, users are able to view their collection of films and shows on personal computers, streaming devices, and mobile devices, and share with friends and family members anytime, anywhere for the ultimate mobile multimedia entertainment experience.

#### 4. Product competition

CyberLink is one of the few software companies in Taiwan that made a success in the global market. The Company offers a diverse line of products including PowerDVD, PowerDirector, PhotoDirector, Director Suite, and Power2Go that support a wide range of Play and Create applications from video playback, video and photo editing, production, disc writing to file backup. In recent years, CyberLink began developing Apps for mobile devices including tablet PCs and smartphones, and transitioned into a subscription model to accommodate the changing circumstances.

PowerDirector, one of CyberLink's top-selling products, was first introduced in 2001 and is now available in Windows, Mac, Android, and iOS versions to meet the needs of different users. At the end of 2020, CyberLink launched the Mac version of PowerDirector that claimed the "2022 Taiwan

Excellence Award,” Taiwan’s most prestigious product award, and ranked among the top 30 out of more than one thousand Taiwanese products rated during the year. With a market share of more than 60% in the retail market in Japan, the Company’s 2022 flagship product “PowerDirector” ranks first in the sales of video-editing software, and has remained the market leader in Japan for eight consecutive years. In addition, the download ranking of “PhotoDirector” in the Japanese iOS App Store under the Photo & Video category climbed to fifth place. In 2022, PowerDirector 365 won the recognition of the “Editors’ Choice”, the authoritative U.S. PC magazine again, and this is also the honor of the PowerDirector series for 13 consecutive years. In January 2023, “PowerDirector 365” won the highest five star award of the “Editors’ Choice” PC magazine, and was also selected as the “Best Technology Product of 2022” by the magazine.

FaceMe® has excellent recognition and anti-spoofing capabilities. In 2022, FaceMe® was ranked as one of the top face recognition algorithms in the world with a 99.81% correct recognition rate in the National Institute of Standards and Technology (NIST) Face Recognition Technology Vendor Test. In March 2022, FaceMe® facial recognition engine’s presentation anti-spoofing technology passed iBeta’s PAD test Level 2 (Presentation Attack Detection). The iBeta Level 2 test is a live impersonation attack on facial recognition technology through a high precision 3D mask. CyberLink’s FaceMe® achieved a 0% fail rate (meaning that it is 100% effective against impersonation attacks) and passed the test with flying colors, proving that FaceMe® is suitable even for biometric identification solutions of more rigorous requirements, such as banking, online transaction, and remote identity verification.

In 2023, FaceMe® was incorporated into MediaTek’s Genio 700, a new generation of IoT platform, to help optimize AI performance. FaceMe runs on Genio 700 and is optimized by MediaTek’s AI processors. Compared with CPU-only computing, the measured results show 6.5 times faster computing speed and 24% lower CPU usage, which can meet the needs of smart retail and smart security applications that require high volume, high-speed and complex edge computing capabilities.

Currently, an extremely high percentage of facial recognition technologies in the world are provided by Chinese and Russian suppliers, such as Sense Time, MEGVII, Hikvision, and YITU from China and VisionLab from Russia. However, the prevailing circumstances (i.e. the US-China trade war) have prevented Chinese and Russian facial recognition

technologies from being used by the U.S. and Southeast Asian businesses out of concern for information security, which presented CyberLink with the opportunity to improve the competitiveness and market potentials of FaceMe<sup>®</sup>, a 100% Taiwan-developed facial recognition engine.

### 5.1.3. Technology and R&D overview:

#### 1. R&D expenses made in the last year up until the publication date of annual report:

Unit: NT\$ thousands; %

Year	R&D expenses	As a percentage of operating revenues (%)
2022 (Note)	532,836	32
January 1 to February 28, 2023	79,975	27

Description: This chart represents audited or auditor-reviewed consolidated financial information.

#### 2. R&D progress in the last year up until the publication date of annual report:

Year	R&D progress
2022	<p>(1) CyberLink completed several new products and version upgrades in 2022, and continued making updates to the product subscription service.</p> <p>(2) Several complete multimedia entertainment software packages, applications, and solutions were introduced during the year for different mobile multimedia platforms and devices, including new functions and access to more than one million stock materials for PowerDirector that subscribers can use for their own video editing.</p> <p>(3) CyberLink continued to introduce “FaceMe” and SDK as a solution for AI-assisted facial recognition. This engine has been adopted by many system vendors into solutions such as premise access control, bank eKYC, and cybersecurity.</p> <p>(4) Launched MyEdit, a new cloud-based photo and audio editing platform, with a wide range of AI-assisted editing functions.</p> <p>(5) Developed generative AI technology and progressively incorporated outcomes into final products; launched new functions such as AnimeFace.</p>
2023	<p>The Company completed several new products and version upgrades between January and March 2023, including:</p> <ul style="list-style-type: none"> <li>● Director Suite 365</li> <li>● PowerDirector 21</li> <li>● MyEdit</li> <li>● PowerDirector App for iOS and Android</li> <li>● PhotoDirector App for iOS and Android</li> <li>● FaceMe SDK, FaceMe SECURITY and FaceMe Platform</li> </ul>

#### 5.1.4. Long and short-term business plans:

##### 1. 2019 to 2021 - Phase 1 of CyberLink's 3-year transition

From 2019 to 2021, the first phase of CyberLink's three-year transformation period, the business model has shifted from the traditional B2B/B2C OEM bundled sales to a new type of subscription system and the provision of cloud value-added services, and marketing activities have shifted from multimedia audio and video software to the active expansion of AI face recognition and AR beauty technology in recent years, with increased investment in digital marketing promotion. In terms of technology innovation, the company continues to strengthen its AI technology innovation breakthroughs.

CyberLink has been actively promoting the Company's transformation, shifting its main products to subscription-based models, and actively exploring new business segments. CyberLink's three growth product lines, including PC-Create (B2C creative editing software), Mobile Apps (creative editing apps), and New Biz (facial recognition) are gradually becoming the main engine of growth for the Company, with their revenue share increasing year by year. The combined revenue of these three growth product lines will account for 37.4% of the company's revenue, up from NT\$545 million in 2019 to NT\$1.19 billion by the end of 2022, accounting for 70% of the Company's revenue, and delivering an impressive 27% annual growth rate.

By the end of 2022, the revenue from conversions to cloud-based subscription services has grown by 895% since 2018, and the number of subscribers has been increasing year by year, contributing to the Company's stable and recurring revenue streams. 67% revenue contribution from subscriptions in 2022 from three growth product lines. The number of new and renewed subscribers continues to increase, indicating the success of the Company's transformation to subscription-based and cloud-based value-added services.

##### 2. Cyberlink enters phase 2 - expansion and growth between 2022 and 2024

CyberLink has been executing the second phase of its transition plan between 2022 and 2024, and the emphases of this stage are to: increase R&D and marketing investments, expand the creative product line across all platforms, and grow FaceMe® into a viable business. The Company expects revenues from facial recognition solutions to double in 3 years.

CyberLink continues to optimize its creative editing software product line, leveraging the results of its long-running social media platform to

accelerate revenue growth through digital marketing. In response to the fast pace of change in the creation of audio and video content and the trend of “self-media” where everyone can create content, CyberLink will update its products at a faster pace and provide richer materials and introduce a variety of new AI effects. In 2022, PowerDirector launched video-intro templates, PowerDirector Business, and the “Promeo” app mobile template editor, providing tens of thousands of video/photo customizable templates can be easily customized for users to quickly create a variety of themed and unique marketing materials and social media content. MyEdit, a new web-based service, was launched in the fourth quarter of 2022, allowing users to edit images and audio online anytime, anywhere.

CyberLink will continue to develop the market share of creative editing software and increase the scale of subscription revenue, strengthen content marketing, launch richer seasonal content, introduce new trendy short video editing and quick and convenient template-based creation templates to meet the needs of small and medium-sized businesses and social media in the new era, including quick and convenient template-based creation templates, the launch of AI-generative automatic image generation AI Avatar function. The current successful B2B2C channel collaboration model will continue to expand through collaboration with more computer brands and accelerate the distribution and our market penetration in North America, Japan, Europe, Africa and the Middle East region.

In addition, CyberLink is actively incubating FaceMe<sup>®</sup> to become a large-scale business, and the FaceMe<sup>®</sup> product line has been expanded to more vertical applications, such as Security& Surveillance and Fintech. In 2022, we launched new features such as TimeClock Smart Attendance and Smart Retail, and in 2023, we will launch People Tracker, a new people tracking function. In addition to face recognition, FaceMe<sup>®</sup> also provides human figure detection and tracking functions, combining with the existing video surveillance system to achieve real-time multi-camera face and people tracking, which can quickly search the trajectory of a specific person in the whole field and enhance the security of the site, providing customers with a more complete intelligent security control solution.

FaceMe continues to refine its algorithm to improve NIST ranking (passive 2D Anti-spoofing), deepen the integration of SoC/VMS partners and channel resources, expand overseas markets in Southeast Asia, and accelerate the development of FaceMe into a large-scale business.

**5.2. Market, production, and sales overview**

5.2.1. Market analysis:

- 1. Locations where products were mainly sold in the last 2 years (global consolidated revenues)

Unit: NT\$ thousands; %

Location \ Year		2021		2022	
		Amount	%	Amount	%
Domestic sale		98,110	6.22	146,316	8.65
Export sale	America	817,401	51.83	948,411	56.08
	Asia	567,566	35.99	509,943	30.15
	Europe	93,992	5.96	86,530	5.12
Total		1,577,069	100.00	1,691,200	100.00

- 2. Market share

PowerDirector, one of CyberLink’s top-selling PC Create products, was first introduced in 2001 and is now available in Windows, Android, and iOS versions to meet the needs of different users. The software has won, and continues to win, major awards around the world. With a market share of more than 60% in the retail market in Japan in 2022, the Company’s flagship product “PowerDirector” ranks first in the sales of video-editing software, and has remained the market leader in Japan for eight consecutive years. In addition, the download ranking of “PhotoDirector” in the Japanese iOS App Store under the Photo & Video category climbed to fifth place. In 2022, “PowerDirector” won the recognition of the “Editors’ Choice”, the authoritative U.S. PC magazine again, and this is also the honor of the PowerDirector series for 13 consecutive years. In January 2023, “PowerDirector 365” won the highest five star award of the “Editors’ Choice” PC magazine, and was also selected as the “Best Technology Product of 2022” by the magazine.

In 2022, the face recognition business made good progress in winning more strategic customers and establishing stronger business partners. We cooperated with Yuanta Life in the “remote insurance purchase” scheme; FaceMe® Fintech which combines ID card anti-counterfeiting, face recognition, living body recognition and video conference modules to break the previous framework of “face-to-face signing” for insurance transactions, and increase the convenience of insurance business; the FaceMe face recognition engine is also adopted by Good Finance to improve the eKYC (digital identity verification) process of account opening, and new users can



have their identities verified and sign documents via the mobile phone lens and complete account opening at the remote end without having to go to the counter in person. The “Vehicle Inspection Information System” jointly developed by the Japanese system integrator Itochu and FaceMe of CyberLink was adopted by Toyota’s Vehicle Quality Control, and CAC of Japan also adopts the FaceMe face recognition engine<sup>®</sup> in the unmanned store “Ministop Pocket” of its headquarters to enable employees to pay for shopping with face recognition. CyberLink also joined hands with Union Community, a listed major manufacturer of access control machines in South Korea, to launch a new generation of face recognition access control machines to create a contactless and safe intelligent security control environment.

Macnica, a Japanese AIoT solutions provider, has adopted FaceMe’s AI facial recognition engine to improve the facial recognition capability of GROOVE X home companion robot, LOVOT (らぼっと). FaceMe is a real-time AI facial recognition engine with the advantages of fast recognition speed (less than 0.2 seconds), high accuracy (99.81% correct recognition rate), wide recognition range and the versatility of different angles. The LOVOT home companion robot needs to look up at the face, and the key consideration in selecting facial recognition technology is to be able to accurately recognize faces under a wide range of angles. In addition, it must be able to be integrated into a lightweight embedded system like LOVOT, all of which FaceMe can accomplish. FaceMe<sup>®</sup> is currently adopted by more than one hundred reputable businesses local and abroad; nearly 25% of which are IoT hardware manufacturers based in Taiwan that specialize in the development of industrial applications, security gates, e-bulletins, and meal ordering kiosks. Using locally developed facial recognition technology, CyberLink helps create a facial recognition ecosystem for IoT manufacturers in Taiwan, and supports business partners in the development of world leading solutions.

### 3. Future market supply, demand, and growth

Leveraging our existing strengths, CyberLink continues to invest in new business ventures with high growth potential and to deepen our cloud services and enhance the growth of our subscription system. Future development will continue to focus on the Company’s three growth engines. Sales growth of PC-Create, Mobile App, and FaceMe.

(A) Creative editing software for PCs and mobile devices

- Unparalleled products and services, cool AI features and rich content materials:

Continue to enhance our product features and services to provide consumers with value-added content kits and rich and diverse copyrighted materials at a faster pace, and launch richer seasonal content materials and kits in 2023, as well as newly emerging generative AI avatars. We also continue to harness AI innovation technology to introduce various cool new features, optimize UI/UX to create the best user experience, enhance user stickiness and increase the renewal rate of subscribers. Expand the current successful B2B2C channel partnership model to more major computer brands to accelerate market penetration in North America, Japan, Europe, Africa and the Middle East.

- Leverage our successful digital marketing experience to drive subscription growth:

Successful digital marketing campaigns in key overseas markets, such as the U.S. and Japan, leading to significant sales growth. In 2022, SEO search engine optimization drove a 370% increase in naturally generated traffic compared to 2021, an impressive performance. In 2023, we will continue to invest in digital marketing resources to deepen our existing market share and expand to more potential markets, leveraging our digital marketing success to effectively acquire new users and drive growth.

- Launch of a new web-based online editing tool:

MyEdit, a new web-based online editing tool, was launched in 2022, enabling creators to easily edit their work online anywhere, anytime. Since the launch of MyEdit in the fourth quarter of 2022, the number of active monthly visitors to the website has grown 500% to over 100,000 MAUs in just six months, and the Company plans to launch MyEdit online editing subscription service in 2023 to attract more new users and contribute to the Company's subscription revenue growth.

- Template-based Editing:

The new "Promeo APP" mobile version was launched in 2022, providing tens of thousands of templates-based video and image design templates for quick and easy customization. Whether users want to create advertisements, posters, seasonal promotions, holiday promotions, social posts, web videos, etc., they can choose from a

wide range of templates with a variety of themes and customize them to adjust colors, fonts, effects, etc. The simple, easy-to-use, and quick templates allow small and medium-sized businesses, and social media content creators to easily produce unique videos and graphic designs that can be quickly published on various social media platforms. A PC version, “Promeo PC”, is planned for 2023.

(B)FaceMe® and Computer Vision

- World’s advanced facial recognition algorithm:  
FaceMe® offers exceptional performance with regard to identity verification and anti-spoofing technologies, and continues to rank among the world’s leading technologies in the Face Recognition Vendor Test (FRVT) conducted by the National Institute of Standards and Technology (NIST). CyberLink will continue refining its algorithms with the goal of further improving ranking in NIST’s FRVT, and making FaceMe® the world’s leading brand in facial recognition.
- Accelerate customer activation and deployment:  
Provide customers with better troubleshooting tools to facilitate smooth first-time installations. Strengthen localized technical services for overseas markets, such as installation manuals, database support, etc., to make customer deployment and troubleshooting easier. Optimize technical services to speed up the efficiency of evaluation testing and commissioning deployment at the customer end.
- Integrate channel resources to expand market opportunities.  
Strengthen domestic and overseas sales channel collaboration and resource integration to enhance brand exposure, participate in industry exhibitions, events, joint marketing, etc. to expand market opportunities. Leverage FaceMe platform to expand eKYC business to overseas regional markets and increase channel partners to expand Smart Security Control Surveillance business. Expand the marketing team in Southeast Asia, the U.S., Japan, and Taiwan to accelerate market expansion and revenue contribution growth.
- Deepen strategic cooperation with business partners:  
Currently, we have strategic alliances with Intel, NVIDIA, NXP, Qualcomm, MediaTek, and other top-tier chip makers to support a wide range of mainstream chipsets; we have also successfully worked with major VMS vendors Genetec, Axis, Milestone,

Network Optix, and Vivotek to deepen technology integration. FaceMe® will continue to strengthen strategic partnerships with VMS, SoC chip makers and system integrators (SI) to accelerate global business growth. We envisage to synergize SoC/VMS partners and channel resources, expand overseas markets in Southeast Asia, and accelerate FaceMe to become a large-scale business.

#### 4. Competitive advantage

##### (1) Comprehensive research, development, technology, product, and market plans

CyberLink has a strong R&D team and has long been dedicated to the development of innovative software. By studying and understanding consumers' needs, the Company is able to commercialize software technologies and turn them into successful products. In terms of creative editing software, we will strengthen our content marketing, launch richer seasonal content, and respond to the needs of small and medium-sized businesses and social media in the new era with new trendy short video clip editing and fast and convenient design templates, and continue to launch new AI features such as AI image enhancement and AI auto-editing. The company will continue to expand its successful B2C channel model to more computer brands to accelerate distribution and business penetration in North America, Japan, Europe, Africa and the Middle East.

In terms of FaceMe® face recognition, we will continue refining the algorithm to improve the NIST ranking (face/anti-counterfeit passive 2D anti-spoofing), launch the product line's new application of People Tracker footprint tracking function, deepen the integration of SoC/VMS partners and channel resources, and expand overseas markets in Southeast Asia, in order to accelerate the promotion of FaceMe to become a large-scale business entity.

##### (2) Effective management of capital and manpower

Although software developers do not require significant capital for production and inventory storage as do manufacturers, they do require the support of adequate capital and top-performing talents for technology development, product marketing, and global market expansion. As far as technology conversion is concerned, the ability to commercialize software technologies is essential. In addition to having ample capital supply and making conservative capital plans, CyberLink has attracted many excellent talents to join its team over the years. Their exceptional skills and ability to work as a team have led to the introduction of new creative tools and video editing software, as well as upgrades and kits. By adopting smart management

and digital processes, the Company is able to develop a more robust management system to support global business expansion efforts in the future.

(3) Globalized business strategy

Given the rapid changes in the IT industry and how the Internet has eliminated the borders that used to separate countries, being able to anticipate market changes has become the key to pursuing growth for software developers. By gaining insight into market and industry trends, CyberLink will be able to develop optimal business plans in line with its own competitive advantage, and take further steps to secure the continuity of its operations. The Company has always adopted a business strategy that sets eyes on the global market. Today, the Company works with many globally reputable OEM/ODM customers, and sells products to far corners of the world through online as well as offline channels under a proprietary brand.

5. Future opportunities, threats, and response strategies

(1) Opportunities

- (A) An R&D team that is persistent and competent at product and technology innovations
- (B) Experienced business team
- (C) Knowledge of industry developments
- (D) Globalized business strategy and strategic partnership
- (E) Increasing popularity of social media and digital marketing stimulates demand for creativity and media editing tools
- (F) Support of government policy
- (G) High growth of the multimedia software industry
- (H) Complete product lines and diverse opportunities
- (I) Highly compatible and practical products
- (J) Strong financial position and abundant capital

(2) Threats

- (A) Competition from freeware
- (B) PC demand falls to normal after the pandemic
- (C) The NTD exchange rate remains volatile
- (D) Industry peers have significantly increased advertising expenses, posing additional competition
- (E) There are already ample providers of AI-assisted facial recognition solutions



(3) Response strategies:

- (A) Optimize user experience and offer more competitive products and services to secure market share
- (B) Increase revenue contribution from CyberLink's three top-

growing product lines; grow the creativity product line in global markets and bring new businesses such as facial recognition to an ideal size.

- (C) Conduct intensive studies on the changes of major currencies against NTD, and mitigate possible impacts of exchange rate variation through diversification and currency hedge.
- (D) Promeo APP and PC versions provide a wide variety of design templates (video/photo templates) for creators to quickly apply to generate a variety of advertising design and social media content, and launch a new online editing service (audio/ photo online editing) to attract new users, thus increasing the scale of subscription revenue. Provide users with value-added content materials and new cool AI features to increase user satisfaction and renewal rates, and consolidate market share.
- (E) Continue making refinements to the facial recognition algorithm with the goal of further improving ranking in NIST’s tests and becoming the world’s top performer

5.2.2. Main products and purposes:

Video playback	
<p>PowerDVD 22</p> 	<p>PowerDVD is unlike any conventional video playback tool; it provides total support for DVD, Blu-ray discs, video files, photos, audio, VR 360° videos, and online platforms including YouTube &amp; Vimeo. Even formats that are not natively supported by Windows can play smoothly on PowerDVD. Those who seek the ultimate video viewing experience can pair up an Ultra HD HDR TV or VR headset to bring every little detail to life, and immerse in the reality of motion pictures. Featuring proprietary video and audio enhancement technology, PowerDVD presents images closer to perfection and delivers theater-grade audio even on laptops in an outdoor setting.</p>
<p>PowerPlayer 365</p> 	<p>PowerPlayer organizes all of your media files in one place, giving you easy access to your favorite shows and films wherever you go. The player supports playback of 8K, 4K, and HDR10 video and HiFi 5.1 surround audio for the best viewing and listening experience. Using CyberLink Cloud, users may even access, view, and share media files wherever they go.</p>










Editing and production	
 <p>PowerDirector 365 威力導演</p>	<p>PowerDirector not only combines powerful video editing functions into simple and user-friendly tools, but also provides users with access to visually appealing effects and a growing database of stock materials, whereas the improved user interface allows novice and professionals to quickly begin their creative journey! The subscription brings users access to a powerful editing platform, proprietary functions, monthly released expansion kits, and unrestricted use of high-quality stock media materials.</p>
 <p>Director Suite 365 創意導演</p>	<p>Director Suite 365 provides subscribers with a comprehensive set of video editing functions that are constantly improved and updated! The package combines video editing, photo editing, audio post-production, and video color grading tools to give users full control over the post-production process and the completion of their masterpieces!</p>
Color adjustment and correction	
 <p>ColorDirector 365</p>	<p>ColorDirector has color tools built in that are easy to use yet capable of delivering near-professional results, which makes it suitable for beginners as well as advanced users. It is a tool that helps creators tell stories and reach their audiences through the images produced.</p>
Audio editing	
 <p>AudioDirector 365</p>	<p>Sound effects can sway the audience's emotions just as strongly as images when used in the right way. Audio can even make a masterpiece out of a thoughtfully crafted production! AudioDirector has a full set of tools and an intuitive interface built in to help creators improve their audio presentation. Audio creation has never been so easy. The software has been perfectly integrated with PowerDirector to shorten the workflow and improve the efficiency of the creative process.</p>
Sports video editing	
 <p>ActionDirector 3</p>	<p>ActionDirector is a video creation software tailor-made for sports video makers. Featuring an easy-to-use interface, even beginners are able to make astonishing works and take their adventurous moments to the next level!</p>

Photo editing	
	<p>PhotoDirector 365 offers proprietary AI tools, new functions, and full format support; subscribers also have access to a rich collection of expansion contents and kits, as well as the most complete image editing experience! The software incorporates powerful AI technologies that enable users to quickly remove objects and backgrounds from an image, or turn a photo into a painting with just one click.</p>
Webcam special effects	
	<p>YouCam is an all-in-one video conferencing software that supports all online video applications from live streaming to business meeting. YouCam can be seamlessly integrated with Zoom, U Meeting, Microsoft Teams, Google Meet, Facebook, YouTube Live, Twitch, and popular live streaming software to provide skin smoothing, among other cosmetic filters, in real-time to look your best with just one click! Users can also choose from more than 200 AR patterns and make customized texts and images to bring more fun to the meeting, conference, or live stream.</p>
	<p>Designed specifically for business professionals, PerfectCam is the next-generation video conferencing software incorporating the latest AI-assisted facial recognition technology and AR cosmetic tools that allow users to host more private video conferences anytime, anywhere, in their most professional look. PerfectCam is the essential video conferencing tool for business professionals today! Combining AI-assisted facial detection and AR technologies, PerfectCam accurately distinguishes people from the background and blurs the background to remove distractions. Users can even use customized images to replace their backgrounds. Protect privacy while you give your best during the meeting.</p>
Backup and disc-writing	
	<p>Power2Go is a comprehensive video storage package that combines disc-writing, backup, and file conversion features all in one. In addition to supporting all popular disc and video formats, Power2Go incorporates several proprietary patented video processing technologies and has been integrated with social networking platforms including Flickr, YouTube &amp; Vimeo, to allow playback (even offline) on any mobile device and media player after file conversion and backup. Meanwhile, the presence of military-grade data protection and powerful restoration tools ensures that each file is stored securely without worries!</p>
	<p>PowerProducer 6 helps you turn photo and video productions into Hollywood-style Blu-ray and DVD discs. It houses the most complete set of disc editing tools, supports the latest media formats, and converts files at unmatched speed. PowerProducer 6 is undoubtedly your best partner for authoring discs on Windows.</p> <p>PowerProducer 6 brings more flexibility to menu design and disc authoring, allowing users to design HD quality menus. Meanwhile, the inclusion of disc cover design software helps users create disc covers with originality.</p>



Mobile Apps	
<p>Promeo</p> 	<p>Promeo is a versatile marketing video production tool developed to help enterprise users create eye-catching short videos and interact with consumers. Choose from hundreds of customized templates and adjust color tone, font style, and special effects while adding stock media materials from the database to enrich your presentation. Promeo offers a full set of tools and resources to help you produce eye-catching advertisements, promotional short videos, demonstrations, and training videos. Regardless of the size of business or prior video production experience, use Promeo to create professional marketing videos at your fingertips!</p>
<p>ActionDirector</p> 	<p>ActionDirector aims to deliver a mobile editing experience like never before. With a user-friendly interface and powerful editing tools built in, users can crop videos, adjust quality settings, and add special effects or music on the go to bring videos to life in just minutes!</p>
<p>PowerDirector</p> 	<p>PowerDirector offers a complete range of creativity tools that you can use to create captivating videos at your fingertip. Featuring a user-friendly timeline interface, the App allows quick import and editing of media materials as well as special effects and text, which can be exported into HD quality video.</p> <ul style="list-style-type: none"> <li>● Simply drag and drop materials and special effects onto the timeline interface</li> <li>● More than 40 video effects and transition effects built in</li> <li>● Use the Magic Wizard to shorten workflow</li> <li>● Crop, edit, and adjust the order of media materials</li> </ul> <p>Upload results directly to Facebook and YouTube</p>
<p>PhotoDirector</p> 	<p>PhotoDirector is a user-friendly photo editing software that even beginners can use to make dazzling creations in an instant.</p> <ul style="list-style-type: none"> <li>● Make a full range of photo adjustments from white balance, brightness, exposure, and contrast to saturation</li> <li>● Easily remove redundant objects from photo</li> <li>● Add and adjust HDR effects to create breathtaking scenery shots</li> <li>● Choose from more than 70 styles such as Lomo, HDR, and Nostalgic to create the perfect tone</li> <li>● Change skin tone in portrait shots with ease</li> </ul> <p>Save the image in JPEG format for sharing via email or social network</p>

### 5.2.3. Supply of key materials

Name of key materials	Supplier	State of supply	Footnote
User manual, color box, and packaging	Kin-Shine Printing Corp. Intramedia Inc.	Good	The Company provides the final design to be produced by the printing plant.
Discs	Kin-Shine Printing Corp. Intramedia Inc.	Good	The Company provides a master disk of the software developed to be produced by the disc manufacturer.

#### 5.2.4. Key Supplies & Customers

##### 1. Names of suppliers accounting for more than 10% of the total purchase in any of the previous two years:

Unit: NT\$ thousands; %

Item	2021				2022			
	Name	Amount	% of annual net purchases	Relationship with the issuer	Name	Amount	% of net purchases in the previous quarter of the current year	Relationship with the issuer
1	A	7,118	84.99	Not-related parties	A	8,616	99.75	Not-related parties
2	B	1,222	14.59	Not-related parties	B	-	-	Not-related parties
3	Others	35	0.42		Others	22	0.25	
	Net purchases	8,375	100.00		Net purchases	8,638	100.00	

Note: This chart represents audited consolidated financial information.

##### 2. Names of customers accounting for more than 10% of the total sales in any of the previous two years:

Unit: NT\$ thousands; %

Item	2021				2022			
	Name	Amount	% of annual net sales	Relationship with the issuer	Name	Amount	% of net sales (%) in the previous quarter of the current year	Relationship with the issuer
1	A	580,346	36.80	Not-related parties	A	642,186	37.97	Not-related parties
2	B	224,352	14.23	Not-related parties	B	187,675	11.10	Not-related parties
3	C	153,024	9.70	Not-related parties	C	287,445	17.00	
	Others	619,347	39.27	Not-related parties	Others	573,894	33.93	Not-related parties
	Net sales	1,577,069	100.00		Net sales	1,691,200	100.00	

Note: This chart represents audited consolidated financial information.

### 5.2.5. Production volume and value in the last two years

#### 1. Consolidated production volume/value worldwide

The Company operates in the information and software industry; it is not involved in manufacturing and thus does not own any production facility. All production activities are performed by contractors. Therefore, there is no data on production capacity, volume, or value.

#### 2. Production volume/value of the Taiwan parent company

The Company operates in the information and software industry; it is not involved in manufacturing and thus does not own any production facility. All production activities are performed by contractors. Therefore, there is no data on production capacity, volume, or value.

### 5.2.6. Sales volume/value in the last two years (global consolidated revenues)

Unit: NT\$ thousands

Production volume/value Main Merchandise	Year		Year	
	2021		2022	
	Sales value		Sales value	
	Domestic sale	Export sale	Domestic sale	Export sale
Media Creation	48,351	924,387	84,543	1,100,813
Media Experience and Entertainment and Others	49,759	554,572	61,773	444,071
Total (Note)	98,110	1,478,959	146,316	1,544,884

Note: The Company has some sales types, namely sale of software products bundled with hardware, firm's products, sale of software through interne (including cloud subscription), retail, and over mobile devices. Due to the nature of the software industry, sales can be made in very different ways, and some of the licensing revenues are charged in fixed amounts and not by volume. For this reason, sales volume does not fully reflect revenues.

## 5.3. Employee information in the last 2 years up until the publication date of annual report

### 5.3.1. Employee information in the last 2 years up until the publication date of annual report

<Global consolidated>

Unit: persons

Item	Year	2021	2022	2023/3/31
Employee size	Managerial personnel	28	30	23
	Technology and R&D personnel	234	252	252
	General staff	138	161	169
	Total	400	443	444
Average age		36.3	36.3	35.4
Average years of service (years)		7.7	7.7	7.6
Analysis of employees' education	Doctoral Degree	5	5	5
	Master's Degree	248	272	272
	University (college)	147	166	167
	Senior high school	0	0	0
	Total	400	443	444

### 5.3.2. Work environment and protection of employees' safety:

The Company has established a safety and health code in accordance with worker safety and health regulations to maintain workplace safety and personnel safety. The following measures have been taken in this regard:

1. Establishment of a dedicated unit for the protection of the work environment and employees' personal safety: The Company has designated the Human Resources Department as the work environment and employee safety protection unit. This department is responsible for overseeing matters relating to the work environment and employees' personal safety.
2. Rigorous premise security control: The Company has a premise security control system in place, and uses a security system to protect its premise at night time and during holidays. The Company also maintains close contact with the police to ensure the safety of the office environment and employees.
3. Regular cleaning and disinfection of office environment: The Company cleans and disinfects the office environment on a yearly basis to keep the workplace clean.
4. Safety protection for overtime workers: The Company has set up emergency contact with the local police within the office, and cooperates with designated taxi service providers to pick up employees who work overtime at night, and thereby ensuring their safety.
5. Regular safety inspection of the office environment: The Company coordinates with the building's safety inspection department to conduct regular safety inspections of the office environment. Safety awareness campaigns and disaster prevention seminars are organized from time to time to ensure that the work environment conforms to safety standards.
6. Annual employee health checkups: The Company organizes annual employee health checkups to monitor employees' health.
7. Complete insurance coverage for employees: In addition to mandatory Labor Insurance and National Health Insurance, the Company also arranges group insurance to provide employees with complete assurance with regard to their safety and health.

### 5.4. Contribution to environmental protection

The Company operates in the information and software industry, and engages disc manufacturers and package manufacturers to produce discs and color packages for the products developed. The Company is not involved in manufacturing activities and therefore does not generate wastewater, exhaust, or industrial waste.

The European Union implemented a new set of environmental protection laws on July 1, 2006 that requires all goods imported into the EU to be free of excess heavy metal, such as lead. Products of the Company are manufactured through subcontract arrangements, and according to suppliers, all finished goods supplied to the Company have complied with the above regulation. Furthermore, suppliers have signed assurances to the Company that the products supplied do not contain prohibited or restricted substances, and that they have correctly comprehended the

EU's latest prohibitions and are producing goods in accordance with relevant rules. Suppliers have provided the Company with reports, printed documents, sample materials, and test data on chemical substances that they are bound to submit to EU authorities, in order to provide reasonable assurance that the products exported to the EU have conformed with the latest environmental protection laws.

## **5.5. Labor-management relations**

5.5.1. Employee welfare measures: The Company assembled its own Employee Welfare Committee on February 21, 2000, for which it obtained approval from the Department of Labor, Taipei City Government, under Correspondence Bei-Lao-(I) No. 8921123700. The Employee Welfare Committee convenes regular meetings to discuss related matters and to supervise budget execution. The Company has always valued labor-management relations, and in addition to complying with laws, the following welfare measures are being taken to care for employees:

1. Profit sharing for employees.
2. Robust retirement system.
3. Meal allowance and missed meal subsidy.
4. Labor Insurance, group insurance, and National Health Insurance coverage.
5. Regular employee health checkup
6. Special leave for those who have completed more than one year of service, which increases with seniority.
7. Annual employee trip. (Including half-day trip, one-day trip, and parental day event)
8. Annual sports competition and arts/cultural activities, such as:
  - (1) Annual sports day.
  - (2) Basketball competition.
  - (3) Table tennis competition.
  - (4) Softball competition.
  - (5) Photography competition.
  - (6) Language study
9. Talent development programs and employee growth training include:
  - (1) Regular internal English courses (where the Company hires English tutors).
  - (2) Unscheduled participation in international academic conferences and computer shows.
  - (3) Unscheduled participation in conferences or training courses organized by government or private institutions.
  - (4) Unscheduled internal courses.
  - (5) Unscheduled seminars by scholars or professionals.

The Company organized 68 sessions for a total of 255.5 hours in 2022. Course enrollment totaled 1,111 people and training expenses amounted to NT\$324.899 thousands.

Course category	Sessions	Enrollments	Hours	Expenses (NT\$ thousands)
Management training	7	97	26.5	184.654
Specialized training	16	47	143.5	77.330
Elite training	0	0	0	0
Language training	32	21	64	57.600
Seminar	2	836	3.5	0
Others	11	110	18	5.315
Total	68	1111	255.5	324.899

- 10.Regular, fixed subsidies for department gatherings.
- 11.An Employee Welfare Committee, which organizes the following leisure activities and subsidies for employees:
- (1)Wedding subsidy/funeral subsidy/childbirth subsidy.
  - (2)Club activities (weekly badminton games/swimming ticket subsidy/table tennis games, and sports/arts/cultural clubs) and club subsidies.
  - (3)Festive cash
  - (4)Year-end party.
  - (5)Unscheduled indoor/outdoor activities and gatherings.
  - (6)Weekly/monthly leisure magazine subscription.
  - (7)Regular sports games and arts/cultural competitions.
  - (8)Regular art/culture appreciation events and seminars are organized to raise employees’ art awareness.
  - (9)Language study subsidy.
  - (10)Sports day event for promoting healthy exercise.
  - (11)Annual domestic/foreign trip subsidies.
12. Labor-management meetings: The Company introduced labor-management meetings in July 2017; these meetings are held every three months to discuss employees’ suggestions and improvements, and are intended to create a harmonic work environment.

#### 5.5.2. Retirement system:

- 1.The Company has developed its own retirement policy in accordance with the Labor Standards Act, which applies to employees who commenced service prior to the enforcement of the “Labor Pension Act” on July 1, 2005, and employees who continued to opt for the pension rules of Labor Standards Act after “Labor Pension Act” came into effect. 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 the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

2. The Company has implemented a defined contribution policy in accordance with the “Labor Pension Act” since July 1, 2005. For employees who are subject to the pension scheme introduced under the “Labor Pension Act,” the Company contributes a sum of no less than 6% of employees’ salary to their individual accounts held with the Bureau of Labor Insurance on a monthly basis.

5.5.3. Agreements between employer and employees:

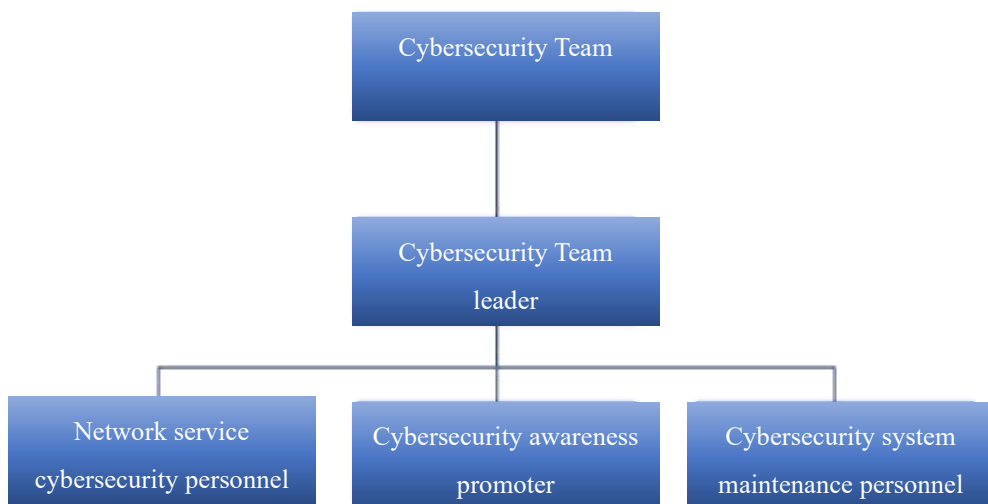
The Company did not suffer any loss relating to employment disputes in the last 3 years. However, given the Company’s characteristic as a software developer that relies on technical know-how for business success, all employees are prohibited from engaging in competing business for the protection of the Company’s interests, and the restriction applies even six months after resignation.

**5.6. Cybersecurity management**

The Company has developed its own cybersecurity risk management plan in accordance with government regulations and requirements to ensure the confidentiality, integrity, and availability of information held in possession.

1. Cybersecurity risk management framework and cybersecurity policy

A cybersecurity team has been assembled under the IT Department to oversee coordination and execution of the cybersecurity policy. The cybersecurity policy includes compliance guidelines for network service engineers and employees of the Company. The Company also provides cybersecurity training for network service engineers, so that they have the skills necessary to implement sophisticated cybersecurity protections for all of the Company’s online services. Meanwhile, employees’ cybersecurity training courses focus more on raising employees’ cybersecurity awareness.



**Organizational chart for the Cybersecurity Team**

For network service engineers, the Cybersecurity Team gathers relevant information and takes protection measures immediately in response to cybersecurity incidents. Arrangements are also made to have engineers take part

in cybersecurity seminars, where they can develop the skills needed to enhance cybersecurity in network service. With regards to the Company's network services, the Cybersecurity Team conducts vulnerability scans and source code scans regularly to ensure that all network services are adequately protected. In addition to internal vulnerability scans and source code scans, the Cybersecurity Team also engages third-party institutions to perform penetration tests and obtains test reports and certifications. These exercises help prevent leak of important data. Aside from system scans and tests, the Cybersecurity Team assigns a dedicated personnel to oversee cybersecurity of each network service, and creates a cybersecurity incident reporting group to ensure that the cybersecurity policy is duly enforced and that incidents are handled in a proper manner.

For employees of the Company, the Cybersecurity Team organizes regular programs to promote cybersecurity awareness, and makes tutorial videos to be used in the training of new recruits. Furthermore, the Cybersecurity Team forces employees to change passwords for internal systems in regular intervals, and ensures that protection software is installed on all workstations and are updated regularly. Employees are required to sign in to internal systems using multi-factor authentication. When accessing internal systems outside company premise, employees are required to use secured connection combined with two-factor authentication in order to connect to the Intranet. All remote connection attempts are recorded on system and notified to relevant personnel.

In addition to the above, the Cybersecurity Team is also responsible for maintaining the effectiveness of cybersecurity solutions and procedures. The Company allocates cybersecurity budgets each year to enforce cybersecurity management and to provide the required technologies, hardware, and software so that network services, systems, and equipment are adequately protected to free of cybersecurity concern.

2. Management solutions and commitment to cybersecurity management resources
  - (1) Internet security control: Firewall, regular virus scan, intrusion detection and protection, and tracking of network anomaly.
  - (2) Data access control: quarterly update of system password, rigorous control of access rights, control of remote logins to information system, and multi-factor authentication for internal information systems have all been adopted to prevent unexpected login due to account name and password leak.
  - (3) Data backup and restoration drill: Corporate data is backed up daily to off-site facilities, and data restoration drills are organized to ensure that data is not lost in the event of an attack.
  - (4) Cybersecurity training and promotion: The Company conducts organization-wide cybersecurity awareness programs on a quarterly basis, and makes annual arrangements to have network service engineers take part in cybersecurity conferences and share findings internally to help improve professional capacity of the Cybersecurity Team.
  - (5) Renewal of cybersecurity software and hardware: All cybersecurity



software and hardware within the Company are inspected and renewed on a regular basis. This includes firewalls, intrusion detection and protection systems, anti-phishing software, spam mail filters, vulnerability scanning systems, system backup software, and tape backups.

- Losses arising as a result of major cybersecurity incidents in the last year up until the publication date of annual report, and possible impacts and response measures; state the reasons if losses can not be reasonably estimated: None.

## 5.7. Major contracts

March 31, 2023

Contract nature	Parties involved	Contract start/end date	Main details	Restrictions
Patent licensing	BHA	August 1, 2004 - now	CLIP Source code	None
Patent licensing	MPEG LA	20060101~20271231 (Automatically renewed for 5 years upon maturity)	VC-1 Patent Portfolio	None
Technology licensing	Dolby Laboratories	October 1, 2012 - now	Dolby Codec Program	None
Patent licensing (renewal)	VIA Licensing	20180919~20230918	MPEG-4 Audio Patent License	None
Patent licensing	One-Blue, LLC	20110701~20260630 (Automatically renewed for 5 years upon maturity, until the patent expires)	Licensing of Blu-ray basic patent	None
Patent licensing (renewal)	Toshiba	20180101~20271231 (Automatically renewed for 5 years upon maturity)	Premier BD Patent License	None
Patent licensing	MPEG LA	20020801~20251231 (Automatically renewed for 5 years upon maturity)	H.264 (AVC) Patent Portfolio	None
Patent licensing	MPEG LA	20130501~20251231 (Automatically renewed for 5 years upon maturity)	H.265 (HEVC) Patent Portfolio	None
Patent licensing	AccessAdvance	20161101~20251231	H.265 (HEVC) Patent Portfolio	None

## 6. Financial Highlights and Analysis

### 6.1. Condensed balance sheet and comprehensive income statement for the past 5 years

#### 1. Condensed balance sheet for the past 5 years

##### 1. Consolidated financial statements

Unit: NT\$ thousands

Item	Year	Financial information for the past 5 years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		2,950,457	3,018,970	2,269,145	1,946,624	2,063,676
Long-term investments (Note 2)		314,741	676,201	1,057,940	280,426	2,027,160
Property, plant and equipment, net (Note 3)		502,781	483,900	483,854	454,649	437,460
Right-of-use assets		-	10,536	17,996	4,585	10,879
Investment property, net		1,361,834	1,251,034	1,239,664	1,228,294	1,226,913
Intangible asset		-	-	2,116	2,057	2,250
Other assets		55,918	54,070	62,227	47,888	55,903
Total assets		5,185,731	5,494,711	5,132,942	3,964,523	5,824,241
Current liabilities	Before distribution	770,584	716,849	714,056	669,795	707,381
	After distribution (Note 5)	1,021,340	1,022,180	891,801	805,141	(Note 4)
Non-current liabilities		574,627	597,275	602,730	588,271	467,118
Total liabilities	Before distribution	1,345,211	1,314,124	1,316,786	1,258,066	1,174,499
	After distribution (Note 5)	1,595,967	1,619,455	1,494,531	1,393,412	(Note 4)
Equity attributable to shareholders of the parent		-	-	-	-	-
Capital Stock		849,321	845,992	826,003	773,533	789,418
Capital surplus	Before distribution	940,029	1,130,694	1,177,301	703,016	2,468,920
	After distribution (Note 5)	-	-	-	667,424	-
Retained earnings	Before distribution	2,210,725	2,333,141	2,213,279	1,472,315	1,561,705
	After distribution (Note 5)	1,959,969	2,027,810	2,035,534	1,372,561	(Note 4)
Other equity interest		(88,831)	(129,240)	(185,920)	(242,407)	(170,301)
Treasury shares		(70,724)	-	(214,507)	-	-
Total equity	Before distribution	3,840,520	4,180,587	3,816,156	2,706,457	4,649,742
	After distribution (Note 5)	3,589,764	3,875,256	3,638,411	2,571,111	(Note 4)

Note 1: The above financial information between FY2018 and FY2022 has been audited by PwC Taiwan.

Note 2: Long-term investments include non-current financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets carried at cost after amortization, and equity-accounted investments.

Note 3: No asset revaluation was performed in any year.

Note 4: The appropriation of earnings for FY2022 has been approved by the Board of Directors on March 28, 2023, pending the resolution of the shareholders' meeting.

Note 5: Calculated based on surplus cash reserve distribution resolved in the following year's shareholders' meeting.

## 2. Parent company only financial statements

Unit: NT\$ thousands

Item		Year	Financial information for the past 5 years (Note 1)				
			2018	2019	2020	2021	2022
Current assets			1,966,325	1,808,889	1,344,827	1,167,681	1,405,185
Long-term investments (Note 2)			1,218,186	1,690,676	1,839,245	994,945	2,683,972
Property, plant and equipment, net (Note 3)			335,320	319,330	319,883	311,897	300,858
Right-of-use assets			-	8,181	8,779	4,585	10,879
Investment property, net			1,246,862	1,251,034	1,239,664	1,228,294	1,226,913
Intangible asset			-	-	2,116	2,057	2,250
Other assets			25,993	27,729	35,940	32,105	37,604
Total assets			4,792,686	5,105,839	4,790,454	3,741,564	5,667,661
Current liabilities	Before distribution		386,899	336,245	382,577	446,836	550,801
	After distribution (Note 5)		637,655	641,576	560,322	582,182	(Note 4)
Non-current liabilities			565,267	589,007	591,721	588,271	467,118
Total liabilities	Before distribution		952,166	925,252	974,298	1,035,107	1,017,919
	After distribution (Note 5)		1,202,922	1,230,583	1,152,043	1,170,453	(Note 4)
Equity attributable to shareholders of the parent			-	-	-	667,424	-
Capital Stock			849,321	845,992	826,003	773,533	789,418
Capital surplus	Before distribution		940,029	1,130,694	1,177,301	703,016	2,468,920
	After distribution (Note 5)		-	-	-	-	-
Retained earnings	Before distribution		2,210,725	2,333,141	2,213,279	1,472,315	1,561,705
	After distribution (Note 5)		1,959,969	2,027,810	2,035,534	1,372,561	(Note 4)
Other equity interest			(88,831)	(129,240)	(185,920)	(242,407)	(170,301)
Treasury shares			(70,724)	-	(214,507)	-	-
Total equity	Before distribution		3,840,520	4,180,587	3,816,156	2,706,457	4,649,742
	After distribution (Note 5)		3,589,764	3,875,256	3,638,411	2,571,111	(Note 4)

Note 1: The above financial information between FY2018 and FY2022 has been audited by PwC Taiwan.

Note 2: Long-term investments include non-current financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets carried at cost after amortization, and equity-accounted investments.

Note 3: No asset revaluation was performed in any year.

Note 4: The appropriation of earnings for FY2022 has been approved by the Board of Directors on March 28, 2023, pending the resolution of the shareholders' meeting.

Note 5: Calculated based on surplus cash reserve distribution resolved in the following year's shareholders' meeting.

2. Condensed statement of comprehensive income  
 (1) Consolidated financial statements

Unit: NT\$ thousands (except EPS which is in dollars)

Item	Year	Financial information for the past 5 years (Note)				
		2018	2019	2020	2021	2022
Net revenue		1,573,817	1,454,646	1,640,662	1,577,069	1,691,200
Gross profit		1,341,512	1,229,597	1,357,836	1,321,773	1,462,323
Operating income		423,427	258,577	237,449	196,882	197,244
Non-operating income and expenses		20,339	217,014	16,167	(698,435)	23,690
(Loss) income before income tax		443,766	475,591	253,616	(501,553)	220,934
Income from continuing operations for the year		328,829	379,945	188,421	(562,766)	183,625
Net income (loss)		328,829	379,945	188,421	(562,766)	183,625
Other comprehensive loss		23,919	(47,182)	(59,243)	(56,684)	77,418
Total comprehensive (loss) income		352,748	332,763	129,178	(619,450)	261,043
Net(loss) income attributable to shareholders of the parent		328,829	379,945	188,421	(562,766)	183,625
Total comprehensive (loss) income attributable to shareholders of the parent		352,748	332,763	129,178	(619,450)	261,043
Earnings (loss) per share		3.88	4.53	2.26	(7.21)	2.34

Note: The above financial information has been audited (auditor-reviewed) by PwC Taiwan.

(2) Parent company only financial statements

Unit: NT\$ thousands (except EPS which is in dollars)

Item	Year	Financial information for the past 5 years (Note)				
		2018	2019	2020	2021	2022
Net revenue		1,216,697	1,037,065	1,331,777	1,343,676	1,407,331
Gross profit		1,099,393	923,407	1,158,730	1,166,176	1,243,521
Operating income		411,886	211,475	225,873	228,457	231,643
Non-operating income and expenses		11,984	214,776	1,752	(732,711)	(9,326)
(Loss) income before income tax		423,870	426,251	227,625	(504,254)	222,317
Income from continuing operations for the year		328,829	379,945	188,421	(562,766)	183,625
Net (loss) income		328,829	379,945	188,421	(562,766)	183,625
Other comprehensive (loss) income		23,919	(47,182)	(59,243)	(56,684)	77,418
Total comprehensive (loss) income		352,748	332,763	129,178	(619,450)	261,043
Earnings (loss) per share		3.88	4.53	2.26	(7.21)	2.34

Note: The above financial information has been audited by PwC Taiwan.

3. CPAs and their audit opinions in the past 5 years

Year	Name of accounting firm	Name of CPA	Opinion
2018	PwC Taiwan	Wang, Chao-Ming; Lin, Chun-Yao	Unqualified opinion
2019	PwC Taiwan	Wang, Chao-Ming; Lin, Chun-Yao	Unqualified opinion
2020	PwC Taiwan	Lai, Chung-Hsi; Lin, Chun-Yao	Unqualified opinion
2021	PwC Taiwan	Lai, Chung-Hsi; Lin, Chun-Yao	Unqualified opinion
2022	PwC Taiwan	Huang, Chin-Lien, Lai, Chung-Hsi	Unqualified opinion

## 6.2. Financial analysis for the past 5 years

### 1. Consolidated financial statements

Items		Year	Financial analysis for the past 5 years (Note 1)				
		2018	2019	2020	2021	2022	
Financial Structure %	Debt ratio	25.94%	23.92%	25.65%	31.73%	20.17%	
	Long-term Fund to Property, Plant and Equipment	763.86%	863.94%	788.70%	595.28%	1062.90%	
Solvency %	Current ratio	382.89%	421.14%	317.78%	290.63%	291.73%	
	Quick ratio	379.51%	418.43%	313.63%	286.79%	288.92%	
	Time Interest Earned (Note 2)	-	3,899	1,049	(3,388)	2,695	
Operating Performance	Average Collection Turnover (times)	13.01	12.68	15.84	17.78	16.10	
	Days Sales Outstanding	28.05	28.78	23.04	20.52	22.67	
	Average Inventory Turnover (times)	25.69	24.93	25.75	41.75	39.18	
	Average Payment Turnover (times)	1.31	1.46	2.00	3.85	4.17	
	Average Inventory Turnover Days	14.20	14.64	14.17	8.74	9.31	
	Property, Plant and Equipment Turnover (times)	3.16	3.01	3.39	3.47	3.87	
	Total Assets Turnover (times)	0.31	0.26	0.32	0.40	0.29	
	Profitability %	Return on assets (%)	6.37%	7.12%	3.55%	(12.37%)	3.75%
Return on Equity attributable to Shareholders of the Parent (%)		8.56%	9.47%	4.71%	(17.26%)	4.99%	
Pre-tax Income to Paid-in Capital Ratio (%)		52.25%	56.22%	30.70%	(64.84%)	27.99%	
Net profit margin (%)		20.69%	26.12%	11.48%	(35.68%)	10.86%	
Earnings per share (NTD)		3.88	4.53	2.26	(7.21)	2.34	
Cash Flow %	Cash Flow Ratio (%)	53.03%	-2.64%	-12.43%	15.64%	7.87%	
	Cash Flow Adequacy Ratio (%)	134.08%	141.80%	150.28%	139.46%	120.24%	
	Cash Flow Reinvestment Ratio (%)	13.31%	-0.54%	-2.79%	5.02%	1.43%	
Leverage	Operating Leverage	2.87	4.09	4.55	5.54	5.86	
	Financial Leverage	1.00	1.00	1.00	1.00	1.00	

Variation of financial ratios in the last 2 years (not required for variations below 20%):

1. The decrease in the debt ratio from the previous period was mainly due to the increase in total assets as a result of the increase in net investment using the equity method.
2. The increase in the ratio of long-term capital to property, plant and equipment was mainly due to the increase in capital surplus.
3. The decrease in the turnover rate of total assets was due to the increase in total assets.
4. Return on assets, return on equity, net income before tax to paid-in capital, and net profit margin increased from the previous period mainly due to the increase in losses from affiliates and joint ventures recognized under the equity method last year, and the conversion of losses to earnings this year.
5. The decrease in cash flow ratio was mainly due to the decrease in net cash inflow from operating activities.
6. The decrease in cash reinvestment ratio was mainly due to the decrease in net cash inflow from operating activities and the increase in net investment under the equity method.

Note 1: This chart represents audited (auditor-reviewed) consolidated financial information.

Note 2: Financial information for 2018 did not include interest expense, hence not applicable

## 2. Parent company only financial statements

Year		Financial analysis for the past 5 years (Note 1)				
		2018	2019	2020	2021	2022
Items						
Financial Structure %	Debt ratio	19.87%	18.12%	20.34%	27.67%	17.96%
	Long-term Fund to Property, Plant and Equipment	1,145.33%	1,309.17%	1,192.98%	867.74%	1545.49%
Solvency %	Current ratio	508.23%	537.97%	351.52%	261.32%	255.12%
	Quick ratio	503.88%	533.17%	345.05%	257.19%	252.93%
	Time Interest Earned (Note 2)	-	19,376	1,822	(5,144)	2,712
Operating Performance	Average Collection Turnover (times)	20.73	12.55	15.40	24.78	18.68
	Days Sales Outstanding	17.61	29.08	23.70	14.73	19.54
	Average Inventory Turnover (times)	11.84	10.01	11.53	29.18	28.67
	Average Payment Turnover (times)	1.33	1.39	2.22	5.20	4.79
	Average Inventory Turnover Days	30.82	36.46	31.65	12.50	12.73
	Property, Plant and Equipment Turnover (times)	3.63	3.25	4.16	4.31	4.68
	Total Assets Turnover (times)	0.25	0.20	0.28	0.36	0.25
Profitability %	Return on assets (%)	6.86%	7.68%	3.81%	(13.19%)	3.90%
	Return on Equity attributable to Shareholders of the Parent (%)	8.56%	9.47%	4.71%	(17.26%)	4.99%
	Pre-tax Income to Paid-in Capital Ratio (%)	49.91%	50.38%	27.56%	(65.19%)	28.16%
	Net profit margin (%)	27.03%	36.64%	14.15%	(41.88%)	13.05%
	Earnings per share (NTD)	3.88	4.53	2.26	(7.21)	2.34
Cash Flow %	Cash Flow Ratio (%)	119.60%	-3.38%	16.10%	42.05%	40.25%
	Cash Flow Adequacy Ratio (%)	157.61%	165.24%	188.15%	188.89%	182.71%
	Cash Flow Reinvestment Ratio (%)	14.48%	-0.32%	1.93%	8.97%	5.68%
Leverage	Operating Leverage	2.39	3.92	4.34	4.32	4.54
	Financial Leverage	1.00	1.00	1.00	1.00	1.00

Variation of financial ratios in the last 2 years (not required for variations below 20%):

1. The decrease in the debt ratio from the previous period was mainly due to the increase in total assets as a result of the increase in net investment using the equity method.
2. The increase in the ratio of long-term capital to property, plant and equipment was mainly due to the increase in capital surplus.
3. The increase in the receivables turnover ratio was due to the increase in the average accounts receivable.
4. The decrease in the turnover rate of total assets was due to the increase in total assets.
5. Return on assets, return on equity, net income before tax to paid-in capital, and net profit margin increased from the previous period mainly due to the increase in losses from affiliates and joint ventures recognized under the equity method last year, and the conversion of losses to earnings this year.
6. The decrease in cash reinvestment ratio compared to the previous period was mainly due to the increase in net investment under the equity method.

Note 1: This chart represents audited parent company only financial information.

Note 2: Financial information for 2018 did not include interest expense, hence not applicable.

Formulas for calculation of various analyses:

#### 1. Financial Structure

(1) Debts ratio = total liabilities/ total assets

(2) Long-term Fund capital to Property, Plant and Equipment = (net shareholders' equity + long-term liabilities) / net fixed assets

#### 2. Solvency

(1) Current Ratio = current assets / current liabilities

(2) Quick Ratio = (current assets - inventory - prepayments) / current liabilities

(3) Times Interest Earned = net profit before interest and tax / interest expenses for the current period

#### 3. Operating Performance

(1) Average Collection Turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities)

(2) Days Sales Outstanding = 365 / receivables turnover

(3) Average Inventory Turnover = cost of sales/average inventory balance

(4) Average Payment Turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities)

(5) Average Inventory Turnover Days = 365 / inventory turnover

(6) Property, Plant and Equipment Turnover = net sales / net fixed assets

(7) Total Assets Turnover = net sales/total assets

#### 4. Profitability

(1) Return Total Assets = (net income + interest expenses x (1- tax rate)) / average asset balance

(2) Return Equity attributable to Shareholders of the Parent = net income/ average shareholders' equity

(3) Net Margin = net income / net sales



(4) Earnings (Losses) = (net income (loss) - preferred share dividends) / weighted average outstanding shares

#### 5. Cash Flow

(1) Cash Flow Ratio = net cash flow from operating activities / current liabilities

(2) Cash Flow Adequacy Ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years

(3) Cash Flow Reinvestment Ratio = (net cash flow from operating activities - cash dividends) / (gross fixed assets + long-term investments + other assets + working capital)

#### 6. Leverage

(1) Operating Leverage = (net operating revenues - variable operating costs and expenses) / operating profit

(2) Financial Leverage = operating profit / (operating profit - interest expense)

### 6.3. Audit Committee's Review Report

#### Audit Committee's Review Report

The 2022 financial statements (including parent company only financial statements and consolidated financial statements) presented by the Board of Directors have been audited by CPA Huang, Chin-Lien and CPA Lai, Chung-Hsi of PwC Taiwan. We, the Audit Committee, have reviewed the above financial statements along with the business report and earnings distribution proposal, and consider them having presented a fair view of the Company's financial position and business performance, for which we issue this review report in accordance with Article 219 of The Company Act.

For

CyberLink Corp.

Audit Committee convener

Wen-Hsiang Hung

March 28, 2023

#### **6.4. The latest financial statements**

##### CYBERLINK CORP. AND SUBSIDIARIES

##### Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2022, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, the entities that are required to be included in the consolidated financial statements of affiliates, are the same as those required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. In addition, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

CyberLink Corp.

Huang, Jau-Hsiung

March 7, 2023

## Independent Auditor’s Report translated from Chinese

To the Board of Directors and Stockholders of CyberLink Corp.

### **Opinion**

We have audited the accompanying consolidated balance sheets of CyberLink Corp. and subsidiaries (the “Group”) as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended 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 endorsed and issued into effect by the Financial Supervisory Commission.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group’s 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

**Accuracy of revenue recognition timing for online product downloads via partnering e-commerce platforms**

Description

Please refer to Note 4(29) for the description of accounting policy on operating revenue and Note 6(22) for details of operating revenue.

The Group generates revenue through various sales types, including online product downloads via partnering e-commerce platforms, sales through channels, and bundled products sold with computer hardware. Among them, revenue generated from online products downloads via partnering e-commerce platforms accounts for 56.17% of the Group's total revenue. After consumers downloaded products online to their devices such as computers and mobile phones, the Group obtains sales report regularly from the e-commerce platforms and recognizes sales revenue according to the rights and obligations stated in the agreements. As the frequency of sales reports provided by different e-commerce platforms differs, and the process of recognizing revenue usually involves manual operations, there may be differences in the timing of revenue recognition near the end of the financial reporting period, which could have a significant impact on the presentation of the consolidated financial statements. Therefore, we consider that the accuracy of revenue recognition timing for online product downloads via partnering e-commerce platforms is one of the key audit matters for this current fiscal year.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Understood and tested the effectiveness of management's internal control procedures for the revenue recognition of sales through e-commerce platforms, including obtaining and reconciling sales reports provided by e-commerce platforms with licensing agreements to ensure that revenue recognitions properly recorded.
2. Conducted cut-off test for sales revenue from product downloaded via e-commerce platforms for a certain period before and after the end of the financial report period, including verifying sales reports and licensing agreements provided by e-commerce platforms and confirming that revenue recognition is recorded in appropriate period.

## **Fair value measurement of investments in unlisted stocks and bonds without active market**

### Description

Please refer to Note 4(7) for the accounting policies on unlisted stocks and bonds investments without active market, Note 5(2) for the accounting estimates and assumption uncertainty in relation to the measurement of fair value, and Note 12(3) for details of fair value of financial assets.

Unlisted stocks and bonds investments without active market are recognized as financial assets at fair value through profit or loss, and any changes in the fair value of these financial assets are recognized in profit or loss.

The abovementioned fair value estimates are subject to management's judgement and involve many assumptions and estimates having high uncertainty. Thus, we consider that the measurement of fair value of unlisted stocks and bonds investments without active market as one of the key audit matters for this fiscal year's audit.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding and evaluated the Group's related policies and valuation process on the fair value measurement of unlisted stocks and bonds without active market.
2. Evaluated whether management adopted an adequate measurement method which was commonly adopted in the same industry and environment.
3. Obtained the valuation report from the expert appraiser, and performed the following procedures:
  - (1) Examined inputs and calculation formulas used in valuation methods, reviewed information and documents in respect of the relevance and the reliability of data source and agreed such data to their supporting documents.
  - (2) Evaluated the sensitivity analysis on assumptions and inputs executed by management to ensure that management has adequately managed the impact of the estimates and assumptions uncertainty on the measurement of fair value.

## **Other matter - Parent Company Only Financial Reports**

We have audited and expressed an unqualified opinion on the parent company only financial statements of CyberLink Corp. as at and for the years ended December 31, 2022 and 2021.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements 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 Financial Supervisory Commission and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

## **Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Huang, Chin-Lien

Certified Public Accountant

Lai, Chung-Hsi

March 7, 2023

**Notes to Reader**

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such 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 independent auditors' report 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.

The English version of the consolidated financial statements which used for translation are not audited by the CPA.

CYBERLINK CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021

Unit: Amounts expressed in thousands of New Taiwan Dollars

ASSETS	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,743,889	30	\$ 1,102,879	28
1110	Current financial assets at fair value	6(2)				
	through profit or loss		20,193	1	-	-
1136	Current financial assets at amortized	6(3)				
	cost		122,840	2	692,000	17
1140	Current contract assets	6(22)	13,154	-	-	-
1170	Accounts receivable, net	6(5)	119,289	2	77,639	2
1200	Other receivables		3,838	-	1,988	-
1210	Other receivables - related parties	7	2,577	-	2,657	-
1220	Current income tax assets		17,974	-	43,923	1
130X	Inventories		6,088	-	5,215	-
1470	Other current assets		13,834	-	20,323	1
11XX	<b>Total current assets</b>		<u>2,063,676</u>	<u>35</u>	<u>1,946,624</u>	<u>49</u>
<b>Non-current assets</b>						
1510	Non-current financial assets at fair	6(2)				
	value through profit or loss		280,625	5	275,178	7
1517	Non-current financial assets at fair	6(4)				
	value through other					
	comprehensive income		248	-	248	-
1535	Non-current financial assets at	6(1)(3) and 8				
	amortized cost		-	-	5,000	-
1550	Investment accounted for using the	6(6) and 7				
	equity method		1,746,287	30	-	-
1600	Property, plant and equipment, net	6(7)	437,460	8	454,649	12
1755	Right-of-use assets	6(8) and 7	10,879	-	4,585	-
1760	Investment property, net	6(10)	1,226,913	21	1,228,294	31
1780	Intangible asset		2,250	-	2,057	-
1840	Deferred income tax assets	6(30)	49,102	1	43,632	1
1900	Other non-current assets		6,801	-	4,256	-
15XX	<b>Total non-current assets</b>		<u>3,760,565</u>	<u>65</u>	<u>2,017,899</u>	<u>51</u>
1XXX	<b>Total assets</b>		<u>\$ 5,824,241</u>	<u>100</u>	<u>\$ 3,964,523</u>	<u>100</u>

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CYBERLINK CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021

Unit: Amounts expressed in thousands of New Taiwan Dollars

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
<b>Current liabilities</b>						
2130	Current contract liabilities	6(22)	\$ 258,117	4	\$ 188,350	5
2170	Accounts payable	6(11)	54,967	1	54,723	2
2200	Other payables	6(12)	343,211	6	366,321	9
2230	Income tax payable		2,730	-	3,618	-
2280	Current lease liabilities	6(8) and 7	5,512	-	3,670	-
2300	Other current liabilities	6(13)	42,844	1	53,113	1
21XX	<b>Total current liabilities</b>		<u>707,381</u>	<u>12</u>	<u>669,795</u>	<u>17</u>
<b>Non-current liabilities</b>						
2550	Non-current provisions	6(14)	389,716	7	492,174	12
2570	Deferred income tax liabilities	6(30)	8,451	-	17,948	1
2580	Non-current lease liabilities	6(8) and 7	5,761	-	884	-
2600	Other non-current liabilities	6(15)(16)	63,190	1	77,265	2
25XX	<b>Total non-current liabilities</b>		<u>467,118</u>	<u>8</u>	<u>588,271</u>	<u>15</u>
2XXX	<b>Total Liabilities</b>		<u>1,174,499</u>	<u>20</u>	<u>1,258,066</u>	<u>32</u>
<b>Equity</b>						
<b>Equity attributable to shareholders</b>						
<b>of the parent</b>						
Capital Stock						
3110	Common stock	6(18)	789,418	13	773,533	20
Capital surplus						
3200	Capital surplus	6(19)	2,468,920	43	703,016	17
Retained earnings						
3310	Legal reserve	6(20)	1,092,794	19	1,192,548	30
3320	Special reserve		242,407	4	185,920	5
3350	Unappropriated earnings		226,504	4	93,847	2
Other equity interest						
3400	Other equity interest	6(21)	( 170,301 )	( 3 )	( 242,407 )	( 6 )
31XX	<b>Equity attributable to</b>					
	<b>shareholders of the parent</b>		<u>4,649,742</u>	<u>80</u>	<u>2,706,457</u>	<u>68</u>
3XXX	<b>Total equity</b>		<u>4,649,742</u>	<u>80</u>	<u>2,706,457</u>	<u>68</u>
Significant Contingent Liabilities and						
Unrecognized Contract Commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 5,824,241</u>	<u>100</u>	<u>\$ 3,964,523</u>	<u>100</u>

CYBERLINK CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021

Unit: Amounts expressed in thousands of New Taiwan Dollars  
(Except earnings (loss) per share, which is in dollars)

Year ended December 31

Item	Notes	2022		2021		
		Amount	%	Amount	%	
4000	Net revenue	6(22)	\$ 1,691,200	100	\$ 1,577,069	100
5000	Operating costs	6(23)(28)	( 228,877)	( 13)	( 255,296)	( 16)
5900	Gross profit		1,462,323	87	1,321,773	84
	Operating expenses	6(16)(28)(29) and 7				
6100	Sales and marketing expenses		( 624,359)	( 37)	( 531,170)	( 34)
6200	General and administrative expenses		( 107,884)	( 6)	( 117,621)	( 8)
6300	Research and development expenses		( 532,836)	( 32)	( 476,100)	( 30)
6000	Total operating expenses		( 1,265,079)	( 75)	( 1,124,891)	( 72)
6900	Operating income		197,244	12	196,882	12
	Non-operating income and expenses					
7100	Interest income	6(3)(24)	19,881	1	2,052	-
7010	Other income	6(9)(10)(25) and 7	71,174	4	129,404	8
7020	Other gains or losses	6(2)(26)	22,117	1	( 33,580)	( 2)
7050	Financial costs	6(8)(27) and 7	( 82)	-	( 148)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	6(6)	( 89,400)	( 5)	( 796,163)	( 50)
7000	Total non-operating income and expenses		23,690	1	( 698,435)	( 44)
7900	<b>Income (loss) before income tax</b>		220,934	13	( 501,553)	( 32)
7950	Income tax expenses	6(30)	( 37,309)	( 2)	( 61,213)	( 4)
8200	<b>Net income (loss)</b>		\$ 183,625	11	\$ 562,766	( 36)
	<b>Other comprehensive (loss) income</b>					
	<b>Components of other comprehensive (loss) income that will not be reclassified to profit or loss</b>					
8311	Gain (loss) on remeasurement of defined benefit plans	6(16)	\$ 7,929	-	( \$ 246)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(4)(21)	-	-	( 61)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	( 1,586)	-	49	-
8310	Components of other comprehensive (loss) income that will not be reclassified to profit or loss		6,343	-	( 258)	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss subsequently</b>					
8361	Exchange differences arising on translation of foreign operations	6(21)	63,421	4	( 45,909)	( 3)
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(6)(21)	7,654	-	( 10,517)	-
8360	Components of other comprehensive income that will be reclassified to profit or loss subsequently		71,075	4	( 56,426)	( 3)
8300	<b>Other comprehensive income (net)</b>		\$ 77,418	4	( \$ 56,684)	( 3)
8500	<b>Total comprehensive income (loss)</b>		\$ 261,043	15	( \$ 619,450)	( 39)
	Net income (loss), attributable to:					
8610	Shareholders of the parent		\$ 183,625	11	( \$ 562,766)	( 36)
	Total comprehensive income (loss), attributable to:					
8710	Shareholders of the parent		\$ 261,043	15	( \$ 619,450)	( 39)
	Earnings (loss) per share	6(31)				
9750	Basic earnings (loss) per share		\$ 2.34		( \$ 7.21)	
9850	Diluted earnings (loss) per share		\$ 2.33		( \$ 7.21)	

**CYBERLINK CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

Unit: Amounts expressed in thousands of New Taiwan Dollars

	Notes	Equity attributable to shareholders of the parent								Total
		Retained Earnings					Other equity interest			
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences arising on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	
<b>Year 2021</b>										
Balance at January 1, 2021		\$ 826,003	\$ 1,177,301	\$ 1,192,548	\$ 129,240	\$ 891,491	(\$ 173,686)	(\$ 12,234)	(\$ 214,507)	\$ 3,816,156
Net loss for 2021		-	-	-	-	( 562,766 )	-	-	-	( 562,766 )
Other comprehensive loss for 2021	6(21)	-	-	-	-	( 197 )	( 56,426 )	( 61 )	-	( 56,684 )
Total comprehensive loss for 2021		-	-	-	-	( 562,963 )	( 56,426 )	( 61 )	-	( 619,450 )
Distribution of 2020 earnings	6(20)									
Special reserve		-	-	-	56,680	( 56,680 )	-	-	-	-
Cash dividends		-	-	-	-	( 177,745 )	-	-	-	( 177,745 )
Purchase of treasury share	6(18)	-	-	-	-	-	-	-	( 364,255 )	( 364,255 )
Retirement of treasury share	6(18)(19)(32)	( 60,000 )	( 518,762 )	-	-	-	-	-	578,762	-
Exercise of employee stock options	6(18)(19)	7,530	25,894	-	-	-	-	-	-	33,424
Change in net equity of associates accounted for using the equity method	6(19)	-	18,583	-	-	( 256 )	-	-	-	18,327
Balance at December 31, 2021		\$ 773,533	\$ 703,016	\$ 1,192,548	\$ 185,920	\$ 93,847	(\$ 230,112)	(\$ 12,295)	\$ -	\$ 2,706,457
<b>Year 2022</b>										
Balance at January 1, 2022		\$ 773,533	\$ 703,016	\$ 1,192,548	\$ 185,920	\$ 93,847	(\$ 230,112)	(\$ 12,295)	\$ -	\$ 2,706,457
Net income for 2022		-	-	-	-	183,625	-	-	-	183,625
Other comprehensive income for 2022	6(21)	-	-	-	-	6,343	71,075	-	-	77,418
Total comprehensive income for 2022		-	-	-	-	189,968	71,075	-	-	261,043
Distribution of 2021 earnings:	6(20)									
Special reserve		-	-	-	56,487	( 56,487 )	-	-	-	-
Share-based payment transactions	6(19)	-	9,061	-	-	-	-	-	-	9,061
Exercise of employee stock options	6(18)(19)	15,885	54,009	-	-	-	-	-	-	69,894
Change in net equity of associates accounted for using the equity method	6(19)(21)	-	1,738,426	-	-	( 824 )	1,031	-	-	1,738,633
Distribution of cash dividend through legal reserve	6(20)	-	-	( 99,754 )	-	-	-	-	-	( 99,754 )
Distribution of cash dividend through capital surplus	6(20)	-	( 35,592 )	-	-	-	-	-	-	( 35,592 )
Balance at December 31, 2022		\$ 789,418	\$ 2,468,920	\$ 1,092,794	\$ 242,407	\$ 226,504	(\$ 158,006)	(\$ 12,295)	\$ -	\$ 4,649,742

CYBERLINK CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

Unit: Amounts expressed in thousands of New Taiwan Dollars

	Notes	Year ended December 31	
		2022	2021
<u>Cash flows from operating activities</u>			
Profit (loss) before tax		\$ 220,934	(\$ 501,553 )
Adjustments			
Adjustments to reconcile profit (loss)			
Loss (gain) on financial assets at fair value through profit or loss	6(2)(26)	20,505	( 11,511 )
Depreciation expense	6(7)(8)(10)	29,286	31,496
Amortization expense	6(28)	3,083	3,039
Interest income	6(24)	( 19,881 )	( 2,052 )
Dividend income	6(25)	-	( 14,164 )
Interest expenses	6(8)(27)	82	148
Loss on scrapping of property, plant, and equipment	6(26)	190	3,173
Share of loss of associates and joint ventures accounted for using equity method	6(6)	89,400	796,163
Overdue other payables transferred to revenue	6(25)	( 5 )	( 33,862 )
Gain on lease modification	6(8)(26)	-	( 48 )
Loss on liquidation of subsidiaries	6(26)	-	11,993
Cost of employee stock options	6(17)(29)	9,066	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		( 29,117 )	( 14,376 )
Refund of capital reduction of financial assets at fair value through profit or loss	6(2)	5,945	9,280
Accounts receivable		( 41,907 )	14,771
Current contract assets		( 13,154 )	-
Other receivables		660	( 1,059 )
Other receivables-related parties		52	188
Inventories		( 873 )	1,418
Other current assets		6,289	10,392
Changes in operating liabilities			
Current contract liabilities		69,770	58,218
Accounts payable		( 456 )	( 19,036 )
Other payables		( 30,531 )	( 7,951 )
Other payables - related parties		-	( 435 )
Other current liabilities		( 9,015 )	( 4,727 )
Provisions		( 102,458 )	( 11,858 )
Other non-current liabilities		( 5,375 )	( 724 )
Cash inflow generated from operations		202,490	316,923
Interest received		17,376	2,252
Dividends received		-	14,164
Interest paid		( 82 )	( 148 )
Dividends paid		( 135,346 )	( 177,745 )
Income tax paid		( 55,593 )	( 50,721 )
Income tax returned		26,851	-
Net cash inflow from operating activities		55,696	104,725

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CYBERLINK CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

Unit: Amounts expressed in thousands of New Taiwan Dollars  
Year ended December 31

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<u>Cash flows from investing activities</u>			
Acquisition of financial assets at amortized cost		(\$ 1,228,400 )	(\$ 1,397,840 )
Proceeds from disposal of financial assets at amortized cost		1,802,560	1,673,360
Acquisition of investments accounted for using the equity method	6(6)	( 89,400 )	-
Acquisition of property, plant and equipment	6(7)	( 10,467 )	( 8,611 )
Acquisition of intangible assets		( 3,276 )	( 2,980 )
(Increase) decrease in refundable deposits		( 2,524 )	5,396
Net cash inflow from investing activities		<u>468,493</u>	<u>269,325</u>
<u>Cash flows from financing activities</u>			
(Decrease) in deposits received	6(33)	( 771 )	( 7,039 )
Repayment of the principal portion of lease liabilities	6(8)(33)	( 4,818 )	( 6,731 )
Exercise of employee stock options		69,894	33,424
Acquisition of treasury shares		-	( 364,255 )
Net cash inflow from (used in) financing activities		<u>64,305</u>	<u>( 344,601 )</u>
Effects of changes in exchange rates of foreign currency holding		<u>52,516</u>	<u>( 46,454 )</u>
Net increase (decrease) in cash and cash equivalents		641,010	( 17,005 )
Cash and cash equivalents at beginning of year		<u>1,102,879</u>	<u>1,119,884</u>
Cash and cash equivalents at end of year		<u>\$ 1,743,889</u>	<u>\$ 1,102,879</u>

CYBERLINK CORP. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Unit: Amounts 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

The consolidated financial statements were authorized for issuance by the Board of Directors on March 7, 2023.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts-cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.



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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(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 IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendment to IFRS 16 'Lease Liabilities in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

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

(2) Basis of preparation

1. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
  - (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

1. Basis for preparation of the 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 obtained control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if these results in the non-controlling interests having a deficit balance.
  - (d) Changes in 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 recognized 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 recognized in profit or loss. All amounts previously recognized 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 recognized 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.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Major Operating Activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
CyberLink Corp.	CyberLink.Com Corp. (CyberLink-USA)	Sale of software	100%	100%	
CyberLink Corp.	CyberLink Europe B.V. (CyberLink-B.V.)	Sale of software	-	-	Note 1
CyberLink Corp.	CyberLink International Technology Corp. (CyberLink-B.V.I)	Investment activities	100%	100%	Note 2
CyberLink Corp.	CyberLink Inc. (CyberLink-Japan)	Sale of software	100%	100%	

Note 1: CyberLink-B.V. ceased its operating activities on October 31, 2020 and the business was closed as resolved by the Board of Directors on December 31, 2020. The business deregistration has been applied in January 2021 and was completely dissolved on May 31, 2021.

Note 2: Based on the consideration of future strategic development purpose and the pursuit of maximum efficiency of the Group's operation, the Group increased the capital of its subsidiary, CyberLink-B.V.I, by cash amounting to US\$3 million (approximately NT\$89,910) in August 2022, and the capital increase procedures have been completed.

3. Subsidiaries not included in the consolidated financial statements:

None.

4. Adjustments for subsidiaries with different balance sheet dates:

None.

5. Significant restrictions:

None.

6. Subsidiaries that have non-controlling interests that are material to the Group:

None.

(4) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

(5) 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.

1. 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 recognized 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 recognized 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 recognized 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 recognized 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'.

2. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(6) Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Assets that do not meet any of above criteria are classified as non-current assets.

2. 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 settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled 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 issue of equity instruments do not affect its classification.

Liabilities that do not meet any of above criteria are classified as non-current liabilities.

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

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. At initial recognition, the Group measures these financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures these financial assets at fair value, and recognizes the gain or loss in profit or loss.
4. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

1. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
3. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

1. Financial assets at amortized cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
3. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts receivable

1. Accounts receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

Financial assets are derecognized when one of the following criteria is met:

1. The contractual rights to receive cash flows from the financial asset expire.
2. 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.

3. 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.

(13) Leasing arrangements (lessor) - operating lease

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

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Investments accounted for using the equity method - associates

1. 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 recognized at cost.
2. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized 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 recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
3. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
4. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized 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.
5. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
6. When the Group disposes its investment in an associate, if it loses significant influence over

this associate, the amounts previously recognized 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 recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(16) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost.
2. Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. 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	30–50 years
Building improvements	2–15 years
Machinery and equipment	3 years
Office equipment	2–8 years

(17) Leasing arrangements (lessee)-right-of-use assets / lease liabilities

1. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.



3. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(18) 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.

(19) Intangible asset

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 years.

(20) Impairment of financial assets

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

(21) Accounts payable

1. Accounts payable are liabilities for purchases of goods or services and accounts payable are those resulting from operating and non-operating activities.
2. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Provisions

Provisions are recognized 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 recognized as interest expense. Provisions are not recognized for future operating losses.

## (24) Employee benefits

### 1. 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 recognized as expenses in that period when the employees render service.

### 2. Pensions

#### (a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized 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 recognized 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 net defined benefit 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 is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

### 3. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal 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 paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

## (25) 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 recognized 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-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. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(26) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. 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 Group operates and generates 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 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.
3. Deferred tax is recognized, 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 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 tax is provided on temporary differences arising on investments in subsidiaries and associates, 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 tax asset is realized or the deferred tax liability is settled.
4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
5. 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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(27) Capital Stock

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, which is included in equity attributable to the Company's equity holders.

(28) 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.

(29) Revenue recognition

1. The Group sells computer software products. Revenue arising from the sales of software products to hardware firms to be bundled with its hardware products is recognized when the Group has delivered the software to the hardware firms, or based on the sales report provided by the hardware firms periodically to the Group in regards to the sales of its hardware products bundled with the software produced by the Group. The sales report is usually provided to the Group in the next quarter of its hardware sales. Revenue arising from the sales of software to distributors or retailers should be recognized when the Group has delivered the software to distributors or retailers. Revenue arising from the sales of software through online channels should be recognized based on the sales report provided by these online channels, which is usually provided to the Group in the next month after the sales of the software. The sales usually are made with a credit term of 30 to 90 days. As the time interval between the transfer of committed goods and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
2. The Group entered into a contract with a customer to grant a license of computer software to the customer. The Group recognizes the revenue from licensing either at a point in time or over time based on the nature of the license granted. The nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if the Group undertakes activities that significantly affect the computer software to the customer, the customer is affected by the Group's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The income arising from these licenses are recognized as revenue on a straight-line basis throughout the contract period. Customers make payments based on agreed schedule, and the excess of service rendered over receivables from customers is presented as a contract asset; oppositely, the excess of receivables from customers over service rendered is presented as a contract liability. In case the abovementioned conditions are not met, the nature of the Group's promise in granting a license is a promise to provide a right to use the Group's intellectual property and therefore the revenue is recognized when transferring the license to a customer at a point in time.
3. It is the Group's policy to sell its products to the end customers with a right of return. Therefore, a refund liability (shown as other current liabilities) are recognized for the products expected to be returned. Accumulated experience is used to estimate such returns using the expected value method. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each balance sheet date.
4. 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.
5. Cost of goods sold comprises packaging cost, production cost, royalty paid to third party, service cost of platform payment, provision for royalty liability, inventory valuation and obsolescence loss, etc.

(30) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(31) 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.

5. Critical Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires the 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

None.

(2) Critical accounting estimates and assumptions

Financial assets - fair value measurement of unlisted stocks and bonds without active market  
The fair value of unlisted stocks and bonds held by the Group that are not traded in an active market is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks and bonds. Please refer to Note 12(3) for the financial instruments fair value information.

As of December 31, 2022, the carrying amounts of unlisted stocks and bonds without active market were \$34,497 and \$246,376, respectively.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 50	\$ 50
Checking accounts	74,350	507,291
Demand deposits	441,089	595,538
Time deposits	1,228,400	-
	<u>\$ 1,743,889</u>	<u>\$ 1,102,879</u>

1. 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.
2. In addition, due to the sale of license of Service Software in April 2020, the buyer and the seller shall prepay the contract amount to the Company and the Company shall pledge an equivalent amount of time deposits as collateral according to the agreement, and the contract expired on April 15, 2022, also relevant payments were refunded. As of December 31, 2022 and 2021, the balances of restricted cash, recognized in the “Non-current financial assets at amortized cost”, were \$0 and \$5,000, respectively.

(2) Current and non-current financial assets at fair value through profit or loss

Item	December 31, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Money market funds	\$ 20,085	\$ -
Valuation adjustment	108	-
	\$ 20,193	\$ -
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Private fund	\$ 274,426	\$ 241,842
Unlisted stocks	23,470	29,415
Subtotal	297,896	271,257
Valuation adjustment	( 17,271)	3,921
	\$ 280,625	\$ 275,178

1. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Year ended December 31	
	2022	2021
Financial assets mandatorily measured at fair value through profit or loss		
Private fund	(\$ 23,211)	\$ 10,680
Money market funds	193	150
Unlisted stocks	2,513	681
	(\$ 20,505)	\$ 11,511

2. The Group received proceeds from capital reduction of an investee in the amount of \$5,945 and \$9,280 at July 2022 and July 2021, respectively. The Group received part of invested cost from disposal of some investment target of an investee in the amount of \$12,528 in August 2021.

3. The Group has no financial assets at fair value through profit or loss pledged to others.
4. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Current and non-current financial assets at amortized cost

Item	December 31, 2022	December 31, 2021
Current items:		
Time deposits with original maturity of more than three months	\$ 122,840	\$ 692,000
Non-current items:		
Time deposits pledged to others as collateral	\$ -	\$ 5,000

1. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	Year ended December 31	
	2022	2021
Interest income	\$ 11,836	\$ 1,946

2. As at December 31, 2022 and 2021, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group were \$122,840 and \$697,000, respectively.
  3. Details of the Group's financial assets at amortized cost pledged to others as collateral are provided in Note 8.
  4. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2). The counterparties of the Group's time deposit investment are financial institution with high credit quality, so it expects that the probability of counterparty default is remote.
- (4) Non-current Financial assets at fair value through other comprehensive income

Items	December 31, 2022	December 31, 2021
Unlisted stocks	\$ 12,678	\$ 11,920
Valuation adjustment	( 12,430)	( 11,672)
	\$ 248	\$ 248

1. The Group has elected to classify unlisted stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair values of such investments as of December 31, 2022 and 2021 both amounted to \$248.
2. Amount recognized in other comprehensive loss in relation to the financial assets at fair value through other comprehensive loss is listed below:

Year ended December 31	
2022	2021

Equity instruments at fair value through other comprehensive loss

Fair value change recognized in other comprehensive loss \$                     - (\$                     61)

3. As at December 31, 2022 and 2021, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group were both \$248.
  4. The Group has no financial assets at fair value through other comprehensive income pledged to others.
  5. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).
- (5) Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 119,289	\$ 77,639

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not Past Due	\$ 100,699	\$ 76,109
Past Due		
Up to 30 days	14,003	649
31 to 90 days	4,092	446
Over 91 days	495	435
	\$ 119,289	\$ 77,639

The above ageing analysis was based on past due date.

2. As of December 31, 2022 and 2021, accounts receivable were all both from contracts with customers. And as of January 1, 2021, the balance of accounts receivable from contracts with customers amounted to \$99,780.
  3. As of December 31, 2022 and 2021, without taking into consideration other credit enhancements, the maximum exposures to credit risk in respect of the amount that best represents the Group's accounts receivable were \$119,289 and \$77,639, respectively.
  4. Information relating to credit risk of accounts receivable is provided in Note 12(2).
- (6) Investment accounted for using the equity method

	<u>2022</u>	<u>2021</u>
At January 1	\$ -	\$ 788,353
Addition of investments	89,400	-
Share of loss of investments accounted for using the equity method	( 89,400)	( 796,163)
Changes in capital surplus (Note 6(19))	1,738,426	18,583



Changes in other equity items (Note 6(21))	8,685	(	10,517)	
Changes in undistributed earnings	(	1,031)	-	
Actuarial gains or losses		207	(	256)
At December 31	\$	1,746,287	\$	-

The Group's shareholding ratio in Perfect Corp. (Cayman) decreased from 38.30% to 38.10% as the employees of Perfect Corp. exercised their employee stock options on September 27, 2021.

The Group's shareholding ratio in Perfect Corp. (Cayman) decreased from 38.10% to 38.08% as the employees of Perfect Corp. exercised their employee stock options on December 19, 2021.

The Group's shareholding ratio in Perfect Corp. (Cayman) decreased from 38.08% to 36.30% as the employees of Perfect Corp. exercised their employee stock options on January 24, 2022.

The business combination of Perfect Corp. (Cayman) was completed with its shares listed at Eastern Time on October 28, 2022. Prior to the business combination and listing, all the preference share liabilities issued by Perfect Corp. (Cayman) were converted into common stock through conversion and capital increase procedures. As a result, the Group's shareholding ratio in Perfect Corp. (Cayman) decreased from 36.30% to 31.25%. On October 29, 2022, the equity value of Perfect Corp. (Cayman) was positive. The Group recognized a capital surplus of-not in proportion stake ratio amounted to \$1,709,253 due to the aforementioned transaction.

1. The basic information of the associate is as follows:

Company Name	Principal place of business	Shareholding ratio		Nature of relationship	Method of Measurement
		December 31, 2022	December 31, 2021		
Perfect Corp. (Cayman)	Cayman	31.25%	38.08%	Investments accounted for using the equity method	Equity method

2. The summarized financial information on the Group's associates is as follows:

	Perfect Corp.(Cayman)	
	December 31, 2022	December 31, 2021
Current assets	\$ 6,423,725	\$ 2,421,346
Non-current assets	33,766	39,510
Total assets	6,457,491	2,460,856
Current liabilities	( 765,186)	( 421,560)
Non-current liabilities	( 104,186)	( 4,265,004)
Total Liabilities	( 869,372)	( 4,686,564)
Total net assets	5,588,119	(\$ 2,225,708)
Share in associate's net assets	\$ 1,746,287	\$ -

Perfect Corp.(Cayman)  
Year ended December 31

	<u>2022</u>	<u>2021</u>
Revenue	\$ 1,283,181	\$ 1,195,498
Loss for the period from continuing operations	( 4,946,353)	( 4,339,606)
Other comprehensive loss, (net of tax)	( 32,257)	( 29,800)
Total comprehensive loss	<u>(\$ 4,978,610)</u>	<u>( 4,369,406)</u>

3. The Group holds a 31.25% equity interest in Perfect Corp. (Cayman). Given that other major shareholders jointly hold more voting rights than the Group and the Group appointed only one out of seven directors, both of which indicates that the Group has no current ability to direct the relevant activities of Perfect Corp. (Cayman), the Group has no control, but only has significant influence, over Perfect Corp. (Cayman).
4. On March 3, 2022, the Board of Directors of the Group approved to authorize the Chairman of the Company to approve the business combination of Perfect Corp. (Cayman) of the subsidiary, CyberLink-B.V.I. with the U.S. listed company Provident Acquisition Corp (Cayman). After the business combination, Perfect Corp. (Cayman) was the surviving entity listed on NASDAQ of the United States. In September 2022, both the parties of the business combination agreed to change the listing and trading to the New York Stock Exchange (the “NYSE”) due to consideration of the Company's strategic development and promote the interests of shareholders. After the combination and completion of listing processes, Perfect Corp. (Cayman) will be the surviving entity of listing. The registration application documents related to the business combination and listing have been reviewed by the U.S. Securities and Exchange Commission (the “SEC”) and declared effective at Eastern Time on September 30, 2022. Provident Acquisition Corp. (Cayman) held an extraordinary general meeting of its shareholders (the “EGM”) at Eastern Time on October 25, 2022 to approve the business combination, which was took effect at Eastern Time on October 28, 2022.  
In the fourth quarter of 2021, the Perfect Corp. (Cayman) had a massive deficit amount on account after valuation of preference share liabilities which were issued by Perfect Corp. (Cayman) based on the business value of aforementioned combination transaction. Therefore, on December 31, 2021, the net equity was negative. According to the regulation, the Group will not further recognize losses when the share of losses in an associate equals or exceeds its equity interest in the associate, thus, the Group’s recognition on the investment in an associate will stop at \$0.
5. For the Group’s future strategic development purpose, on March 3, 2022, the Board of Directors of the Company approved acquiring 3 million common shares issued by the subsidiary, CyberLink-B.V.I., for capital increase, with a par value of US\$1, the total acquisition amount was US\$3 million (approximately NTD 89,910). In addition, the subsidiary, CyberLink-B.V.I. made a simultaneous investment in the common shares issued by Perfect Corp. (Cayman) at a rate of US\$10 per share. The total investment was amounted to US\$3 million (approximately NTD 89,400). The capital increase for the subsidiary CyberLink-B.V.I. has been executed, while and the capital increase for the associate, Perfect Corp. (Cayman) was completed at Eastern Time on October 28, 2022.
6. The fair value of the Group’s investments accounted for using equity method with publicly quoted market prices is as follows:

Perfect Corp.(Cayman)	<u>December 31, 2022</u>
	<u>\$ 8,104,408</u>

(7) Property, plant and equipment, net

	2022				
	Land	Buildings	Machinery and equipment	Office equipment	Total
At January 1					
Cost	\$ 334,441	\$ 157,144	\$ 28,966	\$ 3,847	\$ 524,398
Accumulated depreciation	<u>-</u>	<u>( 48,995)</u>	<u>( 17,654)</u>	<u>( 3,100)</u>	<u>( 69,749)</u>
	<u>\$ 334,441</u>	<u>\$ 108,149</u>	<u>\$ 11,312</u>	<u>\$ 747</u>	<u>\$ 454,649</u>
At January 1	\$ 334,441	\$ 108,149	\$ 11,312	\$ 747	\$ 454,649
Additions	-	6,713	3,382	372	10,467
Costs of disposal	-	( 7,235)	( 5,425)	( 2,635)	( 15,295)
Accumulated depreciation on disposal	-	7,235	5,425	2,445	15,105
Reclassification - cost (Note)	-	( 13,557)	-	-	( 13,557)
Reclassification - accumulated depreciation (Note)	-	3,301	-	-	3,301
Depreciation expense	-	( 6,930)	( 5,242)	( 234)	( 12,406)
Net exchange differences	<u>( 3,831)</u>	<u>( 967)</u>	<u>( 6)</u>	<u>-</u>	<u>( 4,804)</u>
At December 31	<u>\$ 330,610</u>	<u>\$ 96,709</u>	<u>\$ 9,446</u>	<u>\$ 695</u>	<u>\$ 437,460</u>
At December 31					
Cost	\$ 330,610	\$ 142,009	\$ 26,869	\$ 1,789	\$ 501,277
Accumulated depreciation	<u>-</u>	<u>( 45,300)</u>	<u>( 17,423)</u>	<u>( 1,094)</u>	<u>( 63,817)</u>
	<u>\$ 330,610</u>	<u>\$ 96,709</u>	<u>\$ 9,446</u>	<u>\$ 695</u>	<u>\$ 437,460</u>

Note: The Company sublet some real estate in January 2022, so the buildings (including accumulated depreciation) were transferred to “Investment property.”

	2021				
	Land	Buildings	Machinery and equipment	Office equipment	Total
At January 1					
Cost	\$ 351,372	\$ 165,003	\$ 29,162	\$ 4,298	\$ 549,835
Accumulated depreciation	<u>-</u>	<u>( 45,679)</u>	<u>( 16,717)</u>	<u>( 3,585)</u>	<u>( 65,981)</u>
	<u>\$ 351,372</u>	<u>\$ 119,324</u>	<u>\$ 12,445</u>	<u>\$ 713</u>	<u>\$ 483,854</u>
At January 1	\$ 351,372	\$ 119,324	\$ 12,445	\$ 713	\$ 483,854
Additions	-	3,901	4,412	298	8,611
Costs of disposal	-	( 7,146)	( 4,347)	( 514)	( 12,007)
Accumulated depreciation on disposal	-	4,006	4,347	481	8,834
Depreciation expense	-	( 7,750)	( 5,514)	( 162)	( 13,426)
Net exchange differences	<u>( 16,931)</u>	<u>( 4,186)</u>	<u>( 31)</u>	<u>( 69)</u>	<u>( 21,217)</u>
At December 31	<u>\$ 334,441</u>	<u>\$ 108,149</u>	<u>\$ 11,312</u>	<u>\$ 747</u>	<u>\$ 454,649</u>
At December 31					
Cost	\$ 334,441	\$ 157,144	\$ 28,966	\$ 3,847	\$ 524,398
Accumulated depreciation	<u>-</u>	<u>( 48,995)</u>	<u>( 17,654)</u>	<u>( 3,100)</u>	<u>( 69,749)</u>
	<u>\$ 334,441</u>	<u>\$ 108,149</u>	<u>\$ 11,312</u>	<u>\$ 747</u>	<u>\$ 454,649</u>

(8) Leasing arrangements lessee

1. The Group leases various assets including offices and transportation equipment. Rental contracts for the years ended December 31, 2022 and 2021 are typically made for periods from 2020 to 2025 and from 2019 to 2023, respectively. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may neither be used as security for borrowing purposes nor have its rights transferred to others in other forms such as business transfer and combination.
2. Short-term leases with a lease term of 12 months or less comprise leased offices in America.
3. The information of right-of-use assets is as follows:

	2022		
	Buildings	Transportation equipment	Total
At January 1			
Cost	\$ 8,663	\$ 3,921	\$ 12,584
Accumulated depreciation	( 6,256)	( 1,743)	( 7,999)
	<u>\$ 2,407</u>	<u>\$ 2,178</u>	<u>\$ 4,585</u>
At January 1	\$ 2,407	\$ 2,178	\$ 4,585
Additions - Newly added lease contracts	11,537	-	11,537
Cost of derecognition of assets	( 8,663)	-	( 8,663)
Accumulated depreciation as of the date of derecognition	8,663	-	8,663
Depreciation expense	( 3,936)	( 1,307)	( 5,243)
At December 31	<u>\$ 10,008</u>	<u>\$ 871</u>	<u>\$ 10,879</u>
At December 31			
Cost	\$ 11,537	\$ 3,921	\$ 15,458
Accumulated depreciation	( 1,529)	( 3,050)	( 4,579)
	<u>\$ 10,008</u>	<u>\$ 871</u>	<u>\$ 10,879</u>

	2021		
	Buildings	Transportation equipment	Total
At January 1			
Cost	\$ 21,675	\$ 3,921	\$ 25,596
Accumulated depreciation	( 7,164)	( 436)	( 7,600)
	<u>\$ 14,511</u>	<u>\$ 3,485</u>	<u>\$ 17,996</u>
At January 1	\$ 14,511	\$ 3,485	\$ 17,996
Lease modification	( 6,013)	-	( 6,013)
Depreciation expense	( 5,393)	( 1,307)	( 6,700)
Net exchange differences	( 698)	-	( 698)
At December 31	<u>\$ 2,407</u>	<u>\$ 2,178</u>	<u>\$ 4,585</u>
At December 31			
Cost	\$ 8,663	\$ 3,921	\$ 12,584
Accumulated depreciation	( 6,256)	( 1,743)	( 7,999)
	<u>\$ 2,407</u>	<u>\$ 2,178</u>	<u>\$ 4,585</u>

4. Lease liabilities relating to lease contracts:

	December 31, 2022	December 31, 2021
Total lease liabilities	\$ 11,273	\$ 4,554
Less: Current portion (shown as 'current lease liabilities')	( 5,512)	( 3,670)
	<u>\$ 5,761</u>	<u>\$ 884</u>

5. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 82	\$ 148
Expense on short-term lease contracts	2,045	1,710
	<u>\$ 2,127</u>	<u>\$ 1,858</u>
Gain on lease modification	<u>\$ -</u>	<u>\$ 48</u>

6. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$6,945 and \$8,589, respectively, which included expenses on short-term lease contracts of \$2,045 and \$1,710, interest expenses on lease liabilities of \$82 and \$148, and payments of lease liabilities of \$4,818 and \$6,731, respectively.

7. Please refer to Note 7 for the office leases with related parties.

(9) Leasing arrangements - lessor

1. Leases to unrelated parties

The Group leases various assets including two short sections numbered 229 in Xihu Section in Neihu District of Taipei, 1F to 9F of Building-B of “Sun-Tech Plaza” located in Neihu District of Taipei, 5F of “Jiang-Ling Information” Building located in Xindian District of New Taipei City, and the office at Shiba Daimon in Tokyo, Japan. Rental contracts are typically made for a period between 1 and 10 years, and the lease of the office at Shiba Daimon in Tokyo, Japan was terminated on April 30, 2021. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor’s ownership rights on the leased assets, leased assets may neither be used as security for borrowing purposes nor, in all or in part, be lent to others or corporates through sublease, sharing, transfer or any other forms.

2. Leases to related parties

The Group leases various assets including the offices in 6F and 14F of the corporate office “Jiang-Ling Information” Building located in Xindian District of New Taipei City, and the office in Minato City, Tokyo, Japan. Rental contracts are typically made for periods of 1 ~ 2 year(s). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor’s ownership rights on the leased assets, leased assets may neither be used as security for borrowing purposes nor, in all or in part, be lent to others or corporates through sublease, sharing, transfer or any other forms. Rents are collected at the beginning of next month.

3. For the years ended December 31, 2022 and 2021, the Group recognized rent income in the amounts of \$64,959 and \$72,774, respectively, based on the abovementioned operating lease agreements, which does not include variable lease payments.

4. The maturity analysis of the lease payments receivable under the operating leases is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 53,384
2023	55,533	36,713
2024	24,376	14,724
2025	4,159	207
2026	3,244	-
2027	811	-
	<u>\$ 88,123</u>	<u>\$ 105,028</u>

(10) Investment property

	2022		
	Land	Buildings	Total
At January 1			
Cost	\$ 799,024	\$ 579,913	\$ 1,378,937
Accumulated depreciation	-	( 150,643)	( 150,643)
	<u>\$ 799,024</u>	<u>\$ 429,270</u>	<u>\$ 1,228,294</u>
At January 1	\$ 799,024	\$ 429,270	\$ 1,228,294
Reclassification - cost (Note)	-	13,557	13,557
Reclassification - accumulated depreciation (Note)	-	( 3,301)	( 3,301)
Depreciation expense	-	( 11,637)	( 11,637)
At December 31	<u>\$ 799,024</u>	<u>\$ 427,889</u>	<u>\$ 1,226,913</u>
At December 31			
Cost	\$ 799,024	\$ 593,470	\$ 1,392,494
Accumulated depreciation	-	( 165,581)	( 165,581)
	<u>\$ 799,024</u>	<u>\$ 427,889</u>	<u>\$ 1,226,913</u>

Note: Please refer to note 6(7) for the description of the transfer from “Property, plant and equipment” to “Investment property.”

	2021		
	Land	Buildings	Total
At January 1			
Cost	\$ 799,024	\$ 579,913	\$ 1,378,937
Accumulated depreciation	-	( 139,273)	( 139,273)
	<u>\$ 799,024</u>	<u>\$ 440,640</u>	<u>\$ 1,239,664</u>
At January 1	\$ 799,024	\$ 440,640	\$ 1,239,664
Depreciation expense	-	( 11,370)	( 11,370)
At December 31	<u>\$ 799,024</u>	<u>\$ 429,270</u>	<u>\$ 1,228,294</u>
At December 31			
Cost	\$ 799,024	\$ 579,913	\$ 1,378,937
Accumulated depreciation	-	( 150,643)	( 150,643)
	<u>\$ 799,024</u>	<u>\$ 429,270</u>	<u>\$ 1,228,294</u>

1. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Rental income from investment property	<u>\$ 61,240</u>	<u>\$ 65,598</u>
Direct operating expenses arising from the investment property that generated rental income during the months	<u>\$ 14,947</u>	<u>\$ 15,257</u>
Direct operating expenses arising from the investment property that did not generate rental income during the months	<u>\$ 1,682</u>	<u>\$ 99</u>

2. The fair values of the investment property held by the Group as of December 31, 2022, and 2021 were \$2,523,850 and \$2,071,041, respectively, which were estimated based on market trading prices of similar property in the areas nearby which belong to the Level 3 information.

(11) Accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Royalty expense	\$ 53,204	\$ 52,460
Others	1,763	2,263
	<u>\$ 54,967</u>	<u>\$ 54,723</u>

(12) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payroll	\$ 93,710	\$ 90,297
Employees' compensation and directors' remuneration	73,893	28,068
Promotional fees	73,151	33,666
Royalty collection	54,541	134,798
Professional service fees	12,227	12,400
Employees' rewards	9,379	44,800
Other accrued expenses	23,719	22,292
Other payables	2,591	-
	<u>\$ 343,211</u>	<u>\$ 366,321</u>

(13) Other current liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Refund liability	\$ 38,935	\$ 46,502
Others	3,909	6,611
	<u>\$ 42,844</u>	<u>\$ 53,113</u>



(14) Provisions

	2022		
	Royalty	Cost of software bug-fixing	Total
At January 1	\$ 486,653	\$ 5,521	\$ 492,174
Additional provisions	16,108	400	16,508
Unused amounts reversed (	27,150)	-	( 27,150)
Provision for liabilities used in the current period	( 149,756)	-	( 149,756)
Net exchange differences	57,940	-	57,940
At December 31	<u>\$ 383,795</u>	<u>\$ 5,921</u>	<u>\$ 389,716</u>

	2021		
	Royalty	Cost of software bug-fixing	Total
At January 1	\$ 498,272	\$ 5,760	\$ 504,032
Additional provisions	21,524	-	21,524
Unused amounts reversed (	19,173)	( 239)	( 19,412)
Net exchange differences	( 13,970)	-	( 13,970)
At December 31	<u>\$ 486,653</u>	<u>\$ 5,521</u>	<u>\$ 492,174</u>

Analysis of total provisions:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current	<u>\$ 389,716</u>	<u>\$ 492,174</u>

1. Royalty

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

2. Cost of software bug-fixing

The Group provides software bug-fixing for 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.

(15) Other non-current liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accrued pension liabilities	\$ 53,655	\$ 66,959
Guarantee deposits received	9,535	10,306
	<u>\$ 63,190</u>	<u>\$ 77,265</u>

(16) Pension

1. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, 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 Act. 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 December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	(\$ 92,081)	(\$ 101,608)
Fair value of plan assets	<u>38,426</u>	<u>34,649</u>
Net defined benefit liability	<u>(\$ 53,655)</u>	<u>(\$ 66,959)</u>

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

	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1	(\$ 101,608)	\$ 34,649	(\$ 66,959)
Interest (expense) income	( 707)	242	( 465)
Past service costs	2,722	-	2,722
Gains or losses on settlement	<u>2,238</u>	<u>-</u>	<u>2,238</u>
	<u>( 97,355)</u>	<u>34,891</u>	<u>( 62,464)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,655	2,655
Change in demographic assumptions	( 188)	-	( 188)
Change in financial assumptions	6,635	-	6,635
Experience adjustments	<u>( 1,173)</u>	<u>-</u>	<u>( 1,173)</u>
	<u>5,274</u>	<u>2,655</u>	<u>7,929</u>
Pension fund contribution	<u>-</u>	<u>880</u>	<u>880</u>
Balance at December 31	<u>(\$ 92,081)</u>	<u>\$ 38,426</u>	<u>(\$ 53,655)</u>

	2021		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at January 1	(\$ 100,542)	\$ 33,104	(\$ 67,438)
Interest (expense) income	( 351)	116	( 235)
	<u>( 100,893)</u>	<u>33,220</u>	<u>( 67,673)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	469	469
Change in demographic assumptions	( 726)	-	( 726)
Change in financial assumptions	3,988	-	3,988
Experience adjustments	( 3,977)	-	( 3,977)
	<u>( 715)</u>	<u>469</u>	<u>( 246)</u>
Pension fund contribution	-	960	960
Balance at December 31	<u>(\$ 101,608)</u>	<u>\$ 34,649</u>	<u>(\$ 66,959)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the 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 assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2022	2021
Discount rate	1.35%	0.70%
Future salary increases	3.00%	3.00%

The future mortality rates in 2022 and 2021 were estimated based on the 6th 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:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
December 31, 2022				
Effect on present value of defined benefit obligation	<u>(\$ 2,264)</u>	<u>\$ 2,351</u>	<u>\$ 2,307</u>	<u>(\$ 2,234)</u>
December 31, 2021				
Effect on present value of defined benefit obligation	<u>(\$ 2,766)</u>	<u>\$ 2,878</u>	<u>\$ 2,805</u>	<u>(\$ 2,712)</u>

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the company for the year ending December 31, 2023 amount to \$960.
- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	1,431
1-2 year(s)		19,398
3-5 years		9,083
Over 5 years		75,176
	<u>\$</u>	<u>105,088</u>

- 2. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$24,047 and \$22,236, respectively.
- (c) The pension costs under local pension regulations of the foreign subsidiaries for the years ended December 31, 2022 and 2021 were \$3,209 and \$3,461, respectively.

(17) Share-based payment

1. As of December 31, 2022 and 2021, 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	July 26, 2022	2,000	7 years	2 years' service: exercise 50% 3 years' service: exercise 75% 4 years' service: exercise 100%
Employee stock options	August 25, 2015	5,000	7 years	2 years' service: exercise 50% 3 years' service: exercise 75% 4 years' service: exercise 100%

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

	2022		2021	
	No. of options (in thousands)	Weighted – average exercise price (in dollars)	No. of options (in thousands)	Weighted – average exercise price (in dollars)
Options outstanding on January 1	1,699	\$ 44.00	2,452	\$ 45.20
Options granted in the current period	2,000	89.50	-	-
Options exercised	( 1,589)	44.00	( 753)	44.39
Options lapsed in the current period	( 110)	44.00	-	-
Options outstanding on December 31	<u>2,000</u>	87.70	<u>1,699</u>	44.00
Options exercisable on December 31	<u>-</u>		<u>1,699</u>	

3. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2022 and 2021 was \$44.00 and \$44.39 (in dollars), respectively.

4. As of December 31, 2022 and 2021, the range of exercise prices of stock options outstanding was \$87.70 and \$44.00 (in dollars), respectively; the weighted-average remaining contractual period was 6.57 years and 0.65 years, respectively.

5. 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	July 26, 2022	\$89.5	\$89.5	32.10%	4.88	0.00%	1.06%	\$ 26.4355

Note: The expected volatility is estimated by taking into account the historical trading data (days) of the Company's shares and using a sample interval equal to the expected duration of the stock option.

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	August 25, 2015	\$54.0	\$54.0	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.

6. Expenses arising from share-based payment transactions are as follows:

	2022	2021
Cost of employee stock options	\$ 9,066	\$ -

## (18) Capital Stock

1. As of December 31, 2022, 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 \$789,418 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number (Shares in thousands) of the Company's ordinary shares outstanding are as follows:

	2022	2021
At January 1	77,353	82,600
Exercise of employee stock options	1,589	753
Shares retired	-	(6,000)
At December 31	78,942	77,353

## 2. Treasury shares

- (a) Pursuant to the R.O.C. Securities and Exchange Act, 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 realized capital surplus.
- (b) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the five-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.
- (d) To enhance the Company's credit rating and the stockholders' equity, the Company's Board of Directors during its meeting on October 13, 2020 resolved to repurchase its shares from the stock exchange market during the period from October 14, 2020 to December 13, 2020. The Company completed the repurchase of treasury shares as of December 13, 2020, the number of repurchased shares was 2,000 thousand shares amounting to \$207,639. The capital reduction is effective on January 5, 2021 and the registration of retirement of shares has been completed on January 21, 2021.

- (e) To enhance the Company's credit rating and the stockholders' equity, the Company's Board of Directors during its meeting on December 25, 2020 resolved to repurchase its shares from the stock exchange market during the period from December 28, 2020 to February 26, 2021. The Company completed the repurchase of treasury shares as of February 26, 2021, the number of repurchased shares was 2,000 thousand shares amounting to \$210,018. The capital reduction is effective on April 1, 2021 and the registration of retirement of shares has been completed on April 19, 2021.
- (f) To enhance the Company's credit rating and shareholders' equity, the Company's Board of Directors during its meeting on July 8, 2021 resolved to repurchase its shares from the stock exchange market during the period from July 9, 2021 to September 8, 2021. The Company completed the repurchase of treasury shares as of September 8, 2021, the number of repurchased shares was 2,000 thousand shares amounting to \$161,156 (including \$51 handling fees discount). The capital reduction base date was November 1, 2021, and the registration of cancellation of shares was completed on December 13, 2021.

(19) Capital surplus

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

	2022				
	Share premium	Employee stock options	Expired employee stock options in proportion to the Group's ownership	Net change in equity of associates	Total
At January 1	\$ 54,110	\$ 20,909	\$ 59,645	\$ 568,352	\$ 703,016
Exercise of employee stock options	74,419	( 20,410)	-	-	54,009
Expired employee stock options in proportion to the Group's ownership	-	( 499)	499	-	-
Share-based payment transactions	-	9,061	-	-	9,061
Distribution of cash through capital surplus	( 35,592)	-	-	-	( 35,592)
Recognition of change in equity of associates in proportion to the Group's ownership	-	-	-	29,173	29,173
Recognition not in proportion to the Group's ownership (Note)	-	-	-	1,709,253	1,709,253
At December 31	<u>\$ 92,937</u>	<u>\$ 9,061</u>	<u>\$ 60,144</u>	<u>\$2,306,778</u>	<u>\$2,468,920</u>

Note: Please refer to Note 6(6) for the recognition not in proportion to the Group's ownership.

	2021				
	Share premium	Employee stock options	Expired employee stock options in proportion to the Group's ownership	Net change in equity of associates	Total
At January 1	\$ 537,986	\$ 29,901	\$ 59,645	\$ 549,769	\$1,177,301
Exercise of employee stock options	34,886	( 8,992)	-	-	25,894
Recognition of change in equity of associates in proportion to the Group's ownership	-	-	-	19,364	19,364
Retirement of treasury shares	( 518,762)	-	-	-	( 518,762)
Recognition not in proportion to the Group's ownership	-	-	-	( 781)	( 781)
At December 31	<u>\$ 54,110</u>	<u>\$ 20,909</u>	<u>\$ 59,645</u>	<u>\$ 568,352</u>	<u>\$ 703,016</u>

(20) Retained Earnings

- Under the Company's Articles of Incorporation, the current year's earnings, net of tax, shall first be used to offset prior year's operating losses (including adjustment amount of undistributed earnings), then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and setting aside or reversal for special reserve in accordance with the securities and Exchange Act. The Board of Directors should present the distribution of the remaining earnings along with undistributed earnings at beginning of periods (including adjustment amount of undistributed earnings) for the approval of the shareholders.
- The Company's dividend policy is aligned with the development plan for the present and the future taking into consideration investment environment, capital requirement, domestic and overseas competition condition and profit of shareholders. Annual distribution of stockholders' bonus should not be less than 50% of current distributable earnings, and may be in the form of stock dividend and cash dividend. Presently, the distribution of cash dividend should not be less than 20% of annual dividend appropriations, however, if the Company has significant plans for capital expenditures, after approval at the shareholders' meeting, cash dividends can be distributed lower than 20% of annual dividends appropriations.
- 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.
- 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.
- On March 29, 2022, the Board of Directors' meeting approved the loss appropriation proposal for 2021 to make up for the loss of the current year with \$562,766 of retained earnings, and the shareholders' meeting subsequently resolved the loss appropriation proposal on June 21, 2022.
- On March 29, 2022, the Board of Directors' meeting approved the proposed \$135,346 cash



distribution from \$35,592 of capital surplus due to share issuance at a premium and from \$99,754 of legal reserve. The proposal of cash distribution through such capital surplus was resolved in the shareholders' meeting on June 21, 2022.

7. On June 21, 2022 and July 26, 2021, the appropriation of 2021 and 2020 earnings were resolved at the stockholders' meeting as follows:

	Year ended December 31			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ -		\$ -	
Special reserve	56,487		56,680	
Cash dividends	-	\$ -	177,745	\$ 2.26
Total	<u>\$ 56,487</u>		<u>\$ 234,425</u>	

The Company's legal reserve had exceeded paid-in capital, thus, according to laws, the Company could not appropriate legal reserve. When the Company appropriated earnings for the year ended December 31, 2020, it determined not to provision legal reserve.

(21) Other equity items

	2022		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 12,295)	(\$ 230,112)	(\$ 242,407)
Currency translation:			
- Group	-	63,421	63,421
- Associates	-	7,654	7,654
- Change in net equity of associates accounted for using the equity method	-	1,031	1,031
At December 31	<u>(\$ 12,295)</u>	<u>(\$ 158,006)</u>	<u>(\$ 170,301)</u>

	2021		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 12,234)	(\$ 173,686)	(\$ 185,920)
Revaluation			
- Group	( 61)	-	( 61)
Currency translation:			
- Group	-	( 45,909)	( 45,909)
- Associates	-	( 10,517)	( 10,517)
At December 31	<u>(\$ 12,295)</u>	<u>(\$ 230,112)</u>	<u>(\$ 242,407)</u>

(22) Net revenue

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 1,691,200</u>	<u>\$ 1,577,069</u>

1. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services rendered over time and at a point in time in the following major product lines and geographical regions:

Year ended December 31, 2022	<u>Taiwan</u>		<u>America</u>		<u>Japan</u>		<u>Other region</u>		Total
	<u>Media Creation</u>	<u>Media Experience and Entertainment and others</u>	<u>Media Creation</u>	<u>Media Experience and Entertainment and others</u>	<u>Media Creation</u>	<u>Media Experience and Entertainment and others</u>	<u>Media Creation</u>	<u>Media Experience and Entertainment and others</u>	
Revenue from contracts with customers	<u>\$ 84,543</u>	<u>\$ 61,773</u>	<u>\$ 756,731</u>	<u>\$ 194,891</u>	<u>\$ 264,031</u>	<u>\$ 187,893</u>	<u>\$ 80,051</u>	<u>\$ 61,287</u>	<u>\$ 1,691,200</u>
Timing of revenue recognition									
At a point in time	\$ 49,849	\$ 44,794	\$ 486,260	\$ 190,151	\$ 121,849	\$ 183,127	\$ 27,733	\$ 59,172	\$ 1,162,935
Over time	<u>34,694</u>	<u>16,979</u>	<u>270,471</u>	<u>4,740</u>	<u>142,182</u>	<u>4,766</u>	<u>52,318</u>	<u>2,115</u>	<u>528,265</u>
	<u>\$ 84,543</u>	<u>\$ 61,773</u>	<u>\$ 756,731</u>	<u>\$ 194,891</u>	<u>\$ 264,031</u>	<u>\$ 187,893</u>	<u>\$ 80,051</u>	<u>\$ 61,287</u>	<u>\$ 1,691,200</u>

Year ended December 31, 2021	<u>Taiwan</u>		<u>America</u>		<u>Japan</u>		<u>Other region</u>		Total
	<u>Media Creation</u>	<u>Media Experience and Entertainment and others</u>	<u>Media Creation</u>	<u>Media Experience and Entertainment and others</u>	<u>Media Creation</u>	<u>Media Experience and Entertainment and others</u>	<u>Media Creation</u>	<u>Media Experience and Entertainment and others</u>	
Revenue from contracts with customers	<u>\$ 48,351</u>	<u>\$ 49,759</u>	<u>\$ 603,766</u>	<u>\$ 216,569</u>	<u>\$ 236,551</u>	<u>\$ 261,348</u>	<u>\$ 84,070</u>	<u>\$ 76,655</u>	<u>\$ 1,577,069</u>
Timing of revenue recognition									
At a point in time	\$ 20,950	\$ 45,858	\$ 417,396	\$ 212,101	\$ 146,397	\$ 256,908	\$ 39,955	\$ 74,704	\$ 1,214,269
Over time	<u>27,401</u>	<u>3,901</u>	<u>186,370</u>	<u>4,468</u>	<u>90,154</u>	<u>4,440</u>	<u>44,115</u>	<u>1,951</u>	<u>362,800</u>
	<u>\$ 48,351</u>	<u>\$ 49,759</u>	<u>\$ 603,766</u>	<u>\$ 216,569</u>	<u>\$ 236,551</u>	<u>\$ 261,348</u>	<u>\$ 84,070</u>	<u>\$ 76,655</u>	<u>\$ 1,577,069</u>

2. Contract assets and contract liabilities

(a) The Group has recognized the following revenue-related contract assets and contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract assets:			
Project contracts	<u>\$ 13,154</u>	<u>\$ -</u>	<u>\$ -</u>
Contract liabilities:			
Advance sales receipts	<u>\$ 258,117</u>	<u>\$ 188,350</u>	<u>\$ 130,158</u>

(b) Revenue recognized that was included in the contract liability balance at the beginning of the year

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Revenue recognized that was included in the contract liabilities balance at the beginning of the year		
Advance sales receipts	<u>\$ 188,093</u>	<u>\$ 123,678</u>

(23) Operating costs

	Year ended December 31	
	2022	2021
Service cost of platform	\$ 113,557	\$ 108,006
Royalty cost	106,502	136,458
Cost of goods sold	7,042	8,181
Others	1,776	2,651
	<u>\$ 228,877</u>	<u>\$ 255,296</u>

(24) Interest income

	Year ended December 31	
	2022	2021
Interest income from financial assets measured at amortized cost	\$ 11,836	\$ 1,946
Bank deposits	8,045	106
	<u>\$ 19,881</u>	<u>\$ 2,052</u>

(25) Other income

	Year ended December 31	
	2022	2021
Rental income	\$ 64,959	\$ 72,774
Service revenue (Note)	2,369	3,586
Grant income	47	1,167
Overdue accounts payable transferred to revenue	5	33,862
Dividend income	-	14,164
Compensation income	-	2,441
Other income - others	3,794	1,410
	<u>\$ 71,174</u>	<u>\$ 129,404</u>

Note: Please refer to Note 7(2)A.

(26) Other gains or losses

	Year ended December 31	
	2022	2021
Currency exchange gains (losses)	\$ 59,349	(\$ 14,278)
Net (losses) gains on financial assets at fair value through profit or loss	( 20,505)	11,511
Depreciation expenses on investment property	( 11,637)	( 11,370)
Loss on scrapping of property, plant, and equipment	( 190)	( 3,173)
Loss on liquidation of subsidiaries	-	( 11,993)
Gain on lease modification	-	48
Others	( 4,900)	( 4,325)
	<u>\$ 22,117</u>	<u>(\$ 33,580)</u>

(27) Financial costs

	Year ended December 31	
	2022	2021
Interest expense - lease liabilities	\$ 82	\$ 148

(28) Costs and expenses by nature

	Year ended December 31	
	2022	2021
Cost of goods sold	\$ 7,042	\$ 8,181
Employee benefit expense	798,165	741,277
Promotional fees	303,922	229,099
Royalty cost	106,502	136,458
Service cost of platform	113,557	108,006
Professional service fees	57,844	57,266
Depreciation of property, plant and equipment	12,406	13,426
Product expenses	11,303	10,860
Depreciation of right-of-use assets	5,243	6,700
Amortization expenses	3,083	3,039
Others	74,889	65,875
Total cost of sales and operating expenses	\$ 1,493,956	\$ 1,380,187

(29) Employee benefit expense

	Year ended December 31	
	2022	2021
Wages and Salaries	\$ 696,058	\$ 651,147
Insurance fees	50,051	47,471
Pension costs	22,761	25,932
Cost of employee stock options	9,066	-
Directors' remuneration	6,658	3,525
Other personnel expenses	13,571	13,202
	\$ 798,165	\$ 741,277

1. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 3.0% for employees' compensation and shall not be higher than 1.5% for directors' remuneration.

2. For the years ended December 31, 2022 and 2021, employees' compensation and directors' remuneration were accrued as follows. The aforementioned amounts were recognized in salary expenses:

	Year ended December 31	
	2022	2021
Employees' compensation	\$ 59,590	\$ -
Directors' remuneration	3,150	-
	<u>\$ 62,740</u>	<u>\$ -</u>

For the year ended December 31, 2022, the employees' compensation was estimated and accrued at 20.90% of distributable profit for the current period, and the Directors' remuneration was estimated and accrued at 1.11% of distributable profit for the current period.

For the year ended December 31, 2021, the Company had losses before tax. According to the Company's Articles of Incorporation, the Company didn't estimate and accrue employees' compensation and directors' remuneration.

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

(30) Income tax

1. Income tax expenses

(a) Components of income tax expense:

	Year ended December 31	
	2022	2021
Current tax:		
Current tax expense recognized for the current period	\$ 53,864	\$ 34,202
Prior year income tax (over) under estimation	( 2)	14,891
Total current tax	<u>53,862</u>	<u>49,093</u>
Deferred tax:		
Origination and reversal of temporary differences	( 16,553)	12,120
Total deferred tax	<u>( 16,553)</u>	<u>12,120</u>
Income tax expense recognized in profit or loss	<u>\$ 37,309</u>	<u>\$ 61,213</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Remeasurement of defined benefit obligations	(\$ 1,586)	\$ 49

2. Reconciliation between income tax expense and accounting profit:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Tax calculated based on profit (loss) before tax and statutory tax rate (Note)	\$ 33,767	(\$ 100,379)
Effects from items adjusted by tax regulation	41,979	155,268
Effects from non-deductible offshore income tax	1,570	1,566
Tax exempt income by tax regulation	( 17)	( 30)
Effect from investment tax credits	( 48,022)	-
Prior year income tax (over) under estimation	( 2)	14,891
Taxable loss not recognized as deferred income tax assets	8,034	1,816
Change in assessment of realization of deferred tax	-	( 11,919)
Income tax expenses	<u>\$ 37,309</u>	<u>\$ 61,213</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

3. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealized profit on intercompany sales	\$ 4,237	(\$ 739)	\$ -	\$ 3,498
Unrealized profit on allowance for sales	16,443	2,492	-	18,935
Unrealized exchange losses	-	2,473	-	2,473
Provisions	4,305	3,222	-	7,527
Unrealized loss on decline in market value	578	( 302)	-	276
Unused compensated absences	4,705	( 170)	-	4,535
Cost of software bug-fixing	1,104	80	-	1,184
Actuarial gains and losses on pensions	<u>12,260</u>	<u>-</u>	<u>( 1,586)</u>	<u>10,674</u>
Subtotal	<u>43,632</u>	<u>7,056</u>	<u>( 1,586)</u>	<u>49,102</u>
-Deferred tax liabilities:				
Unrealized exchange gains	( 9,497)	9,497	-	-
Gain on foreign investments accounted for using equity method	<u>( 8,451)</u>	<u>-</u>	<u>-</u>	<u>( 8,451)</u>
Subtotal	<u>( 17,948)</u>	<u>9,497</u>	<u>-</u>	<u>( 8,451)</u>
Total	<u>\$ 25,684</u>	<u>\$ 16,553</u>	<u>(\$ 1,586)</u>	<u>\$ 40,651</u>

	Year ended December 31, 2021			
	January 1	Recognized in		December 31
		profit or loss	other comprehensive income	
Temporary differences:				
-Deferred tax assets:				
Unrealized profit on intercompany sales	\$ 4,429	(\$ 192)	\$ -	\$ 4,237
Unrealized profit on allowance for sales	20,710	( 4,267)	-	16,443
Provisions	-	4,305	-	4,305
Unrealized loss on decline in market value	680	( 102)	-	578
Unused compensated absences	4,213	492	-	4,705
Cost of software bug-fixing	1,152	( 48)	-	1,104
Actuarial gains and losses on pensions	12,211	-	49	12,260
Subtotal	43,395	188	49	43,632
-Deferred tax liabilities:				
Unrealized exchange gains	( 4,906)	( 4,591)	-	( 9,497)
Differences on depreciation	( 734)	734	-	-
Gain on foreign investments accounted for using equity method	-	( 8,451)	-	( 8,451)
Subtotal	( 5,640)	( 12,308)	-	( 17,948)
Total	\$ 37,755	(\$ 12,120)	\$ 49	\$ 25,684

4. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2022				
Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2022	\$ 26,924	\$ 26,924	\$ 26,924	No expiry date
2021	6,085	6,085	6,085	No expiry date
2020	28,113	28,113	28,113	No expiry date

December 31, 2021



Year incurred	Amount filed / assessed	Unused amount	Unrecognized deferred tax assets	Expiry year
2021	\$ 6,085	\$ 6,085	\$ 6,085	No expiry date
2020	28,113	28,113	28,113	No expiry date

5. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(31) Earnings (loss) per share

	Year ended December 31, 2022		
	Weighted average outstanding shares	Earnings per share (EPS)	
	Amount after tax (share in thousands) (in dollars)		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 183,625	78,600	\$ 2.34
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 183,625	78,600	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	142	
Employees' compensation	-	84	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 183,625	78,826	\$ 2.33
	Year ended December 31, 2021		
	Weighted average outstanding shares	Loss per share	
	Amount after tax (share in thousands) (in dollars)		
<u>Basic/Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 562,766)	78,006	(\$ 7.21)

For the year ended December 31, 2021, since the Company had net losses after tax, it will have anti-dilutive effect if the calculation includes potential common shares. Thus, the effects from potential common shares will not be included in the calculation of diluted deficits per share for the year ended December 31, 2021.

(32) Supplemental cash flow information

1. Investment activities with no cash flow effects:

	Year ended December 31	
	2022	2021
Transfer of property, plant and equipment to investment property	\$ 10,256	\$ -

2. Financing activities with no cash flow effects:

	Year ended December 31	
	2022	2021
Retirement of treasury share	\$ -	\$ 578,762

(33) Changes in liabilities from financing activities

	2022		
	Guarantee deposits received	Lease liabilities (including current portion)	Liabilities from financing activities-gross
At January 1	\$ 10,306	\$ 4,554	\$ 14,860
Changes in cash flow from financing activities	( 771)	( 4,818)	( 5,589)
Addition - Newly added lease contracts	-	11,537	11,537
At December 31	\$ 9,535	\$ 11,273	\$ 20,808

	2021		
	Guarantee deposits received	Lease liabilities (including current portion)	Liabilities from financing activities-gross
At January 1	\$ 18,321	\$ 18,047	\$ 36,368
Changes in cash flow from financing activities	( 7,039)	( 6,731)	( 13,770)
Lease modification	-	( 6,061)	( 6,061)
Effects of changes in exchange rates of foreign currency holding	( 976)	( 701)	( 1,677)
At December 31	\$ 10,306	\$ 4,554	\$ 14,860

## 7. Related-Party Transactions

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Perfect Corp.(Cayman)	Associates
Perfect Mobile Corp. (Taiwan)	Associates (Subsidiary of Perfect Corp.(Cayman))
Perfect Corp.(Japan)	"
Perfect Corp.(USA)	"
ClinJeff Corp.	Other related parties

### (2) Significant related party transactions and balances

#### 1. Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Service revenue:		
Perfect Mobile Corp. (Taiwan)	\$ 507	\$ 955
Rent income:		
Perfect Mobile Corp. (Taiwan)	661	661
Perfect Corp.(Japan)	750	776
	<u>1,411</u>	<u>1,437</u>
Payment on behalf of others		
Perfect Mobile Corp. (Taiwan)	627	226
Perfect Corp.(Japan)	32	39
	<u>659</u>	<u>265</u>
	<u>\$ 2,577</u>	<u>\$ 2,657</u>

The Group provides legal, management and technical related services to associates, and expenses were charged in accordance with the personnel costs related to the services that the Group provided. Service revenue for the years ended December 31, 2022 and 2021 is as follows:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Service revenue (shown as other income):		
Perfect Mobile Corp. (Taiwan)	\$ 2,369	\$ 3,586

#### 2. Rental income (shown as other income)

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Perfect Mobile Corp. (Taiwan)	\$ 7,566	\$ 6,283
Perfect Corp.(Japan)	2,670	2,777
	<u>\$ 10,236</u>	<u>\$ 9,060</u>

The maturity analysis of the lease payments receivable under the operating leases is as follows; please refer to the explanation in note 6(9).

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 7,556
2023	3,848	3,848
	<u>\$ 3,848</u>	<u>\$ 11,404</u>

### 3. Leasing arrangements lessee

(a) The Group has leased the office from ClinJeff Corp. since May 2022, and the lease period is from 2022 to 2024 where the present value of cash payments was \$2,762, calculated using the abovementioned lease period and discount rate. As of December 31, 2022, the accumulated depreciation recognized was \$921.

(b) Total lease liabilities

(i) Ending balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ClinJeff Corp.	<u>\$ 1,965</u>	<u>\$ -</u>

(ii) Interest expenses:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
ClinJeff Corp.	<u>\$ 23</u>	<u>\$ -</u>

### 4. Acquisition of financial assets

Please refer to Note 6(5).

### (3) Key management Salary information

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 48,442	\$ 57,126
Post-employment benefits	612	604
	<u>\$ 49,054</u>	<u>\$ 57,730</u>

### 8. Pledged Assets

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

<u>Pledged asset</u>	<u>Carrying amounts at</u>		<u>Purpose</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Time deposits (recognized as non-current financial assets at amortized cost)	<u>\$ -</u>	<u>\$ 5,000</u>	Performance guarantee

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

Except for those mentioned in Notes 6(8), 6(9) and 7, the Group has no other significant commitments.

10. Significant Disaster Loss

None.

11. Significant Events after the balance sheet date

None.

12. Others

(1) Capital management

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

(2) Financial instruments

1. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current)	\$ 300,818	\$ 275,178
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 248	\$ 248
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,743,889	\$ 1,102,879
Financial assets at amortized cost (including current and non-current)	122,840	697,000
Accounts receivable	119,289	77,639
Other receivables (including related parties)	6,415	4,645
Guarantee deposits paid (recognized under other financial assets)	6,801	4,256
	<u>\$ 1,999,234</u>	<u>\$ 1,886,419</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Accounts payable	\$ 54,967	\$ 54,723
Other payables	343,211	366,321
Guarantee deposits received	9,535	10,306
(recognized under other financial liabilities)		
	<u>\$ 407,713</u>	<u>\$ 431,350</u>
Lease liabilities (including current and non-current)	<u>\$ 11,273</u>	<u>\$ 4,554</u>

## 2. Risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.
- (b) Risk management is executed by the Group's treasury department under the 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.

## 3. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- (i) The Group operates internationally and is exposed to the exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with USD, JPY and EUR. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.
- (ii) The Group's business involves some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD, JPY, and EUR). Significant financial assets and liabilities denominated in foreign currencies are as follows:

December 31, 2022				Year ended December 31, 2022		
				Sensitivity analysis		
Currency	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 40,367	30.71	\$ 1,239,671	1%	\$ 12,397	\$ -
EUR:NTD	267	32.72	8,736	1%	87	-
GBP:NTD	3	37.09	111	1%	1	-
USD:JPY	1,281	132.14	39,340	1%	393	-
<u>Non-monetary items</u>						
USD:NTD	57,979	30.71	1,780,536	1%	342	17,463
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1,184	30.71	36,361	1%	364	-
USD:JPY	1,363	132.14	41,858	1%	419	-

December 31, 2021				Year ended December 31, 2021		
				Sensitivity analysis		
Currency	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 37,295	27.68	\$ 1,032,326	1%	\$ 10,323	\$ -
EUR:NTD	238	32.32	7,692	1%	77	-
GBP:NTD	13	37.30	485	1%	5	-
USD:JPY	4,139	115.09	114,588	1%	1,146	-
<u>Non-monetary items</u>						
USD:NTD	1,361	27.68	37,681	1%	377	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1,215	27.68	33,631	1%	336	-
USD:JPY	3,768	115.09	104,298	1%	1,043	-

(iii) The total exchange gains or losses, including realized and unrealized, arising from significant effects of foreign exchange fluctuation on the monetary items held by the Group for the years ended December 31, 2022 and 2021 were a gain of \$59,349 and a loss of \$14,278, respectively.

#### Price risk

(i) The Group's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair

value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

- (ii) The Group mainly invests in unlisted stocks, and the value of these equity instruments will be affected by the uncertainties from the future performance of the investment targets. If the prices of these equity instruments rises or falls by 1% while the other conditions remain unchanged, the increase or decrease of the net profit after tax for the years ended December 31, 2022 and 2021 due to equity instruments measured at fair value through profit or loss will increased or decreased by \$274 and \$302, respectively; the other comprehensive income will both increased or decreased by \$2 from the increase or decrease of equity investments classified as measured at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- (i) The Groups interest-bearing assets are mainly cash and cash equivalents and financial assets at amortized cost. The Group expects no significant cash flow interest rate risk on these assets as all their maturities are within 12 months.
- (ii) The Group did not use any financial instruments to hedge interest rate risk.
- (iii) There was no borrowing as of December 31, 2022 and 2021, and thus there was no interest rate risk arising from borrowings.

(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. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost and at fair value through profit or loss.
- (ii) The Group manages their credit risk taking into consideration the entire Group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. 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.
- (iii) The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- (iv) The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
  - (A) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.



- (B) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- (v) The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (A) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (B) The disappearance of an active market for that financial asset because of financial difficulties;
  - (C) Default or delinquency in interest or principal repayments;
  - (D) Adverse changes in national or regional economic conditions that are expected to cause a default.
- (vi) The Group classifies customers' accounts receivable in accordance with geographic area. The Group applies the modified approach using provision matrix to estimate expected credit loss.
- (vii) The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable.
- (viii) The Group has not recognized loss allowance for accounts receivable provided from applying the simplified approach because the amount was both immaterial for the years ended December 31, 2022 and 2021.
- (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 short-term marketable security, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2022 and 2021, the Group held money market position of \$1,812,522 and \$1,287,538, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
  - (iii) The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022	Within 1 year	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>			
Accounts payable	\$ 54,967	\$ -	\$ -
Other payables	343,211	-	-
Lease liabilities (Note)	5,659	5,843	-
Other financial liabilities - guarantee deposits received	3,150	6,385	-
December 31, 2021	Within 1 year	Between 2 and 5 years	Over 5 years
<u>Non-derivative financial liabilities:</u>			
Accounts payable	\$ 54,723	\$ -	\$ -
Other payables	366,321	-	-
Lease liabilities (Note)	3,706	888	-
Other financial liabilities - guarantee deposits received	3,275	7,031	-

Note: The amount includes interest expected to be paid in the future.

(3) Fair value information

1. 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 beneficiary certificates of the Group's investments belongs to this category.
  - 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. The fair value of the Group's investment in equity instruments and debt instruments without active market is included in Level 3.
2. Fair value information of investment property at cost is provided in Note 6(10).
3. The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other receivables (including related parties), financial assets at amortized cost, other financial assets (under other non-current assets), accounts payable, other payables and other financial liabilities (under other non-current liabilities)) are approximate to their fair values.

4. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets is as follows:

(a) The related information of natures of the assets is as follows:

December 31, 2022	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ -	\$ -	\$ 34,249	\$ 34,249
Debt instruments	20,193	-	246,376	266,569
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	248	248
Total	<u>\$ 20,193</u>	<u>\$ -</u>	<u>\$ 280,873</u>	<u>\$ 301,066</u>

December 31, 2021	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ -	\$ -	\$ 37,681	\$ 37,681
Debt instruments	-	-	237,497	237,497
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	248	248
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,426</u>	<u>\$ 275,426</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

(i) The instruments which the Group used market quoted prices as their fair values (that is, Level 1) are listed below according to their characteristics:

	<u>Open-end funds</u>
Market quoted price	Net asset value

(ii) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including

calculated by applying model using market information available at the consolidated balance sheet date.

(iii) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(iv) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

5. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.
6. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	2022		
	Equity securities	Debt instruments	Total
At January 1	\$ 37,929	\$ 237,497	\$ 275,426
Acquired in the year	-	9,117	9,117
Proceeds from capital reduction in the year	( 5,945)	-	( 5,945)
Gains and losses recognized in profit or loss			
Recorded as non-operating income and expenses	2,513	( 23,211)	( 20,698)
Effect of exchange rate changes	-	22,973	22,973
At December 31	<u>\$ 34,497</u>	<u>\$ 246,376</u>	<u>\$ 280,873</u>

	2021		
	Equity securities	Debt instruments	Total
At January 1	\$ 46,589	\$ 217,998	\$ 264,587
Acquired in the year	-	27,054	27,054
Return of cost in the period	-	( 12,528)	( 12,528)
Proceeds from capital reduction in the year	( 9,280)	-	( 9,280)
Gains and losses recognized in profit or loss			
Recorded as non-operating income and expenses	681	10,680	11,361
Gains and losses recognized in other comprehensive income			
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	( 61)	-	( 61)
Effect of exchange rate changes	-	( 5,707)	( 5,707)
At December 31	<u>\$ 37,929</u>	<u>\$ 237,497</u>	<u>\$ 275,426</u>

7. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted stocks	\$ 34,497	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	The higher the discount for lack of marketability, the lower the fair value; the higher the weighted average cost of capital and discount for lack of control, the lower the fair value; the higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value
Non-derivative debt instrument:				
Private fund investment	246,376	Net asset value	Not applicable.	Not applicable.

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument:				
Unlisted stocks	\$ 37,929	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	The higher the discount for lack of marketability, the lower the fair value; the higher the weighted average cost of capital and discount for lack of control, the lower the fair value; the higher the long- term revenue growth rate and long-term pre-tax operating margin, the higher the fair value
Non-derivative debt instrument:				
Private fund investment	237,497	Net asset value	Not applicable.	Not applicable.

8. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed:

	Inputs	Change	Year ended December 31, 2022			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Discount for lack of marketability, discount for lack of control	±1%	\$ 342	(\$ 342)	\$ 2	(\$ 2)
Debt instruments	Not applicable.	±1%	2,464	( 2,464)	-	-
Total			\$ 2,806	(\$ 2,806)	\$ 2	(\$ 2)

				Year ended December 31, 2021			
				Recognized in profit or loss		Recognized in other comprehensive income	
		Inputs	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instruments	Discount for lack of marketability, discount for lack of control	±1%	\$ 377	(\$ 377)	\$ 2	(\$ 2)	
Debt instruments	Not applicable.	±1%	2,375	(2,375)	-	-	
Total			\$ 2,752	(\$ 2,752)	\$ 2	(\$ 2)	

### 13. Supplementary Disclosures

#### (1) Significant transactions information

1. Lending to others: None.
2. Provision of endorsements and guarantees to others: None.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
4. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
8. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments undertaken during the reporting periods: None.
10. Significant inter-company transactions during the reporting periods: Please refer to table 3.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

#### (3) Information on investments in Mainland China

1. Basic information: Please refer to table 5.
2. Significant transactions, either directly or indirectly through a third area, with investee

companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Segment Reporting

(1) General information

The Group recognizes 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 “Media Creation” software. Information about operating results of other products is provided under the column heading “Media Experience and Entertainment and others”.

(2) Measurement of segment information

1. The accounting policies for operating segments are the same as those summarized in Note 4 of the financial statements.
2. The Group uses segment revenue and operating income as the basis for evaluating performance and has eliminated the impact of inter-segment transactions.

(3) Information about segments

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Year ended December 31, 2022		
	Media creation	Media Experience and Entertainment and others	Total
Segment Revenue	\$ 1,185,356	\$ 505,844	\$ 1,691,200
Segment Operating Income	\$ 143,147	\$ 54,097	\$ 197,244
Segment income (loss), including:			
Depreciation expense	\$ 12,809	\$ 4,840	\$ 17,649
Amortization expenses	\$ 2,237	\$ 846	\$ 3,083
	Year ended December 31, 2021		
	Media creation	Media Experience and Entertainment and others	Total
Segment Revenue	\$ 972,738	\$ 604,331	\$ 1,577,069
Segment Operating Income	\$ 126,257	\$ 70,625	\$ 196,882
Segment income (loss), including:			
Depreciation expense	\$ 12,906	\$ 7,220	\$ 20,126
Amortization expenses	\$ 1,949	\$ 1,090	\$ 3,039



(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 products and services

Please refer to Note 14(3).

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
America	\$ 951,622	\$ 29	\$ 820,335	\$ 243
Japan	451,924	136,572	497,899	142,509
Taiwan	146,316	1,540,901	98,110	1,546,833
Others	141,338	-	160,725	-
	<u>\$ 1,691,200</u>	<u>\$ 1,677,502</u>	<u>\$ 1,577,069</u>	<u>\$ 1,689,585</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, right-of-use assets, intangible assets and other assets, but excluded financial instruments, deferred tax assets and refundable deposits.

(7) Major customer information

Major customer information for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31			
	2022		2021	
	Revenue	Operating segment	Revenue	Operating segment
Customer A	\$ 642,179	Media creation, Media Experience and Entertainment, and others	\$ 580,346	Media creation, Media Experience and Entertainment, and others
Customer B	285,287	"	151,890	"
Customer C	187,675	"	224,352	"
	<u>\$ 1,115,141</u>		<u>\$ 956,588</u>	

CYBERLINK CORP. AND SUBSIDIARIES

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

December 31, 2022

Table 1

Unit: Amounts expressed in thousands of New Taiwan Dollars

(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, 2022				Footnote (Note 4)
				Number of shares	Carrying amount (Note 3)	Ownership (%)	Fair value	
CyberLink Corp.	Stock of One-Blue, LLC	Director of the investee company	Non-current financial assets at fair value through profit or loss	-	\$ 34,249	16.67%	\$ 34,249	
CyberLink Corp.	Yuanta Wan Tai Money Market Fund	None	Current financial assets at fair value through profit or loss	1,313,817	20,193	0.08%	20,193	
CyberLink Corp.	Fuh Hwa New Intelligence Fund	None	Non-current financial assets at fair value through profit or loss	3,000,000	21,270	1.90%	21,270	
CyberLink Corp.	Geothings Technology Co., Ltd	None	Non-current financial assets at fair value through other comprehensive income	100,000	248	2.08%	248	
CyberLink Corp.	SKYMIZER TAIWAN INC.	None	Non-current financial assets at fair value through other comprehensive income	40,000	-	1.48%	-	
CyberLink International Technology Corp.	Preferred stock of Cidana Inc.	None	Non-current financial assets at fair value through other comprehensive income	500,000	-	3.56%	-	
CyberLink International Technology Corp.	Preferred stock of LOFTechnology, Inc.	None	Non-current financial assets at fair value through other comprehensive income	100,000	-	0.57%	-	
CyberLink International Technology Corp.	CCV Fund I LP	None	Non-current financial assets at fair value through profit or loss	-	USD 7,330 (in thousands of dollars)	5.37%	USD 7,330 (in thousands of dollars)	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates, and other related derivative securities within the scope of IFRS 9 "Financial Instruments."

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 amortized 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. AND SUBSIDIARIES

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, 2022

Table 2

Unit: Amounts expressed in thousands of New Taiwan Dollars

(EXCEPT AS OTHERWISE INDICATED)

Purchaser/seller	Counterparty	Relationship with the counterparty	The circumstance of the dealings		Percentage of total purchases (sales)	Credit Terms	The circumstances and reasons why the trading terms are different from those of ordinary transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit Price	Credit Terms	Balance	Percentage of consolidated total notes/accounts receivable (payable)	
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Sales	\$ 137,496	10%	Note	Same with third parties	Note	\$ 11,725	13%	-
CyberLink Corp.	CyberLink Inc.	A subsidiary of the Company	Sales	133,833	10%	Note	Same with third parties	Note	10,223	11%	-

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

CYBERLINK CORP. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

Year Ended December 31, 2022

Table 3

Unit: Amounts expressed in thousands of New Taiwan Dollars

(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 Inc.	1	Sales revenue	\$ 133,833	Note 4	7.9%
0	CyberLink Corp.	CyberLink Inc.	1	Receivables	11,873	Note 4, 5	0.2%
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	137,496	Note 4	8.1%
0	CyberLink Corp.	CyberLink.Com Corp.	1	Receivables	14,472	Note 4, 5	0.2%

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

- (a) Parent company is '0.'
- (b) 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 categories 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.):

- (a) Parent company to subsidiary.
- (b) Subsidiary to parent company.
- (c) 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. AND SUBSIDIARIES

Information on investees

Year Ended December 31, 2022

Table 4

Unit: Amounts expressed in thousands of New Taiwan Dollars

(EXCEPT AS OTHERWISE INDICATED)

Name of Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment Amount		Shares held as at December 31, 2022			Net income (loss) of investee (Note 2(2))	Investment income (loss) recognized by the Company (Note 2(3))	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Carrying amount			
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	\$ 136,327	\$ 136,327	4,000,000	100%	\$ 385,836	(\$ 27,770)	(\$ 27,770)	Direct subsidiary
CyberLink Corp.	CyberLink International Technology Corp.	B.V.I.	Investment activities	1,373,806	1,283,896	44,000,000	100%	2,002,856	( 110,056)	( 110,056)	Direct subsidiary
CyberLink Corp.	CyberLink Inc.	Japan	Sale of software	235,714	235,714	1,900	100%	239,513	( 5,465)	( 5,465)	Direct subsidiary
CyberLink International Technology Corp.	Perfect Corp.	Cayman	Investment activities	1,204,661 (USD 39,227 in thousands of dollars)	1,002,763 (USD 36,227 in thousands of dollars)	36,960,961	31.25%	1,746,287 (USD 56,864 in thousands of dollars)	( 4,946,349) (USD 165,985) in thousands of dollars)	( 89,400)	Investment accounted for using the equity method

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, 2022' 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 income (loss) of the investee' column should fill in amount of net income (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognized by the Company' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized 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 recognized by regulations.

CYBERLINK CORP. AND SUBSIDIARIES

Information on investments in Mainland China

Year Ended December 31, 2022

Table 5

Unit: Amounts expressed in thousands of New Taiwan Dollars

(EXCEPT AS OTHERWISE INDICATED)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount of investment remitted or recovered during the period		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company (Note 2(2)B)	Carrying amount of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Perfect (Shanghai) Co., Ltd.	Trading of computer peripheral and software	\$ 66,241	(2)	\$ 32,399	\$ -	\$ -	\$ 32,399	(\$ 11,293)	31.25%	\$ -	\$ 7,392	\$ -	Note 4, 5
		(USD 2,157 in thousand of dollars)		(USD 1,055 in thousands of dollars)			(USD 1,055 in thousands of dollars)						
Company Name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA										
CyberLink Corp.	\$ 32,399 (USD 1,055 in thousands of dollars)	\$ 73,643 (USD 2,398 in thousands of dollars)	\$ 2,789,845										

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

- Directly invest in a company in mainland China
- Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- Others.

Note 2: In the 'Investment income (loss) recognized by the Company for December 31, 2022' column:

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

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

Note 4: Through investing in CyberLink International Technology Corp.

Note 5: Perfect (Shanghai) Co., Ltd. is a subsidiary directly reinvested by Perfect Corp., which is the Group's investee company recognized under the equity method. Please refer to note 6(6) for details.

CYBERLINK CORP. AND SUBSIDIARIES

Major shareholders information

December 31, 2022

Table 6

Expressed in shares

Name of major shareholder	Shares	
	Number of shares held	Ownership (%)
ClinJeff Corp.	12,176,497	15.42%
Chang, Hua-Jen	7,862,716	9.96%

## **6.5. Latest audited parent company only financial statements**

Independent Auditor’s Report translated from Chinese

To the Board of Directors and Stockholders of CyberLink Corp.

### **Opinion**

We have audited the accompanying parent company only balance sheets of CyberLink Corp. (the “Company”) as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the Audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company’s 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s 2022 parent company only financial statements are stated as follows:



## **Accuracy of revenue recognition timing for online product downloads via partnering e-commerce platforms**

### Description

Please refer to Note 4(28) for the description of accounting policy on operating revenue and Note 6(20) for details of operating revenue.

The Company generates revenue through various sales types, including online product downloads via partnering e-commerce platforms, sales through channels, and bundled products sold with computer hardware. Among them, revenue generated from online products downloads via partnering e-commerce platforms accounts for 67.74% of the Company's total revenue. After consumers downloaded products online to their devices such as computers and mobile phones, the Company obtains sales reports regularly from the e-commerce platforms and recognizes sales revenue according to the rights and obligations stated in the agreements. As the frequency of sales reports provided by different e-commerce platform differs, and the process of recognizing revenue usually involves manual operations, there may be differences in the timing of revenue recognition near the end of the financial reporting period, which could have a significant impact on the presentation of the parent company only financial statements. Therefore, we consider that the accuracy of revenue recognition timing for online product downloads via partnering e-commerce platforms is one of the key audit matters for this current fiscal year.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Understood and tested the effectiveness of management's internal control procedures for the revenue recognition of sales through e-commerce platforms, including obtaining and reconciling sales reports provided by e-commerce platforms with licensing agreements to ensure that revenue recognitions properly recorded.
2. Conducted cut-off tests for sales revenue from product downloaded via e-commerce platforms for a certain period before and after the end of the financial reporting period, including verifying sales reports and licensing agreements provided by e-commerce platforms and confirming that revenue recognition is recorded in appropriate period.

## **Fair value measurement of investments in unlisted stocks and bonds without active market**

### Description

Please refer to Note 4(6) for the accounting policies on unlisted stocks and bonds investments without active market, Note 5(2) for the accounting estimates and assumption uncertainty in relation to the measurement of fair value, and Note 12(3) for details of fair value of financial assets.

Unlisted stocks and bonds investments without active market are recognized as financial

assets at fair value through profit or loss, and any changes in the fair value of these financial assets are recognized in profit or loss.

The abovementioned fair value estimates are subject to management's judgement and involve many assumptions and estimates having high uncertainty. Thus, we consider that the measurement of fair value of unlisted stocks and bonds investments without active market as one of the key audit matters for this fiscal year's audit.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

4. Obtained an understanding and evaluated the Company's related policies and valuation process on the fair value measurement of unlisted stocks and bonds without active market.
5. Evaluated whether management adopted an adequate measurement method which was commonly adopted in the same industry and environment.
6. Obtained the valuation report from the expert appraiser, and performed the following procedures:
  - (1) Examined inputs and calculation formulas used in valuation methods, reviewed information and documents in respect of the relevance and the reliability of data source and agreed such data to their supporting documents.
  - (2) Evaluated the sensitivity analysis on assumptions and inputs executed by management to ensure that management has adequately managed the impact of the estimates and assumptions uncertainty on the measurement of fair value.

### **Responsibilities of Management and Those Charged with Governance for the parent company only financial statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as the management determines is necessary to enable the preparation of the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the parent company only financial statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error; design, and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and

performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Huang, Chin-Lien

Certified Public Accountant

Lai, Chung-Hsi

March 7, 2023

**Notes to Readers**

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China.

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. The English version of the parent company only financial statements which used for translation are not audited by the CPA

CyberLink Corp.  
Parent Company Only Balance Sheets  
December 31, 2022 and 2021

Unit: Amounts expressed in thousands of New Taiwan Dollars

	ASSETS	Notes	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,243,753	22	\$ 366,709	10
1110	Current financial assets at fair value through profit or loss	6(3)	20,193	1	-	-
1136	Current financial assets at amortized cost	6(2)	-	-	692,000	19
1140	Current contract assets	6(20)	13,154	-	-	-
1170	Accounts receivable, net	6(5)	68,469	1	14,742	-
1180	Accounts receivable, net– related parties	6(5) and 7	21,948	1	32,332	1
1200	Other receivables		3,599	-	1,988	-
1210	Other receivables - related parties	7	6,376	-	5,369	-
1220	Current income tax assets		15,664	-	36,278	1
130X	Inventories		6,088	-	5,215	-
1470	Other current assets		5,941	-	13,048	-
11XX	<b>Total current assets</b>		<u>1,405,185</u>	<u>25</u>	<u>1,167,681</u>	<u>31</u>
<b>Non-current assets</b>						
1510	Non-current financial assets at fair value through profit or loss	6(3)	55,519	1	62,311	2
1517	Non-current financial assets at fair value through other comprehensive income	6(4)	248	-	248	-
1535	Non-current financial assets at amortized cost	6(1)(2) and 8	-	-	5,000	-
1550	Investment accounted for using the equity method	6(6)	2,628,205	46	927,386	25
1600	Property, plant and equipment, net	6(7)	300,858	5	311,897	8
1755	Right-of-use assets	6(8)	10,879	-	4,585	-
1760	Investment property, net	6(10)	1,226,913	22	1,228,294	33
1780	Intangible asset		2,250	-	2,057	-
1840	Deferred income tax assets	6(28)	31,113	1	28,088	1
1900	Other non-current assets		6,491	-	4,017	-
15XX	<b>Total non-current assets</b>		<u>4,262,476</u>	<u>75</u>	<u>2,573,883</u>	<u>69</u>
1XXX	<b>Total assets</b>		<u>\$ 5,667,661</u>	<u>100</u>	<u>\$ 3,741,564</u>	<u>100</u>

(Continue on next page)

CyberLink Corp.  
Parent Company Only Balance Sheets  
December 31, 2022 and 2021

Unit: Amounts expressed in thousands of New Taiwan Dollars

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2130	Current contract liabilities	6(20)	\$ 258,026	5	\$ 188,285	5
2170	Accounts payable	6(11)	36,239	1	33,726	1
2200	Other payables	6(12)	240,802	4	210,730	6
2230	Income tax payable		2,689	-	3,281	-
2280	Current lease liabilities	6(8)(31)	5,512	-	3,670	-
2300	Other current liabilities		7,533	-	7,144	-
21XX	<b>Total current liabilities</b>		<u>550,801</u>	<u>10</u>	<u>446,836</u>	<u>12</u>
<b>Non-current liabilities</b>						
2550	Non-current provisions	6(13)	389,716	7	492,174	13
2570	Deferred income tax liabilities	6(28)	8,451	-	17,948	1
2580	Non-current lease liabilities	6(8)(31)	5,761	-	884	-
2600	Other non-current liabilities	6(14)(31)	63,190	1	77,265	2
25XX	<b>Total non-current liabilities</b>		<u>467,118</u>	<u>8</u>	<u>588,271</u>	<u>16</u>
2XXX	<b>Total Liabilities</b>		<u>1,017,919</u>	<u>18</u>	<u>1,035,107</u>	<u>28</u>
<b>Equity</b>						
Capital Stock						
3110	Common stock	6(16)	789,418	14	773,533	21
Capital surplus						
3200	Capital surplus	6(17)	2,468,920	44	703,016	18
Retained earnings						
3310	Legal reserve	6(18)	1,092,794	19	1,192,548	32
3320	Special reserve		242,407	4	185,920	5
3350	Unappropriated earnings		226,504	4	93,847	2
Other equity interest						
3400	Other equity interest	6(19)	( 170,301 )	( 3 )	( 242,407 )	( 6 )
3XXX	<b>Total equity</b>		<u>4,649,742</u>	<u>82</u>	<u>2,706,457</u>	<u>72</u>
Significant Contingent Liabilities and 6(8)(9) and 7						
Unrecognized Contract Commitments						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 5,667,661</u>	<u>100</u>	<u>\$ 3,741,564</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

CyberLink Corp.  
Parent Company Only Statements of Comprehensive Income  
For the Years Ended December 31, 2022 and 2021

Unit: Amounts expressed in thousands of New Taiwan Dollars  
(Except earnings (loss) per share, which is in dollars)

	Item	Notes	2022		2021	
			Amount	%	Amount	%
4000	Net revenue	6(20) and 7	\$ 1,407,331	100	\$ 1,343,676	100
5000	Operating costs	6(21)(26)	( 167,502)	( 12)	( 178,463)	( 13)
5900	Gross profit		1,239,829	88	1,165,213	87
5910	Unrealized profits on sales		( 4,657)	-	( 8,496)	( 1)
5920	Realized sales profits		8,349	1	9,459	1
5950	Gross profit from operations		1,243,521	89	1,166,176	87
	Operating expenses	6(14)(26)(27) and 7				
6100	Sales and marketing expenses		( 385,267)	( 27)	( 362,656)	( 27)
6200	General and administrative expenses		( 93,775)	( 7)	( 98,963)	( 7)
6300	Research and development expenses		( 532,836)	( 38)	( 476,100)	( 36)
6000	Total operating expenses		( 1,011,878)	( 72)	( 937,719)	( 70)
6900	Operating income		231,643	17	228,457	17
	Non-operating income and expenses					
7100	Interest income	6(2)(22)	15,434	1	2,008	-
7010	Other income	6(9)(10)(23) and 7	77,964	5	84,409	6
7020	Other gains or losses	6(3)(24)	40,649	3	44,669	( 3)
7050	Financial costs	6(8)(25)	( 82)	-	( 98)	-
7070	Share of loss of associates and joint ventures accounted for under equity method	6(6)	( 143,291)	( 10)	( 774,361)	( 58)
7000	Total non-operating income and expenses		( 9,326)	( 1)	( 732,711)	( 55)
7900	<b>Income (loss) before income tax</b>		222,317	16	504,254	( 38)
7950	Income tax expenses	6(28)	( 38,692)	( 3)	( 58,512)	( 4)
8200	<b>Net income (loss)</b>		<u>\$ 183,625</u>	<u>13</u>	<u>(\$ 562,766)</u>	<u>( 42)</u>
	<b>Other comprehensive (loss) income</b>					
	<b>Components of other comprehensive (loss) income that will not be reclassified to profit or loss</b>					
8311	Gain (loss) on remeasurement of defined benefit plans	6(14)	\$ 7,929	1	(\$ 246)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(4)(19)	-	-	( 61)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method- components not reclassified to profit or loss		-	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	( 1,586)	-	49	-
8310	Components of other comprehensive (loss) income that will not be reclassified to profit or loss		6,343	1	( 258)	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss subsequently</b>					
8361	Exchange differences arising on translation of foreign operations	6(19)	63,421	4	( 45,909)	( 3)
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method	6(19)	7,654	1	( 10,517)	( 1)
8360	Components of other comprehensive income that will be reclassified to profit or loss subsequently		71,075	5	( 56,426)	( 4)
8300	<b>Other comprehensive income (net)</b>		<u>\$ 77,418</u>	<u>6</u>	<u>(\$ 56,684)</u>	<u>( 4)</u>
8500	<b>Total comprehensive income (loss)</b>		<u>\$ 261,043</u>	<u>19</u>	<u>(\$ 619,450)</u>	<u>( 46)</u>
	Earnings (loss) per share	6(29)				
9750	Basic earnings (loss) per share		\$ 2.34		(\$ 7.21)	
9850	Diluted earnings (loss) per share		\$ 2.33		(\$ 7.21)	

The accompanying notes are an integral part of these parent company only financial statements



CyberLink Corp.  
Parent Company Only Statements of Changes in Equity  
For the Years Ended December 31, 2022 and 2021

Unit: Amounts expressed in thousands of New Taiwan Dollars

	Notes	Retained Earnings				Other equity interest			Treasury shares	Total
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences arising on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		
<u>Year 2021</u>										
Balance at January 1, 2021		\$ 826,003	\$ 1,177,301	\$ 1,192,548	\$ 129,240	\$ 891,491	(\$ 173,686)	(\$ 12,234)	(\$ 214,507)	\$ 3,816,156
Net loss for 2021		-	-	-	-	( 562,766 )	-	-	-	( 562,766 )
Other comprehensive loss for 2021	6(19)	-	-	-	-	( 197 )	( 56,426 )	( 61 )	-	( 56,684 )
Total comprehensive loss for 2021		-	-	-	-	( 562,963 )	( 56,426 )	( 61 )	-	( 619,450 )
Distribution of 2020 earnings	6(18)									
Special reserve		-	-	-	56,680	( 56,680 )	-	-	-	-
Cash dividends		-	-	-	-	( 177,745 )	-	-	-	( 177,745 )
Purchase of treasury share	6(16)	-	-	-	-	-	-	-	( 364,255 )	( 364,255 )
Retirement of treasury share	6(16)(17)(30)	( 60,000 )	( 518,762 )	-	-	-	-	-	578,762	-
Exercise of employee stock options	6(16)(17)	7,530	25,894	-	-	-	-	-	-	33,424
Change in net equity of associates accounted for using the equity method	6(17)	-	18,583	-	-	( 256 )	-	-	-	18,327
Balance at December 31, 2021		\$ 773,533	\$ 703,016	\$ 1,192,548	\$ 185,920	\$ 93,847	(\$ 230,112)	(\$ 12,295)	\$ -	\$ 2,706,457
<u>Year 2022</u>										
Balance at January 1, 2022		\$ 773,533	\$ 703,016	\$ 1,192,548	\$ 185,920	\$ 93,847	(\$ 230,112)	(\$ 12,295)	\$ -	\$ 2,706,457
Net income for 2022		-	-	-	-	183,625	-	-	-	183,625
Other comprehensive income for 2022	6(19)	-	-	-	-	6,343	71,075	-	-	77,418
Total comprehensive income for 2022		-	-	-	-	189,968	71,075	-	-	261,043
Distribution of 2021 earnings:	6(18)									
Special reserve		-	-	-	56,487	( 56,487 )	-	-	-	-
Share-based payment transactions	6(17)	-	9,061	-	-	-	-	-	-	9,061
Exercise of employee stock options	6(16)(17)	15,885	54,009	-	-	-	-	-	-	69,894
Change in net equity of associates accounted for using the equity method	6(17)(19)	-	1,738,426	-	-	( 824 )	1,031	-	-	1,738,633
Distribution of cash dividend through legal reserve	6(18)	-	-	( 99,754 )	-	-	-	-	-	( 99,754 )
Distribution of cash dividend through capital surplus	6(18)	-	( 35,592 )	-	-	-	-	-	-	( 35,592 )
Balance at December 31, 2022		\$ 789,418	\$ 2,468,920	\$ 1,092,794	\$ 242,407	\$ 226,504	(\$ 158,006)	(\$ 12,295)	\$ -	\$ 4,649,742

The accompanying notes are an integral part of these parent company only financial statements.

CyberLink Corp.  
Parent Company Only Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021

Unit: Amounts expressed in thousands of New Taiwan Dollars

	Notes	2022	2021
<u>Cash flows from operating activities</u>			
Profit (loss) before tax		\$ 222,317	(\$ 504,254)
Adjustments			
Adjustments to reconcile profit (loss)			
Realized sales profits		( 3,692 )	( 963 )
Loss on financial assets at fair value through profit or loss	6(3)(24)	654	489
Depreciation expense	6(7)(8)(10)	27,955	27,517
Amortization expense	6(26)	3,083	3,039
Interest income	6(22)	( 15,434 )	( 2,008 )
Interest expenses	6(8)(25)	82	98
Cost of employee stock options	6(15)		
	(27)	8,881	-
Loss on scrapping of property, plant, and equipment	6(24)	-	1,276
Share of loss from subsidiaries accounted for using equity method	6(6)	143,291	774,361
Loss on liquidation of subsidiaries	6(24)	-	11,993
Overdue other payables transferred to revenue	6(23)	-	( 27 )
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets mandatorily measured at fair value through profit or loss		( 14,055 )	9,430
Accounts receivable		( 53,727 )	12,494
Accounts receivable-related parties		10,384	1,819
Current contract assets		( 13,154 )	-
Other receivables		661	( 1,059 )
Other receivables-related parties		( 1,007 )	1,084
Inventories		( 873 )	1,418
Other current assets		7,107	13,256
Changes in operating liabilities			
Current contract liabilities		69,741	58,325
Accounts payable		2,513	( 1,169 )
Other payables		30,072	8,021
Other payables - related parties		-	( 435 )
Other current liabilities		389	482
Provisions		( 102,458 )	( 11,858 )
Other non-current liabilities		( 5,375 )	( 725 )
Cash inflow generated from operations		317,355	402,604
Interest received		13,162	2,200
Dividends received		59,380	-
Interest paid		( 82 )	( 98 )
Dividends paid		( 135,346 )	( 177,745 )
Income tax paid		( 54,578 )	( 39,050 )
Income tax returned		21,800	-
Net cash inflow from operating activities		221,691	187,911

(Continue on next page)

CyberLink Corp.  
Parent Company Only Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021

Unit: Amounts expressed in thousands of New Taiwan Dollars

	Notes	2022	2021
<u>Cash flows from investing activities</u>			
Proceeds from disposal of financial assets at amortized cost		\$ 1,802,560	\$ 1,384,000
Acquisition of financial assets at amortized cost		( 1,105,560 )	( 1,136,160 )
Refund from liquidation of subsidiary accounted for using the equity method	6(28)	-	10,830
Acquisition of investments accounted for using the equity method	6(6)	( 89,910 )	-
Acquisition of property, plant and equipment	6(7)	( 10,292 )	( 5,243 )
Acquisition of intangible assets		( 3,276 )	( 2,980 )
(Increase) decrease in refundable deposits		( 2,474 )	61
Net cash inflow from investing activities		591,048	250,508
<u>Cash flows from financing activities</u>			
(Decrease) in deposits received	6(31)	( 771 )	( 485 )
Repayment of the principal portion of lease liabilities	6(8)(31)	( 4,818 )	( 4,233 )
Exercise of employee stock options		69,894	33,424
Acquisition of treasury shares		-	( 364,255 )
Net cash inflow from (used in) financing activities		64,305	( 335,549 )
Net increase in cash and cash equivalents		877,044	102,870
Cash and cash equivalents at beginning of year		366,709	263,839
Cash and cash equivalents at end of year		\$ 1,243,753	\$ 366,709

The accompanying notes are an integral part of these parent company only financial statements.

CyberLink Corp.  
Notes to Parent Company Only Financial Statements  
For the Years Ended December 31, 2022 and 2021

Unit: Amounts 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 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. The Company is primarily engaged in the design and sale of computer software.

2. The Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The parent company only financial statements were authorized for issuance by the Board of Directors on March 7, 2023.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts-cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(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 IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendment to IFRS 16 'Lease Liabilities in Sale and Leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

#### 4. Summary of Significant Accounting Policies

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

##### (1) Compliance statement

The parent company only financial statements were prepared in accordance with ‘Regulations Governing the Preparation of Financial Reports by Securities Issuers’.

##### (2) Basis of preparation

1. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

2. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

##### (3) Foreign currency translation

Items included in the parent company only financial statements of each of the Company are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan Dollars (NT\$), which is the Company’s functional and presentation currency.

1. 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 recognized 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 recognized 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 recognized 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 recognized 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'.

## 2. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

## (4) Classification of current and non-current items

- 1. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Assets that do not meet any of above criteria are classified as non-current assets.

2. 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 settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be settled 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 issue of equity instruments do not affect its classification.

Liabilities that do not meet any of above criteria are classified as non-current liabilities.

(5) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

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

1. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
4. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

1. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognized in other comprehensive



income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

1. Financial assets at amortized cost are those that meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
2. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
3. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable

1. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
2. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

Financial assets are derecognized when one of the following conditions is met:

1. The contractual rights to receive cash flows from the financial asset expire.
2. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
3. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12) Leasing arrangements (lessor) - operating lease

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

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for using the equity method/ subsidiaries

1. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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.
2. Unrealized profit (loss) arising from the transactions between the Company and subsidiaries have been offset. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses in proportion to its ownership.
4. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(15) Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. 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
Buildings improvements	2~5 years
Machinery and equipment	3 years
Office equipment	5 years

(16) Leasing arrangements (lessee)-right-of-use assets / lease liabilities

1. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
3. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently

using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17) 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.

(18) Intangible asset

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 2 years.

(19) Impairment of financial assets

The Company 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(20) Accounts payable

1. Accounts payable are liabilities for purchases of goods or services and accounts payable are those resulting from operating and non-operating activities.
2. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(22) Provisions

Provisions are recognized when the Company 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 recognized as interest expense. Provisions are not recognized for future operating losses.

(23) Employee benefits

1. 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 recognized as expenses in that period when the employees render service.

2. Pension

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized 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 Company in current period or prior periods. The liability recognized 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 net defined benefit 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 Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

3. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal 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 paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) 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 recognized 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-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. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(25) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. 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 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.
3. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred 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 tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company 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 tax asset is realized or the deferred tax liability is settled.
4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
5. 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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability

simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(26) Capital Stock

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) 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.

(28) Revenue recognition

1. The Company sells computer software products. Revenue arising from the sales of software products to hardware firm to be bundled with its hardware products is recognized when the Company has delivered the software to the hardware firm, or based on the sales report provided by the hardware firm periodically to the Company in regards to the sales of its hardware products bundled with the software produced by the Company. The sales report is usually provided to the Company in the next quarter of its hardware sales. Revenue arising from the sales of software to distributor or retailer should be recognized when the Company has delivered the software to the distributor or retailer. Revenue arising from the sales of software through online channels should be recognized based on the sales report provided by these online channels, which is usually provided to the Company in the next month after the sales of the software. The sales usually are made with a credit term of 30 to 90 days. As the time interval between the transfer of committed goods and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
2. The Company entered into a contract with a customer to grant a license of computer software to the customer. The Company recognizes the revenue from licensing either at a point in time or over time based on the nature of the license granted. The nature of the Company's promise in granting a license is a promise to provide a right to access the Company's intellectual property if the Company undertakes activities that significantly affect the computer software to the customer, the customer is affected by the Company's activities and those activities do not result in the transfer of a good or a service to the customer as they occur. The income arising from these licenses are recognized as revenue

- on a straight-line basis throughout the contract period. Customers make payments based on agreed schedule, and the excess of service rendered over receivables from customers is presented as a contract asset; oppositely, the excess of receivables from customers over service rendered is presented as a contract liability. In case the abovementioned conditions are not met, the nature of the Company's promise in granting a license is a promise to provide a right to use the Company's intellectual property and therefore the revenue is recognized when transferring the license to a customer at a point in time.
3. It is the Company's policy to sell its products to the end customer with a right of return. Therefore, a refund liability (shown as other current liabilities) are recognized for the products expected to be returned. Accumulated experience is used to estimate such returns using the expected value method. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each balance sheet date.
  4. The Company 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.
  5. Cost of goods sold comprises packaging cost, production cost, royalty paid to third party, service cost of platform payment, provision for royalty liability, inventory valuation and obsolescence loss, etc.

(29) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

5. Critical Accounting Judgments, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company'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 Company's accounting policies

None.



(2) Critical accounting estimates and assumptions

Financial assets - fair value measurement of unlisted stocks and bonds without active market  
The fair value of unlisted stocks and bonds held by the Company that are not traded in an active market is determined considering those companies' technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks and bonds. Please refer to Note 12(3) for the financial instruments fair value information.

As of December 31, 2022, the carrying amounts of unlisted stocks and bonds without active market were \$34,497 and \$21,270, respectively.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 50	\$ 50
Demand deposits	260,983	366,659
Time deposits	982,720	-
	<u>\$ 1,243,753</u>	<u>\$ 366,709</u>

1. The Company 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.
2. In addition, due to the sale of license of Service Software in April 2020, the buyer and the seller shall prepay the contract amount to the Company and the Company shall pledge an equivalent amount of time deposits as collateral according to the agreement, and the contract expired on April 15, 2022, also relevant payments were refunded. As of December 31, 2022 and 2021, the balances of restricted cash, recognized in the "Non-current financial assets at amortized cost", were \$0 and \$5,000, respectively.

(2) Current and non-current financial assets at amortized cost

<u>Item</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Time deposits with original maturity of more than three months	\$ -	\$ 692,000
Non-current items:		
Time deposits pledged to others as collateral	\$ -	\$ 5,000

1. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest income	\$ 10,501	\$ 1,919

2. As at December 31, 2022 and 2021, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company were \$0 and \$697,000, respectively.
  3. Details of the Company's financial assets at amortized cost pledged to others as collateral are provided in Note 8.
  4. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2). The counterparties of the Company's time deposit investment are financial institutions with high credit quality, so it expects that the probability of counterparty default is remote.
- (3) Current and non-current financial assets at fair value through profit or loss

<u>Item</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Money market funds	\$ 20,085	\$ -
Valuation adjustment	108	-
	<u>\$ 20,193</u>	<u>\$ -</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Private fund	\$ 30,000	\$ 30,000
Unlisted stocks	23,470	29,415
Subtotal	53,470	59,415
Valuation adjustment	2,049	2,896
Total	<u>\$ 55,519</u>	<u>\$ 62,311</u>

1. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Private fund	(\$ 3,360)	(\$ 1,320)
Money market funds	193	150
Unlisted stocks	2,513	681
	<u>(\$ 654)</u>	<u>(\$ 489)</u>

2. The Company has no financial assets at fair value through profit or loss pledged to others.
3. The Company received proceeds from capital reduction of an investee in the amounts of \$5,945 and \$9,280 in July 2022 and 2021, respectively.
4. Information relating to credit risk of financial assets at fair value through profit or loss is

provided in Note 12(2).

(4) Non-current Financial assets at fair value through other comprehensive income

Item	December 31, 2022	December 31, 2021
Unlisted stocks	\$ 5,000	\$ 5,000
Valuation adjustment	( 4,752)	( 4,752)
	\$ 248	\$ 248

1. The Company has elected to classify unlisted stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair values of such investments as of December 31, 2022 and 2021 both amounted to \$248.
2. Amount recognized in other comprehensive loss in relation to the financial assets at fair value through other comprehensive loss is listed below:

	Year ended December 31	
	2022	2021
<u>Equity instruments at fair value through other comprehensive loss</u>		
Changes in fair value recognized in other comprehensive loss	\$ -	(\$ 61)

3. As at December 31, 2022 and 2021, without taking into account other credit enhancements, the maximum exposures to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company were both \$248.
  4. The Company has no financial assets at fair value through other comprehensive income pledged to others.
  5. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).
- (5) Accounts receivable

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 68,469	\$ 14,742
Accounts receivable-related parties	21,948	32,332
	\$ 90,417	\$ 47,074

1. The aging analysis of accounts receivable (including related parties) that were past due but not impaired is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not Past Due	\$ 74,629	\$ 45,913
Past Due		
Up to 30 days	12,974	428
31 to 90 days	2,741	446
Over 91 days	<u>73</u>	<u>287</u>
	<u>\$ 90,417</u>	<u>\$ 47,074</u>

The above ageing analysis was based on past due date.

2. As of December 31, 2022 and 2021, accounts receivable were all both from contracts with customers. And as of January 1, 2021, the balance of accounts receivable from contracts with customers amounted to \$61,387.
3. As at December 31, 2022 and 2021, without taking into consideration other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$90,417 and \$47,074, respectively.
4. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Investment accounted for using the equity method

1. Details of investments accounted for using the equity method are as follows:

Name of Subsidiary	December 31, 2022		December 31, 2021	
	Shareholding ratio (%)	Carrying amount	Shareholding ratio (%)	Carrying amount
CyberLink.Com Corp. (CyberLink-USA)	100%	\$ 385,836	100%	\$ 423,504
CyberLink International Technology Corp. (CyberLink-B.V.I.)	100%	2,002,856	100%	250,441
CyberLink Inc. (CyberLink-Japan)	100%	<u>239,513</u>	100%	<u>253,441</u>
		<u>\$ 2,628,205</u>		<u>\$ 927,386</u>

2. Shares of loss (profit) from subsidiaries using the equity method for the years ended December 31, 2022 and 2021 were as follows:

Name of Subsidiary	Year ended December 31	
	2022	2021
CyberLink-USA	(\$ 27,770)	(\$ 6,531)
CyberLink-B.V.	-	201
CyberLink-B.V.I.	( 110,056)	( 770,820)
CyberLink-Japan	<u>( 5,465)</u>	<u>2,789</u>
	<u>(\$ 143,291)</u>	<u>(\$ 774,361)</u>

3. CyberLink-B.V. ceased its operating activities on October 31, 2020 and the business was closed as resolved by the Board of Directors on December 31, 2020. The business deregistration has been applied in January 2021. The cancellation was completed on May 31, 2021.

4. On March 3, 2022, the Board of Directors of the Company approved to authorize the Chairman of the Company to approve the business combination of Perfect Corp. (Cayman) of the subsidiary, CyberLink-B.V.I. with the U.S. listed company Provident Acquisition Corp (Cayman). After the business combination, Perfect Corp. (Cayman) was the surviving entity listed on NASDAQ of the United States. In September 2022, both the parties of the business combination agreed to change the listing and trading to the New York Stock Exchange (the “NYSE”) due to consideration of the Company's strategic development and promote the interests of shareholders. After the combination and completion of listing processes, Perfect

Corp. (Cayman) will be the surviving entity of listing. The registration application documents related to the business combination and listing have been reviewed by the U.S. Securities and Exchange Commission (the “SEC”) and declared effective at Eastern Time on September 30, 2022. Provident Acquisition Corp. (Cayman) held an extraordinary general meeting of its shareholders (the “EGM”) at Eastern Time on October 25, 2022 to approve this business combination, which was took effect at Eastern Time on October 28, 2022.

In the fourth quarter of 2021, Perfect Corp. (Cayman) had a massive deficit amount on account after valuation of preference share liabilities which were issued by Perfect Corp. (Cayman) based on the business value of aforementioned combination transaction. Therefore, on December 31, 2021, the net equity was negative. According to the regulation, the investor will not further recognize losses when the share of losses in an associate equals or exceeds its equity interest in the associate, thus, the subsidiary CyberLink-B.V.I.’s recognition on the investment in an associate will stop at \$0.

5. For the Company’s future strategic development purpose, on March 3, 2022, the Board of Directors of the Company approved acquiring 3 million common shares issued by the subsidiary, CyberLink-B.V.I., for capital increase, with a par value of US\$1, the total acquisition amount was US\$3 million (approximately NTD \$89,910). In addition, the subsidiary, CyberLink-B.V.I. made a simultaneous investment in the common shares issued by Perfect Corp. (Cayman) at a rate of USD\$10 per share. The total investment was amounted to US\$3 million (approximately NTD \$89,400). The capital increase for the subsidiary CyberLink-B.V.I. has been executed, while and the capital increase for the associate, Perfect Corp. (Cayman) was completed at Eastern Time on October 28, 2022.
6. The business combination of Perfect Corp. (Cayman), a reinvested company of the subsidiary CyberLink-B.V.I., was completed with its shares listed at Eastern Time on October 28, 2022. Prior to the business combination and listing, all the preference share liabilities issued by Perfect Corp. (Cayman) were converted into common stock through conversion and capital increase procedures. On October 29, 2022, the equity value of Perfect Corp. (Cayman) was positive. The Company recognized a capital surplus of-not in proportion stake ratio amounted to \$1,709,253 due to the aforementioned transaction.
7. Please refer to Note 4(3) to Consolidated Financial Statements for the year 2022 of the Company for information on subsidiaries of the Company.

(7) Property, plant and equipment, net

	2022				
	Land	Buildings	Machinery and equipment	Office equipment	Total
At January 1					
Cost	\$ 220,698	\$ 125,763	\$ 27,244	\$ -	\$ 373,705
Accumulated depreciation	-	( 45,672)	( 16,136)	-	( 61,808)
	<u>\$ 220,698</u>	<u>\$ 80,091</u>	<u>\$ 11,108</u>	<u>\$ -</u>	<u>\$ 311,897</u>
At January 1	\$ 220,698	\$ 80,091	\$ 11,108	\$ -	\$ 311,897
Additions	-	6,713	3,207	372	10,292
Costs of disposal	-	( 7,235)	( 5,425)	-	( 12,660)
Accumulated depreciation on disposal	-	7,235	5,425	-	12,660
Reclassification - cost (Note)	-	( 13,557)	-	-	( 13,557)
Reclassification - accumulated depreciation (Note)	-	3,301	-	-	3,301
Depreciation expense	-	( 5,884)	( 5,102)	( 89)	( 11,075)
At December 31	<u>\$ 220,698</u>	<u>\$ 70,664</u>	<u>\$ 9,213</u>	<u>\$ 283</u>	<u>\$ 300,858</u>
At December 31					
Cost	\$ 220,698	\$ 111,684	\$ 25,026	\$ 372	\$ 357,780
Accumulated depreciation	-	( 41,020)	( 15,813)	( 89)	( 56,922)
	<u>\$ 220,698</u>	<u>\$ 70,664</u>	<u>\$ 9,213</u>	<u>\$ 283</u>	<u>\$ 300,858</u>

Note: The Company sublet some real estate in January 2022, so the buildings (including accumulated depreciation) were transferred to “Investment property.”

	2021			
	Land	Buildings	Machinery and equipment	Total
At January 1				
Cost	\$ 220,698	\$ 129,710	\$ 27,128	\$ 377,536
Accumulated depreciation	-	( 42,727)	( 14,926)	( 57,653)
	<u>\$ 220,698</u>	<u>\$ 86,983</u>	<u>\$ 12,202</u>	<u>\$ 319,883</u>
At January 1	\$ 220,698	\$ 86,983	\$ 12,202	\$ 319,883
Additions	-	983	4,260	5,243
Costs of disposal	-	( 4,930)	( 4,144)	( 9,074)
Accumulated depreciation on disposal	-	3,654	4,144	7,798
Reclassification (Note)	-	-	-	-
Depreciation expense	-	( 6,599)	( 5,354)	( 11,953)
At December 31	<u>\$ 220,698</u>	<u>\$ 80,091</u>	<u>\$ 11,108</u>	<u>\$ 311,897</u>
At December 31				
Cost	\$ 220,698	\$ 125,763	\$ 27,244	\$ 373,705
Accumulated depreciation	-	( 45,672)	( 16,136)	( 61,808)
	<u>\$ 220,698</u>	<u>\$ 80,091</u>	<u>\$ 11,108</u>	<u>\$ 311,897</u>

(8) Leasing arrangements lessee

1. The Company leases various assets including offices and transportation equipment, Rental contracts for the years ended December 31, 2022 and 2021 are typically made for periods from 2020 to 2025 and from 2019 to 2023, respectively. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may neither be used as security for borrowing purposes nor have its rights transferred to

- others in other forms such as business transfer and combination.  
2. The information of right-of-use assets is as follows:

	2022		
	Buildings	Transportation equipment	Total
At January 1			
Cost	\$ 8,663	\$ 3,921	\$ 12,584
Accumulated depreciation	( 6,256)	( 1,743)	( 7,999)
	<u>\$ 2,407</u>	<u>\$ 2,178</u>	<u>\$ 4,585</u>
At January 1	\$ 2,407	\$ 2,178	\$ 4,585
Addition - Newly added lease contracts	11,537	-	11,537
Cost of derecognition of assets	( 8,663)	-	( 8,663)
Accumulated depreciation as of the date of derecognition	8,663	-	8,663
Depreciation expense	( 3,936)	( 1,307)	( 5,243)
At December 31	<u>\$ 10,008</u>	<u>\$ 871</u>	<u>\$ 10,879</u>
At December 31			
Cost	\$ 11,537	\$ 3,921	\$ 15,458
Accumulated depreciation	( 1,529)	( 3,050)	( 4,579)
	<u>\$ 10,008</u>	<u>\$ 871</u>	<u>\$ 10,879</u>

	2021		
	Buildings	Transportation equipment	Total
At January 1			
Cost	\$ 8,663	\$ 3,921	\$ 12,584
Accumulated depreciation	( 3,369)	( 436)	( 3,805)
	<u>\$ 5,294</u>	<u>\$ 3,485</u>	<u>\$ 8,779</u>
At January 1	\$ 5,294	\$ 3,485	\$ 8,779
Depreciation expense	( 2,887)	( 1,307)	( 4,194)
At December 31	<u>\$ 2,407</u>	<u>\$ 2,178</u>	<u>\$ 4,585</u>
At December 31			
Cost	\$ 8,663	\$ 3,921	\$ 12,584
Accumulated depreciation	( 6,256)	( 1,743)	( 7,999)
	<u>\$ 2,407</u>	<u>\$ 2,178</u>	<u>\$ 4,585</u>



3. Lease liabilities relating to lease contracts:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total lease liabilities	\$ 11,273	\$ 4,554
Less: Current portion (shown as ‘current lease liabilities’)	<u>( 5,512)</u>	<u>( 3,670)</u>
	<u>\$ 5,761</u>	<u>\$ 884</u>

4. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 82</u>	<u>\$ 98</u>

5. For the years ended December 31, 2022 and 2021, the Company’s total cash outflow for leases were \$4,900 and \$4,331 respectively, which included interest expenses on lease liabilities of \$82 and \$98, and payments of lease liabilities of \$4,818 and \$4,233, respectively.

(9) Leasing arrangements - lessor

1. Leases to unrelated parties

The Company leases various assets including two short sections numbered 229 in Xihu Section in Neihu District of Taipei, 1F to 9F of Building-B of “Sun-Tech Plaza” located in Neihu District of Taipei, 5F of “Jiang-Ling Information” Building located in Xindian District of New Taipei City. Rental contracts are typically made for periods between 1 and 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms

and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may neither be used as security for borrowing purposes nor, in all or in part, be lent to others or corporates through sublease, sharing, transfer or any other forms.

2. Leases to related parties

The Company leases various assets including the offices in 6F and 14F of the corporate office "Jiang-Ling Information" Building located in Xindian District of New Taipei City. Rental contracts are made for a period of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may neither be used as security for borrowing purposes nor, in all or in part, be lent to others or corporates through sublease, sharing, transfer or any other forms. Rents are collected at the beginning of next month.

3. For the years ended December 31, 2022 and 2021, the Company recognized rent income in the amounts of \$62,288 and \$68,257, respectively, based on the operating lease agreement, which does not include variable lease payments.

4. The maturity analysis of the lease payments receivable under the operating leases is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 53,384
2023	55,533	36,713
2024	24,376	14,724
2025	4,159	207
2026	3,244	-
2027	811	-
	<u>\$ 88,123</u>	<u>\$ 105,028</u>

(10) Investment property

	2022		
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1			
Cost	\$ 799,024	\$ 579,913	\$ 1,378,937
Accumulated depreciation	-	( 150,643)	( 150,643)
	<u>\$ 799,024</u>	<u>\$ 429,270</u>	<u>\$ 1,228,294</u>
At January 1	\$ 799,024	\$ 429,270	\$ 1,228,294
Reclassification - cost (Note)	-	13,557	13,557

Reclassification - accumulated depreciation (Note)	-	( 3,301)	( 3,301)
Depreciation expense	-	( 11,637)	( 11,637)
At December 31	<u>\$ 799,024</u>	<u>\$ 427,889</u>	<u>\$ 1,226,913</u>
At December 31			
Cost	\$ 799,024	\$ 593,470	\$ 1,392,494
Accumulated depreciation	<u>-</u>	<u>( 165,581)</u>	<u>( 165,581)</u>
	<u>\$ 799,024</u>	<u>\$ 427,889</u>	<u>\$ 1,226,913</u>

Note: The Company sublet some real estate in January 2022, so the buildings (including accumulated depreciation) were transferred to “Investment property.”

	2021		
	Land	Buildings	Total
At January 1			
Cost	\$ 799,024	\$ 579,913	\$ 1,378,937
Accumulated depreciation	<u>-</u>	<u>( 139,273)</u>	<u>( 139,273)</u>
	<u>\$ 799,024</u>	<u>\$ 440,640</u>	<u>\$ 1,239,664</u>
At January 1	\$ 799,024	\$ 440,640	\$ 1,239,664
Depreciation expense	<u>-</u>	<u>( 11,370)</u>	<u>( 11,370)</u>
At December 31	<u>\$ 799,024</u>	<u>\$ 429,270</u>	<u>\$ 1,228,294</u>
At December 31			
Cost	\$ 799,024	\$ 579,913	\$ 1,378,937
Accumulated depreciation	<u>-</u>	<u>( 150,643)</u>	<u>( 150,643)</u>
	<u>\$ 799,024</u>	<u>\$ 429,270</u>	<u>\$ 1,228,294</u>

1. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31	
	2022	2021
Rental income from investment property	<u>\$ 61,240</u>	<u>\$ 65,598</u>
Direct operating expenses arising from the investment property that generated rental income during the months	<u>\$ 14,947</u>	<u>\$ 15,257</u>
Direct operating expenses arising from the investment property that did not generate rental income during the months	<u>\$ 1,682</u>	<u>\$ 99</u>

2. The fair values of the investment property held by the Company as of December 31, 2022, and 2021 were \$2,523,850 and \$2,071,041, respectively, which were estimated based on market trading prices of similar property in the areas nearby which belong to the Level 3 information.

(11) Accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Royalty expense	\$ 34,476	\$ 31,463
Others	1,763	2,263
	<u>\$ 36,239</u>	<u>\$ 33,726</u>

(12) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payroll	\$ 89,176	\$ 83,231
Employees' compensation and directors' remuneration	73,893	28,068
Promotional fees	33,016	22,848
Professional service fees	11,450	11,896
Employees' rewards	9,379	44,800
Other accrued expenses	21,297	19,887
Other payables	2,591	-
	<u>\$ 240,802</u>	<u>\$ 210,730</u>

(13) Provisions

	<u>2022</u>		
	<u>Royalty</u>	<u>Cost of software bug-fixing</u>	<u>Total</u>
At January 1	\$ 486,653	\$ 5,521	\$ 492,174
Additional provisions	16,108	400	16,508
Unused amounts reversed	( 27,150)	-	( 27,150)
Provision for liabilities used in the current period	( 149,756)	-	( 149,756)
Net exchange differences	57,940	-	57,940
At December 31	<u>\$ 383,795</u>	<u>\$ 5,921</u>	<u>\$ 389,716</u>

	<u>2021</u>		
	<u>Royalty</u>	<u>Cost of software bug-fixing</u>	<u>Total</u>

At January 1	\$ 498,272	\$ 5,760	\$ 504,032
Additional provisions	21,524	-	21,524
Unused amounts reversed	( 19,173)	( 239)	( 19,412)
Net exchange differences	( 13,970)	-	( 13,970)
At December 31	<u>\$ 486,653</u>	<u>\$ 5,521</u>	<u>\$ 492,174</u>

Analysis of total provisions:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current	<u>\$ 389,716</u>	<u>\$ 492,174</u>

1. Royalty

The Company estimates the possible royalty expenses based on the industry characteristics, other known events and management's judgement and recognizes 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.

2. Cost of software bug-fixing

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

(14) Pension

1. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, 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 Act. 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 December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to qualify for retirement in the

following year, the Company will make contributions for the deficit by next March.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	(\$ 92,081)	(\$ 101,608)
Fair value of plan assets	<u>38,426</u>	<u>34,649</u>
Net defined benefit liability	<u>(\$ 53,655)</u>	<u>(\$ 66,959)</u>

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

	<u>2022</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance as of January 1	(\$ 101,608)	\$ 34,649	(\$ 66,959)
Interest (expense) income	( 707)	242	( 465)
Past service costs	2,722	-	2,722
Gains or losses on settlement	2,238	-	2,238
	<u>( 97,355)</u>	<u>34,891</u>	<u>( 62,464)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,655	2,655
Change in demographic assumptions	( 188)	-	( 188)
Change in financial assumptions	6,635	-	6,635
Experience adjustments	( 1,173)	-	( 1,173)
	<u>5,274</u>	<u>2,655</u>	<u>7,929</u>
Pension fund contribution	-	880	880
Balance as of December 31	<u>(\$ 92,081)</u>	<u>\$ 38,426</u>	<u>(\$ 53,655)</u>

	<u>2021</u>		
	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance as of January 1	(\$ 100,542)	\$ 33,104	(\$ 67,438)
Interest (expense) income	( 351)	116	( 235)
	<u>( 100,893)</u>	<u>33,220</u>	<u>( 67,673)</u>
Remeasurements:			

Return on plan assets (excluding amounts included in interest income or expense)	-	469	469
Change in demographic assumptions (	726)	-	( 726)
Change in financial assumptions	3,988	-	3,988
Experience adjustments	( 3,977)	-	( 3,977)
	( 715)	469	( 246)
Pension fund contribution	-	960	960
Balance as of December 31	(\$ 101,608)	\$ 34,649	(\$ 66,959)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the 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 assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2022	2021
Discount rate	1.35%	0.70%
Future salary increases	3.00%	3.00%

The future mortality rates in 2022 and 2021 were estimated based on the 6th 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 by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2022				

Effect on present value of defined benefit obligation	(\$ 2,264)	\$ 2,351	\$ 2,307	(\$ 2,234)
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 2,766)	\$ 2,878	\$ 2,805	(\$ 2,712)

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the company for the year ending December 31, 2023 amount to \$960.
- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	1,431
1-2 year(s)		19,398
3-5 years		9,083
Over 5 years		75,176
	\$	<u>105,088</u>

- 2. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2022 and 2021 were \$24,047 and \$22,236, respectively.

(15) Share-based payment

- 1. As of December 31, 2022 and 2021, 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	July 26, 2022	2,000	7 years	2 years’ service: exercise 50% 3 years’ service: exercise 75% 4 years’ service: exercise 100%



Employee stock options	August 25, 2015	5,000	7 years	2 years' service: exercise 50%
				3 years' service: exercise 75%
				4 years' service: exercise 100%

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

	2022		2021	
	No. of options (in thousands)	Weighted – average exercise price (in dollars)	No. of options (in thousands)	Weighted – average exercise price (in dollars)
Options outstanding on January 1	1,699	\$ 44.00	2,452	\$ 45.20
Options granted in the current period	2,000	89.50	-	-
Options exercised	( 1,589)	44.00	( 753)	44.39
Options lapsed in the current period	( 110)	44.00	-	-
Options outstanding at December 31	<u>2,000</u>	<u>87.70</u>	<u>1,699</u>	<u>44.00</u>
Options exercisable at December 31	<u>-</u>		<u>1,699</u>	

- The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2022 and 2021 was \$44.00 and \$44.39 (in dollars), respectively.
- As of December 31, 2022 and 2021, the range of exercise prices of stock options outstanding was \$87.70 and \$44.00 (in dollars), respectively; the weighted-average remaining contractual period was 6.57 years and 0.65 years, respectively.
- 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	July 26, 2022	\$89.5	\$89.5	32.10%	4.88	0.00%	1.06%	\$26.4355

Note: The expected volatility is estimated by taking into account the historical trading data (days) of the Company's shares and using a sample interval equal to the expected duration of the stock option.

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	August 25, 2015	\$54.0	\$54.0	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.

6. Expenses arising from share-based payment transactions are as follows:

	2022	2021
Cost of employee stock options	\$ 8,881	\$ -

(16) Capital Stock

1. As of December 31, 2022, 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 \$789,418 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number (Shares in thousands) of the Company's ordinary shares outstanding are as follows:

	2022	2021
At January 1	77,353	82,600
Exercise of employee stock options	1,589	753
Shares retired	-	(6,000)
At December 31	78,942	77,353

2. Treasury shares

- (a) Pursuant to the R.O.C. Securities and Exchange Act, 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 realized capital surplus.
- (b) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the five-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.
- (d) To enhance the Company's credit rating and the stockholders' equity, the Company's Board of Directors during its meeting on October 13, 2020 resolved to repurchase its shares from the stock exchange market during the period from October 14, 2020 to December 13, 2020. The Company completed the repurchase of treasury shares as of December 13, 2020, the number of repurchased shares was 2,000 thousand shares

amounting to \$207,639. The capital reduction is effective on January 5, 2021 and the registration of retirement of shares has been completed on January 21, 2021.

- (e) To enhance the Company's credit rating and the stockholders' equity, the Company's Board of Directors during its meeting on December 25, 2020 resolved to repurchase its shares from the stock exchange market during the period from December 28, 2020 to February 26, 2021. The Company completed the repurchase of treasury shares as of February 26, 2021, the number of repurchased shares was 2,000 thousand shares amounting to \$210,018. The capital reduction is effective on April 1, 2021 and the registration of retirement of shares has been completed on April 19, 2021.
- (f) To enhance the Company's credit rating and shareholders' equity, the Company's Board of Directors during its meeting on July 8, 2021 resolved to repurchase its shares from the stock exchange market during the period from July 9, 2021 to September 8, 2021. The Company completed the repurchase of treasury shares as of September 8, 2021, the number of repurchased shares was 2,000 thousand shares amounting to \$161,156 (including \$51 handling fees discount). The capital reduction base date was November 1, 2021, and the registration of cancellation of shares was completed on December 13, 2021.

(17) Capital surplus

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

	2022				
	Share premium	Employee stock options	Expired employee stock options in proportion to the Company's ownership	Net change in equity of associates	Total
At January 1	\$ 54,110	\$ 20,909	\$ 59,645	\$ 568,352	\$ 703,016
Exercise of employee stock options	74,419	( 20,410)	-	-	54,009
Expired employee stock options in proportion to the Company's ownership	-	( 499)	499	-	-
Share-based payment transactions	-	9,061	-	-	9,061
Distribution of cash through capital surplus	( 35,592)	-	-	-	( 35,592)
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	29,173	29,173
Recognition not in proportion to the Company's ownership (Note)	-	-	-	1,709,253	1,709,253

At December 31

\$ 92,937   \$ 9,061   \$ 60,144   \$ 2,306,778   \$ 2,468,920

Note: Please refer to Note 6(6)6 for the recognition not in proportion to the Company's ownership.

	2021				
	Share premium	Employee stock options	Expired employee stock options in proportion to the Company's ownership	Net change in equity of associates	Total
At January 1	\$ 537,986	\$ 29,901	\$ 59,645	\$ 549,769	\$ 1,177,301
Exercise of employee stock options	34,886	( 8,992)	-	-	25,894
Recognition of change in equity of associates in proportion to the Company's ownership	-	-	-	19,364	19,364
Retirement of treasury share	( 518,762)	-	-	-	( 518,762)
Recognition not in proportion to the Company's ownership	-	-	-	( 781)	( 781)
At December 31	<u>\$ 54,110</u>	<u>\$ 20,909</u>	<u>\$ 59,645</u>	<u>\$ 568,352</u>	<u>\$ 703,016</u>

(18) Retained earnings

- Under the Company's Articles of Incorporation, the current year's earnings, net of tax, shall first be used to offset prior year's operating losses (including adjustment amount of undistributed earnings), then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and setting aside or reversal for special reserve in accordance with the securities and Exchange Act. The Board of Directors should present the distribution of the remaining earnings along with undistributed earnings at beginning of periods (including adjustment amount of undistributed earnings) for the approval of the shareholders.
- The Company's dividend policy is aligned with the development plan for the present and the

future taking into consideration investment environment, capital requirement, domestic and overseas competition condition and profit of shareholders. Annual distribution of stockholders' bonus should not be less than 50% of current distributable earnings, and may be in the form of stock dividend and cash dividend. Presently, the distribution of cash dividend should not be less than 20% of annual dividend appropriations, however, if the Company has significant plans for capital expenditures, after approval at the shareholders' meeting, cash dividends can be distributed lower than 20% of annual dividends appropriations.

3. 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.
4. 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.
5. On March 29, 2022, the Board of Directors' meeting approved the loss appropriation proposal for 2021 to make up the loss of the current year with \$562,766 of retained earnings, and the Shareholders' Meeting subsequently resolved the loss appropriation proposal on June 21, 2022.
6. On March 29, 2022, the Board of Directors' meeting approved the proposed \$135,346 cash distribution from \$35,592 of capital surplus due to share issuance at a premium and from \$99,754 of legal reserve. The proposal of cash distribution through such capital surplus was resolved in the Shareholders' Meeting on June 21, 2022.

7. On June 21, 2022 and July 26, 2021, the appropriation of 2021 and 2020 earnings had been resolved at the stockholders' meeting as follows:

	Year ended December 31			
	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ -		\$ -	
Special reserve	56,487		56,680	
Cash dividends	-	\$ -	177,745	\$ 2.26
Total	<u>\$ 56,487</u>		<u>\$ 234,425</u>	

The Company's legal reserve had exceeded paid-in capital, thus, according to laws, the Company could not appropriate legal reserve. When the Company appropriated earnings for the year ended December 31, 2020, it determined not to provision legal reserve.

(19) Other equity items

	2022		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 12,295)	(\$ 230,112)	(\$ 242,407)
Currency translation:			
- Subsidiary	-	63,421	63,421
- Associates	-	7,654	7,654
- Change in net equity of associates accounted for using the equity method	-	1,031	1,031
At December 31	<u>(\$ 12,295)</u>	<u>(\$ 158,006)</u>	<u>(\$ 170,301)</u>
	2021		
	Unrealized gains (losses) on valuation	Currency translation	Total
At January 1	(\$ 12,234)	(\$ 173,686)	(\$ 185,920)
Revaluation			
- The Company	( 61)	-	( 61)
Currency translation:			
- Subsidiary	-	( 45,909)	( 45,909)
- Associates	-	( 10,517)	( 10,517)
At December 31	<u>(\$ 12,295)</u>	<u>(\$ 230,112)</u>	<u>(\$ 242,407)</u>

(20) Net revenue

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 1,407,331</u>	<u>\$ 1,343,676</u>

1. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services rendered over time and at a point in time in the following major product lines and geographical regions:

Year ended December 31, 2022	<u>Taiwan</u>		<u>America</u>		<u>Japan</u>		<u>Other region</u>		Total
	Media Creation	Media Experience and Entertainment and others	Media Creation	Media Experience and Entertainment and others	Media Creation	Media Experience and Entertainment and others	Media Creation	Media Experience and Entertainment and others	
Revenue from external customer contracts	<u>\$ 84,543</u>	<u>\$ 61,773</u>	<u>\$667,036</u>	<u>\$ 95,321</u>	<u>\$218,907</u>	<u>\$134,248</u>	<u>\$ 84,021</u>	<u>\$ 61,482</u>	<u>\$ 1,407,331</u>
Timing of revenue recognition									
At a point in time	\$ 49,849	\$ 44,794	\$396,565	\$ 90,581	\$ 76,725	\$129,757	\$ 31,703	\$ 59,367	\$ 879,341
Over time	<u>34,694</u>	<u>16,979</u>	<u>270,471</u>	<u>4,740</u>	<u>142,182</u>	<u>4,491</u>	<u>52,318</u>	<u>2,115</u>	<u>527,990</u>
	<u>\$ 84,543</u>	<u>\$ 61,773</u>	<u>\$667,036</u>	<u>\$ 95,321</u>	<u>\$218,907</u>	<u>\$134,248</u>	<u>\$ 84,021</u>	<u>\$ 61,482</u>	<u>\$ 1,407,331</u>

Year ended December 31, 2021	<u>Taiwan</u>		<u>America</u>		<u>Japan</u>		<u>Other region</u>		Total
	Media Creation	Media Experience and Entertainment and others	Media Creation	Media Experience and Entertainment and others	Media Creation	Media Experience and Entertainment and others	Media Creation	Media Experience and Entertainment and others	
Revenue from external customer contracts	<u>\$ 48,351</u>	<u>\$ 49,759</u>	<u>\$567,042</u>	<u>\$154,736</u>	<u>\$178,940</u>	<u>\$181,311</u>	<u>\$ 86,054</u>	<u>\$ 77,483</u>	<u>\$ 1,343,676</u>
Timing of revenue recognition									
At a point in time	\$ 20,950	\$ 45,858	\$380,672	\$150,267	\$ 88,786	\$177,176	\$ 41,940	\$ 75,532	\$ 981,181
Over time	<u>27,401</u>	<u>3,901</u>	<u>186,370</u>	<u>4,469</u>	<u>90,154</u>	<u>4,135</u>	<u>44,114</u>	<u>1,951</u>	<u>362,495</u>
	<u>\$ 48,351</u>	<u>\$ 49,759</u>	<u>\$567,042</u>	<u>\$154,736</u>	<u>\$178,940</u>	<u>\$181,311</u>	<u>\$ 86,054</u>	<u>\$ 77,483</u>	<u>\$ 1,343,676</u>

2. Contract assets and contract liabilities

(1) The Company has recognized the following revenue-related contract assets and contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract assets:			
Project contracts	<u>\$ 13,154</u>	<u>\$ -</u>	<u>\$ -</u>
Contract liabilities:			
Advance sales receipts	<u>\$ 258,026</u>	<u>\$ 188,285</u>	<u>\$ 129,960</u>

- (2) Revenue recognized that was included in the contract liability balance at the beginning of the year

	Year ended December 31	
	2022	2021
Revenue recognized that was included in the contract liabilities balance at the beginning of the year		
Advance sales receipts	\$ 188,028	\$ 123,480

- (21) Operating costs

	Year ended December 31	
	2022	2021
Service cost of platform	\$ 113,557	\$ 108,006
Royalty cost	45,789	60,903
Cost of goods sold	6,380	6,904
Others	1,776	2,650
	<u>\$ 167,502</u>	<u>\$ 178,463</u>

- (22) Interest income

	Year ended December 31	
	2022	2021
Interest income from financial assets measured at amortized cost	\$ 10,501	\$ 1,919
Bank deposits	4,933	89
	<u>\$ 15,434</u>	<u>\$ 2,008</u>

- (23) Other income

	Year ended December 31	
	2022	2021
Rental income	\$ 62,288	\$ 68,257
Service revenue (Note)	10,881	10,848
Grant income	47	1,167
Compensation income	-	2,441
Overdue other payables transferred to revenue	-	27
Others	4,748	1,669
	<u>\$ 77,964</u>	<u>\$ 84,409</u>

Note: Please refer to Note 7(2)3.



(24) Other gains or losses

	Year ended December 31	
	2022	2021
Currency exchange gains (losses)	\$ 58,007	(\$ 15,473)
Depreciation expenses on investment property	( 11,637)	( 11,370)
Net losses on financial assets at fair value through profit or loss	( 654)	( 489)
Loss on liquidation of subsidiaries	-	( 11,993)
Loss on scrapping of property, plant, and equipment	-	( 1,276)
Others	( 5,067)	( 4,068)
	<u>\$ 40,649</u>	<u>(\$ 44,669)</u>

(25) Financial costs

	Year ended December 31	
	2022	2021
Interest expense - lease liabilities	<u>\$ 82</u>	<u>\$ 98</u>

(26) Costs and expenses by nature

	Year ended December 31	
	2022	2021
Cost of goods sold	\$ 6,380	\$ 6,904
Employee benefit expense	694,251	643,105
Promotional fees	186,126	176,810
Service cost of platform	113,557	108,006
Professional service fees	48,410	45,684
Royalty cost	45,789	60,903
Depreciation of property, plant and equipment	11,075	11,953
Depreciation of right-of-use assets	5,243	4,194
Amortization expenses	3,083	3,039
Others	65,466	55,584
Total cost of sales and operating expenses	<u>\$ 1,179,380</u>	<u>\$ 1,116,182</u>

(27) Employee benefit expense

	Year ended December 31	
	2022	2021
Wages and Salaries	\$ 602,619	\$ 563,585
Insurance fees	43,078	40,412
Pension costs	19,552	22,471
Cost of employee stock options	8,881	-
Directors' remuneration	6,658	3,525
Other personnel expenses	13,463	13,112
	<u>\$ 694,251</u>	<u>\$ 643,105</u>

1. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 3.0% for employees' compensation and shall not be higher than 1.5% for directors' remuneration.
2. For the years ended December 31, 2022 and 2021, employees' compensation and directors' remuneration were accrued as follows. The aforementioned amounts were recognized in salary expenses:

	Year ended December 31	
	2022	2021
Employees' compensation	\$ 59,590	\$ -
Directors' remuneration	3,150	-
	<u>\$ 62,740</u>	<u>\$ -</u>

For the year ended December 31, 2022, the employees' compensation was estimated and accrued at 20.90% of distributable profit for the current period, and the Directors' remuneration was estimated and accrued at 1.11% of distributable profit for the current period.

For the year ended December 31, 2021, the Company had losses before tax. According to the Company's Articles of Incorporation, the Company didn't estimate and accrue employees' compensation and directors' remuneration.

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

(28) Income tax

1. Income tax expenses

(a) Components of income tax expense:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax expense recognized for the current period	\$ 52,801	\$ 35,132
Prior year income tax (over) under estimation	( 1)	14,891
Total current tax	<u>52,800</u>	<u>50,023</u>
Deferred tax:		
Origination and reversal of temporary differences	( 14,108)	8,489
Total deferred tax	<u>( 14,108)</u>	<u>8,489</u>
Income tax expense recognized in profit or loss	<u>\$ 38,692</u>	<u>\$ 58,512</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Remeasurement of defined benefit obligations	<u>(\$ 1,586)</u>	<u>\$ 49</u>

2. Reconciliation between income tax expense and accounting profit:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Tax calculated based on profit (loss) before tax and statutory tax rate	\$ 44,463	(\$ 100,851)
Effects from items adjusted by tax regulation	40,699	154,855
Effects from non-deductible offshore income tax	1,570	1,566
Tax exempt income by tax regulation	( 17)	( 30)
Effect from investment tax credits	( 48,022)	-
Change in assessment of realization of deferred tax	-	( 11,919)
Prior year income tax (over) under estimation	( 1)	14,891
Income tax expenses	<u>\$ 38,692</u>	<u>\$ 58,512</u>

3. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealized profit on intercompany sales	\$ 4,237	(\$ 739)	\$ -	\$ 3,498
Unrealized profit on allowance for sales	899	47	-	946
Unrealized exchange losses	-	2,473	-	2,473
Unrealized loss on decrease in market value	578	( 302)	-	276
Unused compensated absences	4,705	( 170)	-	4,535
Cost of software bug-fixing	1,104	80	-	1,184
Actuarial gains and losses on pensions	12,260	-	( 1,586)	10,674
Provisions	4,305	3,222	-	7,527
Subtotal	<u>28,088</u>	<u>4,611</u>	<u>( 1,586)</u>	<u>31,113</u>
- Deferred tax liabilities:				
Unrealized exchange gains	( 9,497)	9,497	-	-
Gain on foreign investments accounted for using equity method	<u>( 8,451)</u>	<u>-</u>	<u>-</u>	<u>( 8,451)</u>
Subtotal	<u>( 17,948)</u>	<u>9,497</u>	<u>-</u>	<u>( 8,451)</u>
Total	<u>\$ 10,140</u>	<u>\$ 14,108</u>	<u>(\$ 1,586)</u>	<u>\$ 22,662</u>

	Year ended December 31, 2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
- Deferred tax assets:				
Unrealized profit on intercompany sales	\$ 4,429	(\$ 192)	\$ -	\$ 4,237
Unrealized profit on allowance for sales	801	98	-	899
Unrealized exchange losses	-	-	-	-
Unrealized loss on decrease in market value	680	( 102)	-	578
Unused compensated absences	4,213	492	-	4,705
Cost of software bug-fixing	1,152	( 48)	-	1,104
Actuarial gains and losses on pensions	12,211	-	49	12,260
Provisions	-	4,305	-	4,305
Subtotal	<u>23,486</u>	<u>4,553</u>	<u>49</u>	<u>28,088</u>
- Deferred tax liabilities:				
Unrealized exchange gains	( 4,906)	( 4,591)	-	( 9,497)
Gain on foreign investments accounted for using equity method	-	( 8,451)	-	( 8,451)
Subtotal	<u>( 4,906)</u>	<u>( 13,042)</u>	<u>-</u>	<u>( 17,948)</u>
Total	<u>\$ 18,580</u>	<u>(\$ 8,489)</u>	<u>\$ 49</u>	<u>\$ 10,140</u>

4. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(29) Earnings (loss) per share

	<u>Year ended December 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average outstanding shares (share in thousands)</u>	<u>Earnings per share (EPS) (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the company	<u>\$ 183,625</u>	<u>78,600</u>	<u>\$ 2.34</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the company	\$ 183,625	78,600	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	142	
Employees' compensation	-	84	
Profit attributable to ordinary shareholders of the company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 183,625</u>	<u>78,826</u>	<u>\$ 2.33</u>

	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average outstanding shares (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic/Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the company	<u>(\$ 562,766)</u>	<u>78,006</u>	<u>(\$ 7.21)</u>

For the year ended December 31, 2021, since the Company had net losses after tax, it will have anti-dilutive effect if the calculation includes potential common shares. Thus, the effects from potential common shares will not be included in the calculation of diluted deficits per share for the year ended December 31, 2021.

(30) Supplemental cash flow information

1. Investment activities with no cash flow effects:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Transfer of property, plant and equipment to investment property	<u>\$ 10,256</u>	<u>\$ -</u>

2. Financing activities with no cash flow effects:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Retirement of treasury share	<u>\$ -</u>	<u>\$ 578,762</u>

(31) Changes in liabilities from financing activities

	2022		
	Guarantee deposits received	Lease liabilities (including current portion)	Liabilities from financing activities-gross
At January 1	\$ 10,306	\$ 4,554	\$ 14,860
Changes in cash flow from financing activities	( 771)	( 4,818)	( 5,589)
Addition - Newly added lease contracts	-	11,537	11,537
At December 31	<u>\$ 9,535</u>	<u>\$ 11,273</u>	<u>\$ 20,808</u>

	2021		
	Guarantee deposits received	Lease liabilities (including current portion)	Liabilities from financing activities-gross
At January 1	\$ 10,791	\$ 8,787	\$ 19,578
Changes in cash flow from financing activities	( 485)	( 4,233)	( 4,718)
At December 31	<u>\$ 10,306</u>	<u>\$ 4,554</u>	<u>\$ 14,860</u>

Related-Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
CyberLink.Com Corp. (CyberLink-USA)	A subsidiary of the Company
CyberLink Europe B.V. (CyberLink-B.V.)(Note)	"
CyberLink International Technology Corp. (CyberLink-B.V.I)	"
CyberLink Inc.(CyberLink-Japan)	"
Perfect Mobile Corp. (Taiwan)	Associates of the Company
ClinJeff Corp.	Other related parties

Note: The cancellation registration for CyberLink-B.V. was completed on May 31, 2021, and please refer to Note 6(6)3 for detail.

(2) Significant related party transactions and balances

1. Net revenue

	Year ended December 31	
	2022	2021
Merchandise Sales:		
CyberLink-USA	\$ 137,496	\$ 93,096
CyberLink-Japan	133,833	183,319
	<u>\$ 271,329</u>	<u>\$ 276,415</u>

There is no significant difference between the transaction price of merchandise sales with subsidiaries and that with non-related parties; payments are due in 30 days after the delivery of goods for subsidiaries, and advance payments or payments are due in 45~90 days after the delivery of goods for general customers.

2. Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Merchandise Sales:		
CyberLink-USA	\$ 11,725	\$ 7,166
CyberLink-Japan	10,223	25,166
	<u>\$ 21,948</u>	<u>\$ 32,332</u>

Accounts receivable -related party is mainly generated by sales transactions, and payments for sales transactions are due in 30 days after the date of sales. There is no pledge or interest for such accounts receivable. There is no allowance for loss accrued for the accounts receivable- related party.

3. Other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Service revenue:		
CyberLink-USA	\$ 2,685	\$ 1,633
CyberLink-Japan	1,635	1,654
Perfect Mobile Corp. (Taiwan)	507	955
CyberLink-B.V.I	184	166
	<u>5,011</u>	<u>4,408</u>
Rent income:		
Perfect Mobile Corp. (Taiwan)	<u>661</u>	<u>661</u>
Payment on behalf of others		
Perfect Mobile Corp. (Taiwan)	627	226
CyberLink-USA	62	-
CyberLink-Japan	15	74
	<u>704</u>	<u>300</u>
	<u>\$ 6,376</u>	<u>\$ 5,369</u>



The Company provided legal, management and technical related services to its subsidiaries and associates in 2022 and 2021. Expenses were charged in accordance with the personnel costs related to the services that the Company provided. The service revenues for the years ended December 31, 2022 and 2021 are as follows:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Service revenue (shown as other income):		
CyberLink-USA	\$ 4,771	\$ 3,297
CyberLink-Japan	3,016	3,293
Perfect Mobile Corp. (Taiwan)	2,369	3,586
CyberLink-B.V.I	725	672
	<u>\$ 10,881</u>	<u>\$ 10,848</u>

4. Rental income (shown as other income)

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Perfect Mobile Corp. (Taiwan)	<u>\$ 7,566</u>	<u>\$ 6,283</u>

The maturity analysis of the lease payments receivable under the operating leases is as follows; please refer to the explanation in note 6(9).

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 7,556
2023	3,848	3,848
	<u>\$ 3,848</u>	<u>\$ 11,404</u>

5. Leasing arrangements lessee

- (a) The Company has leased the office from ClinJeff Corp. since May 2022, and the lease period is from 2022 to 2024 where the present value of cash payments was \$2,762, calculated using the abovementioned lease period and discount rate. As of December 31, 2022, the accumulated depreciation recognized was \$921.

(b) Total lease liabilities

(i) Ending balance

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
ClinJeff Corp.	<u>\$ 1,965</u>	<u>\$ -</u>

(ii) Interest expenses:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
ClinJeff Corp.	<u>\$ 23</u>	<u>\$ -</u>

(3) Key management Salary information

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 36,686	\$ 42,335
Post-employment benefits	612	604
	<u>\$ 37,298</u>	<u>\$ 42,939</u>

## 8. Pledged Assets

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

Pledged asset	Carrying amounts at		Purpose
	December 31, 2022	December 31, 2021	
Time deposits (recognized as non-current financial assets at amortized cost)	<u>\$ -</u>	<u>\$ 5,000</u>	Performance guarantee

## 9. Significant Contingent Liabilities and Unrecognized Contract Commitments

### (3) Contingencies

None.

### (4) Commitments

Except for those mentioned in Notes 6(8), 6(9) and 7, the Company has no other significant commitments.

## 10. Significant Disaster Loss

None.

## 11. Significant Events after the balance sheet date

None.

## 12. Others

### (1) Capital management

The Company's objectives of capital management are to ensure the Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

### (2) Financial instruments

1. Financial instruments by category

Financial assets December 31, 2022 December 31, 2021

Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss (including current and non-current)	\$ 75,712	\$ 62,311
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 248	\$ 248
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,243,753	\$ 366,709
Financial assets at amortized cost (including current and non-current)	-	697,000
Accounts receivable (including related parties)	90,417	47,074
Other receivables (including related parties)	9,975	7,357
Guarantee deposits paid	6,491	4,017
	<u>\$ 1,350,636</u>	<u>\$ 1,122,157</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Accounts payable	\$ 36,239	\$ 33,726
Other payables	240,802	210,730
Guarantee deposits received	9,535	10,306
	<u>\$ 286,576</u>	<u>\$ 254,762</u>
Lease liabilities (including current and non-current)	<u>\$ 11,273</u>	<u>\$ 4,554</u>

## 2.Risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.
- (b) Risk management is executed by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company'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.

## 3.Significant financial risks and degrees of financial risks

(a)Market risk

Foreign exchange risk

A. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, JPY and EUR. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

B. The Company's business involves some non-functional currency operations (the Company's functional currency: NTD). Significant financial assets and liabilities denominated in foreign currencies are as follows:

Currency	December 31, 2022			Year ended December 31, 2022		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 40,367	30.71	\$1,239,671	1%	\$12,397	\$ -
EUR:NTD	267	32.72	8,736	1%	87	-
GBP:NTD	3	37.09	111	1%	1	-
<u>Non-monetary items</u>						
JPY: NTD	1,030,607	0.2324	239,513	1%	-	2,395
USD:NTD	78,897	30.71	2,422,941	1%	342	23,887
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1,184	30.71	36,361	1%	364	-

Currency	December 31, 2021			Year ended December 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 37,295	27.68	\$1,032,326	1%	\$10,323	\$ -
EUR:NTD	238	31.32	7,454	1%	75	-
GBP:NTD	13	37.30	485	1%	5	-
<u>Non-monetary items</u>						
JPY: NTD	1,053,809	0.2405	253,441	1%	-	2,534
USD:NTD	25,709	27.68	711,626	1%	377	6,739
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1,215	27.68	33,631	1%	336	-

C. The total exchange gains or losses, including realized and unrealized, arising from significant effects of foreign exchange fluctuation on the monetary items held by the Company for the years ended December 31, 2022 and 2021 were a gain of \$58,007 and a loss of \$15,473, respectively.

Price risk

- (i) The Company's equity instruments, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity instruments, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- (ii) The Company mainly invests in unlisted stocks, and the value of these equity instruments will be affected by the uncertainties from the future performance of the investment targets. If the prices of these equity instruments rises or falls by 1% while the other conditions remain unchanged, the increase or decrease of the net profit after tax for the years ended December 31, 2022 and 2021 due to equity instruments measured at fair value through profit or loss will increased or decreased by \$274 and \$302, respectively; the other comprehensive income will both increased or decreased by \$2 from the increase or decrease of equity investments classified as measured at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- A. The Company's interest-bearing assets are mainly cash and cash equivalents and financial assets at amortized cost. The Company expects no significant cash flow interest rate risk on these assets as their maturity are within 12 months.
- B. The Company did not use any financial instruments to hedge interest rate risk.
- C. There was no borrowing as of December 31, 2022 and 2021, and thus there was no interest rate risk arising from borrowings.

(b) Credit risk

- A. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost and at fair value through profit or loss.
- B. The Company manages their credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently

rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, each local entity in the Company 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.

- C. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- D. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
  - (A) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - (B) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- E. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (A) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (B) The disappearance of an active market for that financial asset because of financial difficulties;
  - (C) Default or delinquency in interest or principal repayments;
  - (D) Adverse changes in national or regional economic conditions that are expected to cause a default.
- F. The Company classifies customers' accounts receivable in accordance with geographic area. The Company applies the modified approach using provision matrix to estimate expected credit loss.
- G. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable (including related parties).
- H. The Company has not recognized loss allowance for accounts receivable provided from applying the simplified approach because the amount was both immaterial for the years ended December 31, 2022 and 2021.

(c) Liquidity risk

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

B. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits and short-term marketable security, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2022 and 2021, the Company held money market position of \$1,263,896 and \$1,058,659, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

C. The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial  
liabilities:

	Within 1 year	Between 2 and 5 years	Over 5 years
December 31, 2022			
Accounts payable	\$ 36,239	\$ -	\$ -
Other payables	240,802	-	-
Lease liabilities (Note)	5,659	5,843	-
Other financial liabilities – guarantee deposits received	3,150	6,385	-

Non-derivative financial  
liabilities:

	Within 1 year	Between 2 and 5 years	Over 5 years
December 31, 2021			
Accounts payable	\$ 33,726	\$ -	\$ -
Other payables	210,730	-	-
Lease liabilities (Note)	3,706	888	-



Other financial liabilities – guarantee deposits received	3,275	7,031	-
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Note: The amount includes interest expected to be paid in the future.

(3) Fair value information

7. 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 beneficiary certificates of the Company's investment belongs to this category.

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. The fair value of the Company's investment in equity instruments and debt instruments without active market is included in Level 3.

2. Fair value information of investment property at cost is provided in Note 6(10).

3. The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), financial assets at amortized cost, other financial assets (under other non-current assets), accounts payable, other payables and other financial liabilities (under other non-current liabilities)) are approximate to their fair values.

4. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets is as follows:

(a) The related information of natures of the assets is as follows:

December 31, 2022	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ -	\$ -	\$ 34,249	\$ 34,249
Debt instruments	20,193	-	21,270	41,463
Financial assets at fair value through other				

comprehensive income

Equity securities	-	-	248	248
Total	<u>\$ 20,193</u>	<u>\$ -</u>	<u>\$ 55,767</u>	<u>\$ 75,960</u>

December 31, 2021	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity securities	\$ -	\$ -	\$ 37,681	\$ 37,681
Debt instruments	-	-	24,630	24,630
Financial assets at fair value				
through other				
comprehensive income				
Equity securities	-	-	248	248
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,559</u>	<u>\$ 62,559</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

- (i) The instruments which the Company used market quoted prices as their fair values (that is, Level 1) are listed below according to their characteristics:

Open-end funds

Market quoted price

Net asset value

- (ii) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- (iii) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation

models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(iv) The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

5. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

6. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	2022		
	Equity securities	Debt instruments	Total
At January 1	\$ 37,929	\$ 24,630	\$ 62,559
Proceeds from capital reduction in the year	( 5,945)	-	( 5,945)
Gains and losses recognized in profit or loss			
Recorded as non-operating income and expenses	<u>2,513</u>	<u>( 3,360)</u>	<u>( 847)</u>
At December 31	<u>\$ 34,497</u>	<u>\$ 21,270</u>	<u>\$ 55,767</u>

	2021		
	Equity securities	Debt instruments	Total
At January 1	\$ 46,589	\$ 25,950	\$ 72,539
Proceeds from capital reduction in the year	( 9,280)	-	( 9,280)
Gains and losses recognized in profit or loss			
Recorded as non-operating income and expenses	681	( 1,320)	( 639)
Gains and losses recognized in other comprehensive income			
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	<u>( 61)</u>	<u>-</u>	<u>( 61)</u>
At December 31	<u>\$ 37,929</u>	<u>\$ 24,630</u>	<u>\$ 62,559</u>

7. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted stocks	\$ 34,497	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	The higher the discount for lack of marketability, the lower the fair value; The higher the weighted average cost of capital and discount for lack of control, the lower the fair value; The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value
Non-derivative debt instrument: Private fund investment	21,270	Net asset value	Not applicable.	Not applicable.
	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted stocks	\$ 37,929	Discounted cash flow	Long-term revenue growth rate, weighted average cost of capital, long-term pre-tax operating margin, discount for lack of marketability, discount for lack of control	The higher the discount for lack of marketability, the lower the fair value; The higher the weighted average cost of capital and discount for lack of control, the lower the fair value; The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value
Non-derivative debt instrument: Private fund investment	24,630	Net asset value	Not applicable.	Not applicable.

8. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorized within Level 3 if the inputs used to valuation models have changed:

		Year ended December 31, 2022					
				Recognized in profit or loss		Recognized in other comprehensive income	
		Inputs	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instruments	Discount for lack of marketability, discount for lack of control		±1%	\$ 342	(\$ 342)	\$ 2	(\$ 2)
Debt instruments	Not applicable.		±1%	213	( 213)	-	-
Total				<u>\$ 555</u>	<u>(\$ 555)</u>	<u>\$ 2</u>	<u>(\$ 2)</u>

		Year ended December 31, 2021					
				Recognized in profit or loss		Recognized in other comprehensive income	
		Inputs	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instruments	Discount for lack of marketability, discount for lack of control		±1%	\$ 377	(\$ 377)	\$ 2	(\$ 2)
Debt instruments	Not applicable.		±1%	246	( 246)	-	-
Total				<u>\$ 623</u>	<u>(\$ 623)</u>	<u>\$ 2</u>	<u>(\$ 2)</u>

### 13. Supplementary Disclosures

#### (1) Significant transactions information

1. Lending to others: None.
2. Provision of endorsements and guarantees to others: None.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
4. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

6. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
8. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments undertaken during the reporting periods: None.
10. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

1. Basic information: Please refer to table 5.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Segment Reporting

Not applicable.

CyberLink Corp.

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

December 31, 2022

Table 1

Unit: Amounts expressed in thousands of New Taiwan Dollars  
(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, 2022				Footnote (Note 4)
				Number of shares	Carrying amount (Note 3)	Ownership (%)	Fair value	
CyberLink Corp.	Stock of One-Blue, LLC	Director of the investee company	Non-current financial assets at fair value through profit or loss	-	\$ 34,249	16.67%	\$ 34,249	
CyberLink Corp.	Yuanta Wan Tai Money Market Fund	None	Current financial assets at fair value through profit or loss	1,313,817	20,193	0.08%	20,193	
CyberLink Corp.	Fuh Hwa New Intelligence Fund	None	Non-current financial assets at fair value through profit or loss	3,000,000	21,270	1.90%	21,270	
CyberLink Corp.	Geothings Technology Co., Ltd	None	Non-current financial assets at fair value through other comprehensive income	100,000	248	2.08%	248	
CyberLink Corp.	SKYMIZER TAIWAN INC.	None	Non-current financial assets at fair value through other comprehensive income	40,000	-	1.48%	-	
CyberLink International Technology Corp.	Preferred stock of Cidana Inc.	None	Non-current financial assets at fair value through other comprehensive income	500,000	-	3.56%	-	
CyberLink International Technology Corp.	Preferred stock of LOFTechnology, Inc.	None	Non-current financial assets at fair value through other comprehensive income	100,000	-	0.57%	-	
CyberLink International Technology Corp.	CCV Fund I LP	None	Non-current financial assets at fair value through profit or loss	-	USD 7,330 (in thousands of dollars)	5.37%	USD 7,330 (in thousands of dollars)	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates, and other related derivative securities within the scope of IFRS 9 "Financial Instruments."

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 amortized 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.

yperLink 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, 2022

Table 2

Unit: Amounts expressed in thousands of New Taiwan Dollars

(EXCEPT AS OTHERWISE INDICATED)

Purchaser/seller	Counterparty	Relationship with the counterparty	The circumstance of the dealings		Percentage of total purchases (sales)	Credit Terms	Unit Price	Credit Terms	The circumstances and reasons why the trading terms are different from those of ordinary transactions		Notes/accounts receivable (payable) Balance	Percentage of consolidated total notes/accounts receivable (payable)	Footnote
			Purchases (sales)	Amount									
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Sales	\$ 137,496	10%	Note	Same with third parties	Note		\$ 11,725	13%	-	
CyberLink Corp.	CyberLink Inc.	A subsidiary of the Company	Sales	133,833	10%	Note	Same with third parties	Note		10,223	11%	-	

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, 2022

Table 3

Unit: Amounts expressed in thousands of New Taiwan Dollars

(EXCEPT AS OTHERWISE INDICATED)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	CyberLink Corp.	CyberLink Inc.	1	Sales revenue	\$ 133,833	Note 4	7.9%
0	CyberLink Corp.	CyberLink Inc.	1	Receivables	11,873	Note 4, 5	0.2%
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	137,496	Note 4	8.1%
0	CyberLink Corp.	CyberLink.Com Corp.	1	Receivables	14,472	Note 4, 5	0.2%

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

(a) Parent company is '0.'

(b) 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 categories 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.):

(a) Parent company to subsidiary.

(b) Subsidiary to parent company.

(c) 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, 2022

Table 4

Unit: Amounts expressed in thousands of New Taiwan Dollars

(EXCEPT AS OTHERWISE INDICATED)

Name of Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment Amount		Shares held as at December 31, 2022			Net income (loss) of investee (Note 2(2))	Investment income (loss) recognized by the Company (Note 2(3))	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Carrying amount			
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	\$ 136,327	\$ 136,327	4,000,000	100%	\$ 385,836	(\$ 27,770)	(\$ 27,770)	Direct subsidiary
CyberLink Corp.	CyberLink International Technology Corp.	B.V.I.	Investment activities	1,373,806	1,283,896	44,000,000	100%	2,002,856	( 110,056)	( 110,056)	Direct subsidiary
CyberLink Corp.	CyberLink Inc.	Japan	Sale of software	235,714	235,714	1,900	100%	239,513	( 5,465)	( 5,465)	Direct subsidiary
CyberLink International Technology Corp.	Perfect Corp.	Cayman	Investment activities	1,204,661	1,002,763	36,960,961	31.25%	1,746,287	( 4,946,349)	( 89,400)	Investment accounted for using the equity method
				(USD 39,227 in thousands of dollars)	(USD 36,227 in thousands of dollars)			(USD 56,864 in thousands of dollars)	(USD (165,985) in thousands of dollars)		

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, 2022' 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 income (loss) of the investee' column should fill in amount of net income (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognized by the Company' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognized 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 recognized by regulations.

CyberLink Corp.

Information on investments in Mainland China

Year Ended December 31, 2022

Table 5

Unit: Amounts expressed in thousands of New Taiwan Dollars

(EXCEPT AS OTHERWISE INDICATED)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount of investment remitted or recovered during the period		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee as of December 31, 2022	Ownership held by the Company (direct or indirect)	'Investment income (loss) recognized by the Company (Note 2(2)B)	Carrying amount of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Perfect (Shanghai) Co., Ltd.	Trading of computer peripheral and software	\$ 66,241 (USD 2,157 in thousands of dollars)	(2)	\$ 32,399 (USD 1,055 in thousands of dollars)	\$ -	\$ -	\$ 32,399 (USD 1,055 in thousands of dollars)	(\$ 11,293)	31.25%	\$ -	\$ 7,392	\$ -	Note 4
Company Name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Commission of the Ministry of Economic Affairs (MOEA)	Cap on investments in Mainland China imposed by the Investment Commission of MOEA										
CyberLink Corp.	\$ 32,399 (USD 1,055 in thousands of dollars)	\$ 73,643 (USD 2,398 in thousands of dollars)	\$2,789,845										

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

- Directly invest in a company in mainland China
- Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- Others.

Note 2: In the 'Investment income (loss) recognized by the Company for December 31, 2022' column:

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

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

Note 4: Through investing in CyberLink International Technology Corp.

CyberLink Corp.  
Major shareholders information  
December 31, 2022

Table 6

Expressed in shares

Name of major shareholder	Number of shares held	Ownership (%)
ClinJeff Corp.	12,176,497	15.42%
Chang, Hua-Jen	7,862,716	9.96%

**6.6. Financial distress encountered by the Company and affiliated enterprises in the last year, up until the publication date of annual report:**

None.

## 7. Review of Financial Position, Business Performance and Risk Management

### 7.1 Review and analysis of the financial position

#### 1. Comparative analysis of the financial position

Unit: NTD thousands; %

Item \ Year	2022	2021	Difference		
			Amount	%	Description
Current assets	2,063,676	1,946,624	117,052	6.01	
Long-term investment	2,027,160	280,426	1,746,734	622.89	1
Property, plant and equipment, net	437,460	454,649	(17,189)	(3.78)	
Right-of-use assets	10,879	4,585	6,294	137.27	2
Investment Property	1,226,913	1,228,294	(1,381)	(0.11)	
Intangible asset	2,250	2,057	193	9.38	
Other assets	55,903	47,888	8,015	16.74	
Total assets	5,824,241	3,964,523	1,859,718	46.91	3
Current liabilities	707,381	669,795	37,586	5.61	
Non-current liabilities	467,118	588,271	(121,153)	(20.59)	4
Total liabilities	1,174,499	1,258,066	(83,567)	(6.64)	
Capital Stock	789,418	773,533	15,885	2.05	
Capital surplus	2,468,920	703,016	1,765,904	251.19	5
Retained earnings	1,561,705	1,472,315	89,390	6.07	
Other equity interest	(170,301)	(242,407)	72,106	29.75	6
Total equity	4,649,742	2,706,457	1,943,285	71.80	7

2. Analysis of deviation in financial position (for deviation over above 20%):
1. Increase in long-term investments: mainly due to the recognition of long-term investments under the equity method.
  2. Increase in right-of-use assets: mainly due to lease renewal and new lease of office space.
  3. Increase in total assets: mainly due to the increase in the carrying value of long-term investments.
  4. Decrease in non-current liabilities: mainly due to the decrease in provision for liabilities.
  5. Increase in capital surplus: mainly due to the increase in the change in net equity in affiliated companies recognized under the equity method.
  6. Increase in other equity: mainly due to the exchange differences on the translation of financial statements of foreign operating companies.
  7. Increase in total equity: mainly due to the increase in capital surplus.

## 7.2 Financial performance

### 1. Financial performance

Unit: NT\$ thousands; %

Item \ Year	2022	2021	Deviation	Deviation %	Description
Net revenue	1,691,200	1,577,069	114,131	7.24	
Operating costs	228,877	255,296	(26,419)	(10.35)	
Gross profit	1,462,323	1,321,773	140,550	10.63	
Operating expenses	1,265,079	1,124,891	140,188	12.46	
Operating income	197,244	196,882	362	0.18	
Non-operating income and expenses	23,690	(698,435)	722,125	103.39	1
Net income (net loss) before income taxes	220,934	(501,553)	722,487	144.05	2
Income tax expense	37,309	61,213	(23,904)	(39.05)	3
Net income (loss) for the year	183,625	(562,766)	746,391	132.63	4
Other comprehensive income (net of tax)	77,418	(56,684)	134,102	236.58	5
Total comprehensive (loss) income	261,043	(619,450)	880,493	142.14	6
Net income (net loss) attributable to owners of the parent company	183,625	(562,766)	746,391	132.63	4
Total comprehensive income attributable to owners of the parent company	261,043	(619,450)	880,493	142.14	6

### 2. Explanation of major deviation:

1. Non-operating income and expenses: The change from a large expense last year to income this year was mainly due to the recognition of a loss on valuation of preferred shares issued by a affiliated company last year and the recognition of a large investment loss based on the percentage of shareholdings held; also partly due to the increase in foreign currency exchange gain.
2. Net income (loss) before income tax: The change from loss to gain was mainly due to the decrease in the share of losses of affiliates and joint ventures recognized under the equity method.
3. Income tax expense: Mainly due to the increase in creditable investments this year.
4. Net income (loss) for the year and net income (loss) attributable to owners of the parent company: The change from loss to gain was mainly due to the decrease in the share of losses of affiliates and joint ventures recognized under the equity method.

5. Other comprehensive income (net of tax): The change from loss to gain was mainly due to the increase in translational differences (gain) on the financial statements of foreign operations for the year.
  6. Total comprehensive income for the period and comprehensive income attributable to owners of the parent company: The change from loss to gain was mainly due to the increase in net income for the year.
3. Explanation of significant changes in income or cost: None.



### 7.3.Cash flow analysis

#### 1. Analysis of cash flow variations for the current year

Unit: NT\$ thousands

Cash balance at the beginning of the period	Net cash flow from operating activities for the year	Net cash flow from investing and financing activities for the year	Cash surplus (deficit)	Remedy for cash deficits	
				Investment plans	Financing plans
1,102,879	55,696	585,314	1,743,889	Not applicable.	Not applicable.

Analysis of cash flow for the year:

- 1.Cash inflow from operating activities of approximately NT\$55,696 thousand: This is mainly due to the net cash inflow from operating activities in FY2022 after income tax and dividend payment.
- 2.Cash inflow from investing activities amounted to NT\$468,493 thousand: This was mainly attributed to the termination of time deposits with initial tenor or three months or more as they matured.
- 3.Cash inflows from fundraising activities amounted to NT\$64,305 thousand: Mainly cash inflows from employees' exercise of stock options.

#### 2. Liquidity analysis for the next year:

Unit: NT\$ thousands

Cash balance at the beginning of the period	Projected net cash inflow from operating activities for the year	Expected cash inflow for the year	Expected cash surplus (deficit)	Remedy for cash deficits	
				Investment plans	Financing plans
1,743,889	139,000	417,000	2,160,889	Not applicable.	Not applicable.

(1) Analysis of cash flow variation for the next year:

- (A) Operating activities: The Company expects to maintain the current level of operating revenues and profits.
  - (B) Investing activities: Purchase of equipment for server room and software upgrade to meet business needs.
- (2) Response measures and liquidity analysis on expected cash flow deficits: Not applicable.

### 7.4.Material capital expenditures in the last year and impacts on the financial position and business performance:

None.

### 7.5.Investment policy in the most recent year, causes of profit or loss incurred, improvement plans, and investments planned for the next year:

Perfect Corp., a 100%-owned subsidiary of CyberLink International Technology Corp. (BVI), officially became the first software company in Taiwan to be listed on the New York Stock Exchange for its SaaS (Software as a Service) technology services. On October 31, 2022 (UTC -5 / Eastern Standard Time), under stock and

covered warrant codes PERF and PERF WS, the Company began trading on the New York Stock Exchange.

The Company also invested US\$3 million in the fourth quarter of 2022 through a Private Investment in Public Equity (PIPE) in connection with the merger of Perfect Corp. and Provident Acquisition Corp.

CyberLink’s U.S. and Japan subsidiaries serve as overseas sales branches, and although hardware bundled sales (B2B) continued to dwindle, the pandemic has caused a significant shift in consumers’ shopping preference from physical channels to online channels, and as a result, search engines emerged to become an important gateway for sourcing buyers. In view of the search economy, CyberLink has significantly increased its investment in SEO (Search Engine Optimization), SEM (Search Engine Marketing) and other emerging digital marketing and content marketing tools. The Company had seen substantial growth in terms of web traffic and return on advertising in major markets such as Japan, the USA, Taiwan, Germany, and France. Furthermore, the FaceMe® technology has been adopted by many foreign IoT manufacturers such as Bitkey and CAC (Japan), and presents significant prospects for growth.

The Company’s equity-method investments are made for long-term strategic purposes. In the future, the Company will continue to evaluate its equity-method investments prudently, based on the principle of long-term strategic investments.

## **7.6 Risk Disclosure**

### 7.6.1. Risk management policy and risk management framework:

1.Risk management policy: All major policies, investment projects, asset acquisitions/disposals, endorsements, guarantees, third-party lending, and bank borrowing that pose business risks to the Company are subject to comprehensive assessment and analysis by responsible departments in accordance with relevant rules of the authority and the Company, and executed with board’s resolution. Each department performs its own risk management process and is responsible for conducting preliminary assessments and making reports on risk management activities and outcomes.

### 2.Risk management organization:

#### (1) Organizational structure:

Name of organization	Responsibilities
Senior management (Chairman, CEO)	Determines risk management goals, the decision-making process, and the feedback model to ensure the effectiveness of risk management practices
CEO Office	Executes risk management goals and decisions Consolidates risk management progress across departments Assists and coordinates departments in the execution of risk management tasks.

Name of organization	Responsibilities
Internal Audit	Follows the annual audit plan and conducts objective and independent audits to ensure that the current risk management system continues to be effective.
Risk management representatives of various departments and projects	Executes risk management tasks and processes of various departments Conducts preliminary assessment and makes reports on risk management activities and outcomes
All employees	Adopt risk management practices in line with the Company's policies, and report to the line manager on any possible major risk.

(2) Description of responsibilities

(A) Senior management

The Risk Management Execution Committee is the primary enforcer of risk management practices within the Company. Members of the committee include the Chairman, the CEO, and department heads. Responsible for determining risk management goals, the decision-making process, and the feedback model to ensure the effectiveness of risk management practices.

(B) CEO Office

Performs secretary duties in relation to risk management. Serves as the main contact for the risk management system, executes risk management goals and decisions, consolidates risk management progress across departments, assists and coordinates departments in the execution of risk management tasks, coordinates with Internal Audit to determine key audit points for the year, and prepares risk management execution reports to ensure that the risk management system remains effective.

(C) Internal Audit

Follows the annual audit plan and conducts objective and independent audits to ensure that the current risk management system continues to be effective.

(D) Risk management representatives of various departments and projects

Department risk management representatives are appointed by the head of department. They help identify, assess, handle, and monitor risks for their respective departments. They are also responsible for conveying relevant messages to department employees and helping the head of department consolidate data and make reports to the

Risk Management Execution Committee.

Project risk management representatives are assumed by the respective project controllers. They are responsible for assisting project managers with risk identification, assessment, handling, and monitoring tasks, conveying relevant messages to department members, and gathering data to be reported to the assistant manager of the Project Office.

(E) All employees

Adopt risk management practices in line with the Company's policies, and report to the line manager on any possible major risk.

#### 7.6.2. Analysis of various risks

1. Impact of interest rate, exchange rate, and inflation on the Company's earnings, and response measures:

The Company has an abundant source of capital and is not in need of financing. For this reason, interest rate changes have a limited impact on the Company. Most of the Company's foreign currency assets and liabilities are denominated in USD. Any significant change in the exchange rate may adversely affect the Company's financial position, which is why the Company pays constant attention to market changes and adjusts the level of foreign currency cash held on hand accordingly. The Company also uses currency forwards to mitigate the effect of exchange rate changes on the Company's profits. Inflation, too, has an immaterial impact on the Company.

2. Policies on high-risk and highly leveraged investments, loans to external parties, endorsements/guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future response measures:

The Company makes conservative use of its capital and does not engage in high-risk or highly leveraged investments. The Company has complete policies and internal procedures in place to govern external party lending, endorsements, guarantees, and derivatives trading. Derivative transactions are undertaken mainly to hedge against exchange rate risks.

3. Future research and development plans and projected expenses:

CyberLink is committed to investing in research and development to continue our leadership position in technology and continue to refine our industry-leading video editing, photo editing, and audio/video playback software to enable creators from all walks of life to express their creativity and share their creative content with ease, with the goal of becoming the strongest support for our users. The Company expects to invest about NT\$600 million in R&D in 2023.

4. Financial impacts and response measures in the event of changes in local and foreign regulations:

The Company sells its products worldwide. Any change or new implementation of tax laws in countries or regions where products are sold

may have adverse impacts on the profitability of the Company.

While conducting and expanding businesses around the world, the Company and its subsidiaries pay extra attention to ensure compliance with the tax laws of all countries that it operates. The Company operates mainly in Taiwan and is therefore subject to compliance with the tax laws of The Republic of China. Any adverse change in tax laws or regulations would increase the effective tax rate and have negative impacts.

For proper management of taxation risks, the Company has been paying close attention to any policies and regulations local and abroad that are likely to affect its financial performance, so that business and financial impacts can be determined with greater certainty.

5. Financial impacts and response measures in the event of technological or industrial changes (including cybersecurity risks):

The Company sells its products on a global scale, which is why technological and industrial changes have a significant impact on the Company's financial and business performance. The Company adopts the practice of actively gathering information on technological and industrial changes, and works with leading business partners to secure technological advantage in this industry and to maximize business opportunities.

6. Crisis management, impacts, and response measures in the event of a change in the corporate image:

The Company places great emphasis on the establishment and maintenance of corporate image; not only has it created a dedicated unit for this purpose and engages actively in charity activities, the multimedia software sold by the Company poses no concern of public hazard and should not compromise corporate image in any way. In the last year and up until the publication date of annual report, the Company encountered no occurrence that affected corporate image.

7. Expected benefits, risks and response measures of planned mergers or acquisitions

There is no such plan at the moment.

8. Expected benefits, risks and response measures associated with plant expansion:

The Company has no plant expansion plan.

9. Risks and response measures associated with concentrated sales or purchases:

Due to the company's industrial characteristics, the products are software download subscription and software as a service (SaaS), there is no concentration of sales in the world, and the substitution of purchasing manufacturers is high, so the company's purchase or sales are not at risk.

10. Impacts, risks and response measures following a major transfer of

shareholding by directors or shareholders with more than 10% ownership interest.

Directors, major shareholders with more than 10% ownership interest, and management of the Company have been quite stable. There was no significant transfer of shareholding by the management, directors, or shareholders with more than 10% ownership interest and neither do they have any plan to do so. For this reason, the Company considers itself to be free from this risk.

11. Impacts, risks, and response measures associated with a change of management:

Management of the Company has been quite stable. There was no significant transfer of shareholding by the management, directors, or shareholders with more than 10% ownership interest and neither do they have any plan to do so. For this reason, the Company considers itself to be free from this risk.

12. Major litigations, non-contentious cases, or administrative litigations involving the Company or any director, supervisor, CEO, person-in-charge or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose a significant impact to shareholders or security prices of the Company. Disclose the nature of the dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report:

None.

13. Other key risks and response measures:

None.

## 7.7. Other material issues

1. Recoverability assessment of accounts receivable - bad debt provisions:  
Customers are generally granted a credit term of 30 days after month-end; some customers are granted 45-90 days after month-end. Accounts receivable are evaluated by taking into account all reasonable and verifiable information (including prospective information). Assets that exhibit no significant increase in credit risk after initial recognition will have impairment provisions measured based on 12-month expected credit loss, whereas those that exhibit a significant increase in credit risk after initial recognition will have impairment provisions measured based on expected credit loss over the remaining duration.  
The Company generally makes 100% loss provision on balances that are overdue for more than 180 days, unless there is objective evidence to suggest recoverability of the receivable balance, in which case impairment provisions are made based on the possibility of recovery.
2. Likelihood of inventory devaluation - allowance for inventory devaluation:

Closing inventory is stated at the lower of cost or net realizable value. The lower of cost or net realizable value is compared separately across individual inventory categories. Net realizable value refers to the estimated selling price less all additional costs required and variable marketing expenses under normal circumstances. If the net realizable value falls below book value, inventory devaluation is recognized on the difference.

Any software product that is outdated by more than two versions at period-end is outright impaired. End-of-period inventory that has not been sold for more than six months is regarded as obsolete, for which a 100% devaluation loss is provided.

3. Impairment of financial assets:

For financial assets at amortized cost, at each reporting date, the Company recognizes impairment provision based on 12-month expected credit losses if there has not been a significant increase in credit risk since initial recognition, or recognizes impairment provision based on lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information (including forecasts). On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes impairment provisions based on lifetime ECLs.

4. Impairment of non-financial assets:

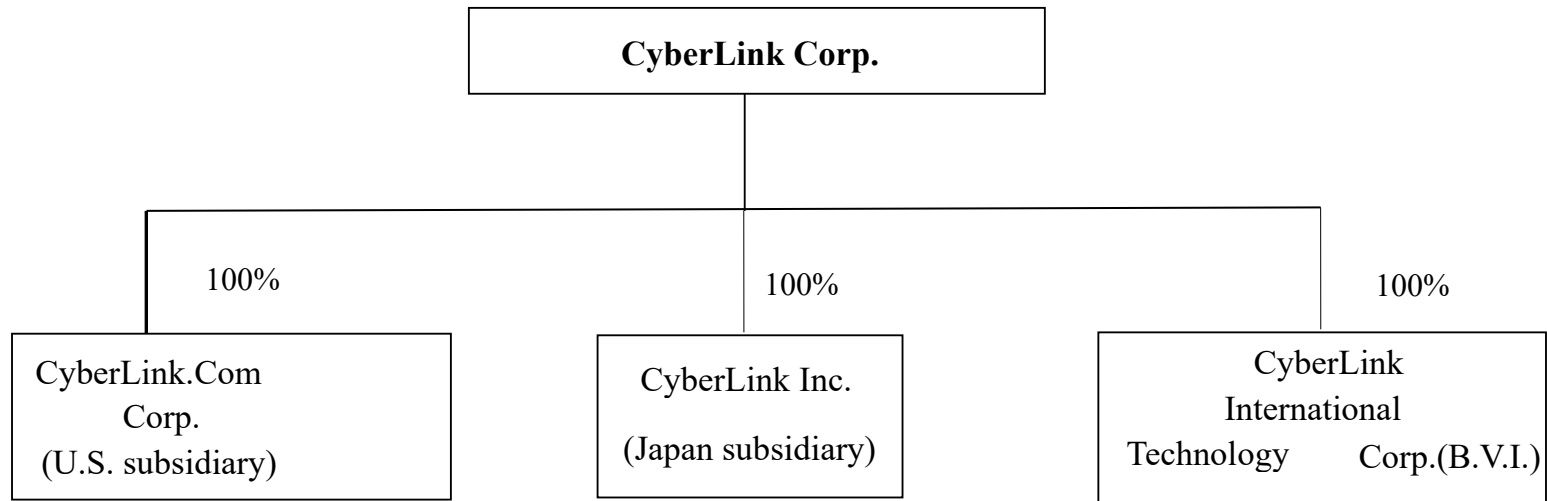
For assets that show signs of impairment on the balance sheet date, the Group first estimates the recoverable amount of such assets, and recognizes impairment losses if the recoverable amount is lower than the book value. The recoverable amount refers to the higher of an asset's fair value net of disposal cost or its utilization value. Impairment losses previously recognized can be reversed if asset impairment no longer exists or has been reduced. However, the reversal of impairment loss shall not increase the asset's book value above the amount of book value after depreciation/amortization if the impairment loss had not occurred in the first place.

## 8.Special Disclosure

### 8.1.Summary of affiliated companies

#### 1.Consolidated business report

##### (1) Organization chart of affiliated enterprises





(2) The entities shall be concluded as the existence of the controlling and subordinate relation, as defined in Article 369-3 of The Company Act: None.

(3) Subordinate entities with the management of personnel, financial, or business operation directly or indirectly controlled by the Company, as defined in Paragraph 2, Article 369-3 of The Company Act: None.

## 2. Profile of affiliated companies

December 31, 2022  
Unit: JPY thousands; USD thousands

Name of entity	Date of incorporation (acquisition)	Address	Paid-in capital	Main business activities or products
CyberLink.Com Corp.	1999.1.06	3031 Tisch Way, 110 Plaza West San Jose, CA 95128 U.S.A.	USD 4,000	Sale of software
CyberLink International Technology Corp	2004.4.16	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US\$ 44,000	Professional investment
CyberLink Inc.	2005.3.9	Tamachi East Wing 4F., 3-5-39, Shibaura, Minato-ku, Tokyo 108-0023 JAPAN	JPY 95,000	Sale of software

3. Common shareholders in controlling and subordinate relation companies: None.

4. Businesses activities covered by affiliated companies

The Company and affiliated enterprises are collectively involved in: programming and design, general investment, and general service.

5. Directors, supervisors, and CEO of affiliated companies

December 31, 2022  
Unit: shares; %

Name of entity	Position	Name or name of representative	Shareholding	
			Number of shares	Shareholding percentage
CyberLink.Com Corp.	Directors	Jau Huang	4,000,000	100.00%
CyberLink International Technology Corp.	Directors	Jau Huang	44,000,000	100.00%
CyberLink Inc.	Directors	Jau Huang	1,900	100.00%
	Directors	Alice H. Chang	1,900	100.00%
	Directors	Hilda Peng	1,900	100.00%
	Supervisor	Liang-Chu Sun	1,900	100.00%

## 6. Operational overview of affiliated enterprises

### Financial position and business performance of affiliated enterprises:

December 31, 2022

Unit: USD thousands; EUR thousands; JPY thousands

Name	Capital	Total assets	Total liabilities	Net worth	Net revenue	Operating income (loss)	Net income (loss)	Earnings (loss) per share
								(in dollars)
								(after tax)
CyberLink. Com Corp.	USD 4,000	USD 16,514	USD 3,381	USD 13,133	USD 10,985	USD (1,041)	USD (932)	USD (0.23)
CyberLink International Technology Corp.	USD 44,000	USD 65,227	USD 9	USD 65,218	-	USD (32)	USD (3,693)	USD (0.09)
CyberLink Inc.	JPY 95,000	JPY 1,226,015	JPY 195,604	JPY 1,030,411	JPY 1,018,272	JPY (51,658)	JPY (24,021)	JPY (12,642.63)

## 7. Consolidated financial statements of affiliated companies

### **CyberLink Corp.**

#### **Declaration Concerning Consolidated Financial Statements of Affiliated Enterprises**

Affiliated enterprises subject to the preparation of consolidated financial statements of affiliated enterprises under “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were identical to the affiliated companies subject to the preparation of consolidated financial statements under International Financial Reporting Standards No. 10 (IFRS 10) for the FY2022 (from January 1 to December 31, 2022). All mandatory disclosures of the consolidated financial statements of affiliated enterprises have been disclosed in the consolidated financial statements. Therefore, no separate consolidated financial statements of affiliated enterprises were prepared.

This declaration is solemnly made by

Company name: CyberLink Corp.

Person-in-charge: Huang, Jau-Hsiung

March 7, 2023

## 8. Affiliation report: None.

- 8.2. Private placement of securities in the last year up until the publication date of annual report; disclose the date of shareholders' or board of directors' approval, the basis and rationality for the volume and pricing, the method for choosing the designated subscribers, the reasons for private placement, any project completed with the capital proceeds received, how capital from private securities is used, and the execution progress: None.**
- 8.3 Holding or disposal of the Company's shares by subsidiaries in the last year, up until the publication date of annual report: None.**
- 8.4 Other supplementary information: None.**
- 8.5 Occurrences significant to shareholders' equity or security price, as defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, in the last year up Until the publication date of annual report: None.**

# CyberLink Corp.

CyberLink Corp.



Chairman: Jau Huang

