CYBERLINK CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2014 AND 2013

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

Report of Independent Accountants

PWCR14000044

To the Board of Directors and Stockholders of CyberLink Corp.

We have reviewed the accompanying consolidated balance sheets of CyberLink Corp. and subsidiaries as of June 30, 2014 and 2013, the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2014 and 2013, and the consolidated statements of cash flows and changes in equity for the six-month periods ended June 30, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

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

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

July 24, 2014

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the review of such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of the independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

	June 30, 2014		December 31, 2013		June 30, 2013	
	Amount (Reviewed)	%	Amount (Audited)	%	Amount (Reviewed)	%
ASSETS						
Current Assets						
Cash and cash equivalents (Note 6(1))	$ 4,343,527	67	$ 4,066,568	64	$ 3,533,372	54
Financial assets at fair value through profit or loss - current (Note 6(2))	177,559	3	181,044	3	803,748	12
Notes receivable, net (Note 6(3))	10,824	-	5,819	-	10,698	-
Accounts receivable, net (Note 6(4))	138,003	2	262,107	4	390,436	6
Other receivables	17,167	-	21,490	-	2,261	-
Inventories	8,285	-	8,727	-	7,377	-
Other current assets	42,504	1	39,892	1	78,176	1
Total current assets	4,737,869	73	4,585,647	72	4,826,068	73
Non-current Assets						
Financial assets carried at cost – non-current (Note 6(5))	53,016	1	53,007	1	53,035	1
Property, plant and equipment, net (Note 6(6))	340,981	5	342,490	5	345,353	5
Investment property, net (Note 6(7))	1,295,964	20	1,301,425	20	1,306,886	20
Intangible assets (Notes 6(8)(24))	24,876	-	144	-	268	-
Deferred income tax assets	38,563	1	37,541	1	81,214	1
Other non-current assets (Note 8)	16,575	-	35,621	1	14,390	-
Total non-current assets	1,769,975	27	1,770,228	28	1,801,146	27
TOTAL ASSETS	$ 6,507,844	100	$ 6,355,875	100	$ 6,627,214	100
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable (Note 6(9))	$ 257,558	4	$ 284,346	5	$ 351,939	5
Other payables (Note 6(10))	1,328,133	20	675,409	11	1,367,216	21
Income tax payable	28,576	1	91,922	1	39,183	1
Other current liabilities	51,595	1	90,947	1	18,690	-
Total current liabilities	1,665,862	26	1,142,624	18	1,777,028	27
Non-current Liabilities						
Provisions – non-current (Note 6(11))	342,806	5	323,064	5	327,604	5
Deferred income tax liabilities	465	-	3,374	-	351	-
Other non-current liabilities	71,256	1	71,215	1	66,656	1
Total non-current liabilities	414,527	6	397,653	6	394,611	6
Total Liabilities	2,080,389	32	1,540,277	24	2,171,639	33
Equity Attributable To Shareholders Of the Parent						
Capital stock (Note 6(14))						
Common stock	1,001,557	15	1,001,429	16	943,507	14
Capital reserve (Note 6(15))	1,777,314	28	1,774,378	28	1,816,436	28
Retained earnings (Note 6(16))						
Legal reserve	940,803	14	870,008	14	870,008	13
Special reserve	73,164	1	89,451	1	89,451	1
Unappropriated earnings	702,329	11	1,153,496	18	799,300	12
Others (Note 6(17))						
Exchange differences arising on translation of foreign operations	(67,712)	(1)	(73,164)	(1)	(63,127)	(1)
Equity Attributable To Shareholders Of the Parent	4,427,455	68	4,815,598	76	4,455,575	67
Total Equity	4,427,455	68	4,815,598	76	4,455,575	67
Significant contingent liabilities and unrecognised contract commitments (Note 6(25))						
TOTAL LIABILITIES AND EQUITY	$ 6,507,844	100	$ 6,355,875	100	$ 6,627,214	100

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

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

	For the three-month period ended June 30, 2014		For the three-month period ended June 30, 2013		For the six-month period ended June 30, 2014		For the six-month period ended June 30, 2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Net revenues	$ 570,798	100	$ 628,183	100	$ 1,116,355	100	$ 1,262,134	100
Cost of revenues (Note 6(20))	(76,580)	(13)	(114,518)	(18)	(159,226)	(14)	(215,703)	(17)
Gross profit	494,218	87	513,665	82	957,129	86	1,046,431	83
Operating expenses (Notes 6(12)(20)(21) and 7)								
Selling	(132,482)	(23)	(137,193)	(21)	(265,982)	(24)	(269,473)	(21)
General	(58,888)	(11)	(42,572)	(7)	(103,159)	(9)	(80,161)	(6)
Research and development	(115,973)	(20)	(136,573)	(22)	(251,659)	(23)	(274,931)	(22)
Total operating expenses	(307,343)	(54)	(316,338)	(50)	(620,800)	(56)	(624,565)	(49)
Operating income	186,875	33	197,327	32	336,329	30	421,866	34
Non-operating income and expenses								
Other income (Note 6(18))	27,387	5	16,789	3	50,089	5	31,775	2
Other gains and losses (Note 6(19))	(47,275)	(9)	7,661	1	(10,294)	(1)	21,214	2
Total non-operating income and expenses	(19,888)	(4)	24,450	4	39,795	4	52,989	4
Income before income tax	166,987	29	221,777	36	376,124	34	474,855	38
Income tax expense (Note 6(22))	(34,806)	(6)	(67,531)	(11)	(71,753)	(7)	(122,605)	(10)
Net income	$ 132,181	23	$ 154,246	25	$ 304,371	27	$ 352,250	28
Other comprehensive income (loss)								
Exchange differences arising on translation of foreign operations (Note 6(17))	(13,390)	(2)	(492)	-	5,452	1	9,736	1
Total comprehensive income for the period	$ 118,791	21	$ 153,754	25	$ 309,823	28	$ 361,986	29
Net income attributable to:								
Shareholders of the parent	$ 132,181	23	$ 154,246	25	$ 304,371	27	$ 352,250	28
Total comprehensive income attributable to:								
Shareholders of the parent	$ 118,791	21	$ 153,754	25	$ 309,823	28	$ 361,986	29
Earnings per share (Note 6(23))								
Basic earnings per share	$ 1.32		$ 1.54		$ 3.04		$ 3.52	
Diluted earnings per share	$ 1.31		$ 1.54		$ 3.00		$ 3.49	

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

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

	Equity Attributable to Shareholders of the Parent							
		Capital reserve		Retained earnings				
	Common stock	Paid-in capital in excess of par value	Employee stock option	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences arising on translation of foreign operations	Total
Balance at January 1, 2013	$ 943,507	$1,586,901	$ 222,409	$ 804,873	$ 43,679	$ 1,218,412	($ 72,863)	$4,746,918
Distribution of 2012 earnings:								
Legal reserve (Note 6(16))	-	-	-	65,135	-	(65,135)	-	-
Special reserve (Note 6(16))	-	-	-	-	45,772	(45,772)	-	-
Cash dividends (Note 6(16))	-	-	-	-	-	(660,455)	-	(660,455)
Net income for the six-month period ended June 30, 2013	-	-	-	-	-	352,250	-	352,250
Employee stock options issued (Note 6(13))	-	-	7,126	-	-	-	-	7,126
Other comprehensive income for the six-month period ended June 30, 2013 (Note 6(17))	-	-	-	-	-	-	9,736	9,736
Balance at June 30, 2013	$ 943,507	$ 1,586,901	$ 229,535	$ 870,008	$ 89,451	$ 799,300	($ 63,127)	$4,455,575
Balance at January 1, 2014	$ 1,001,429	$ 1,539,249	$ 235,129	$ 870,008	$ 89,451	$ 1,153,496	($ 73,164)	$4,815,598
Reversal of special reserve	-	-	-	-	(16,287)	16,287	-	-
Distribution of 2013 earnings:								
Legal reserve (Note 6(16))	-	-	-	70,795	-	(70,795)	-	-
Cash dividends (Note 6(16))	-	-	-	-	-	(701,030)	-	(701,030)
Net income for the six-month period ended June 30, 2014	-	-	-	-	-	304,371	-	304,371
Employee stock options issued (Note 6(13))	-	-	2,311	-	-	-	-	2,311
Employee stock options exercised	128	707	(82)	-	-	-	-	753
Other comprehensive income for the six-month period ended June 30, 2014 (Note 6(17))	-	-	-	-	-	-	5,452	5,452
Balance at June 30, 2014	$ 1,001,557	$ 1,539,956	$ 237,358	$ 940,803	$ 73,164	$ 702,329	($ 67,712)	$4,427,455

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

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

	For the six-month period ended June 30, 2014	For the six-month period ended June 30, 2013
Cash flows from operating activities		
Income before income tax	$ 376,124	$ 474,855
Adjustments to reconcile income before income tax to net cash provided by operating activities:		
Adjustments for:		
Gain on financial assets at fair value through profit or loss (Notes 6(2)(19))	(436)	(3,069)
Depreciation expenses (Notes 6(6)(7))	9,796	10,227
Amortization expenses (Note 6(8))	66	162
Interest income (Note 6(18))	(23,804)	(7,691)
Employees' stock option cost (Note 6(13))	2,311	7,126
Loss on obsolescence of property, plant and equipment	111	-
Changes in operating assets and liabilities:		
Financial asset held for trading	3,921	180,000
Notes and accounts receivable	121,240	(109,589)
Other receivables	12,678	9,914
Inventories	442	882
Other current assets	(2,479)	(64,129)
Other non-current assets	19,040	-
Accounts payable	(27,976)	(57,570)
Other payables	(51,540)	13,731
Other current liabilities	(39,397)	3,049
Provisions	19,742	12,737
Other non-current liabilities	41	(203)
Cash generated from operations	419,880	470,432
Interest received	23,501	7,679
Income taxes paid	(141,711)	(86,253)
Net cash provided by operating activities	301,670	391,858
Cash flows from investing activities		
Net cash paid for acquisition of subsidiary (Note 6(24))	(22,824)	-
Acquisition of property, plant, and equipment (Note 6(6))	(2,836)	(3,334)
Decrease in refundable deposits	128	534
Net cash used in investing activities	(25,532)	(2,800)
Cash flows from financing activities		
Increase in deposits	-	463
Exercise of employee stock options	753	-
Net cash provided by financing activities	753	463
Effects of changes in exchange rates of foreign currency holdings	68	20,592
Net increase in cash and cash equivalents	276,959	410,113
Cash and cash equivalents at beginning of the period	4,066,568	3,123,259
Cash and cash equivalents at end of the period	$ 4,343,527	$ 3,533,372

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

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

1. HISTORY AND ORGANIZATION

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

The Securities and Futures Commission of the Republic of China had approved the Company’s shares to be listed on the GreTai Securities Market (formerly Over-The-Counter Securities Exchange) and the shares started trading on October 11, 2000. The Company’s shares have been listed on the Taiwan Stock Exchange Corporation since September 27, 2004.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on July 24, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures－Transfers of financial assets (amendment to IFRS 7)	July 1, 2011

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Disclosures－Offsetting financial assets and financial liabilities	January 1, 2013
IFRS 10, ‘Consolidated financial statements’	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11,‘Joint arrangements’	January 1, 2013
IFRS 12,‘Disclosure of interests in other entities’	January 1, 2013
IFRS 13, ‘Fair value measurement’	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendment to IAS 12)	January 1, 2012
IAS 19 (revised), ‘Employee benefits’	January 1, 2013
IAS 27,‘Separate financial statements’ (as amended in 2011)	January 1, 2013
IAS 28,‘Investments in associates and joint ventures’ (as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009－2011	January 1, 2013

Based on the Group’s assessment, the adoption of the 2013 version of IFRS has no significant impact on the consolidated financial statements of the Group, except for the following:

A. IAS 19 (revised), ‘Employee benefits’

The revised standard eliminates the corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service cost will be recognized immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognised in other comprehensive income. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs. Additional disclosures are required to present how defined benefit plans may affect the amount, timing and uncertainty of the entity’s future cash flows.

B. IFRS 10, ‘Consolidated financial statements’

The standard replaces the requirements relating to consolidated financial statements in IAS 27, ‘Consolidated and separate financial statements’ and IAS 27 therefore is renamed ‘Separate financial statements’; the standard also supersedes requirements in SIC-12, ‘Consolidation-special purpose entities’. The standard defines the principle of control that an investor controls an investee if and only if the investor has all three elements of control.

C. IAS 1, ‘Presentation of financial statements’

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

D. IFRS 12, ‘Disclosure of interests in other entitles’

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. And, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

E. IFRS 13, ‘Fair value measurement’

The standard defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. Based on the Group’s assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

F. Improvements to IFRSs 2009-2011: Amendment to IAS 16, ‘Property, plant and equipment’

The amendment clarifies that spare parts, stand-by equipment and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

For the above items, the Group is assessing their impact on the consolidated financial statements and will disclose the affected amounts accordingly.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, ‘Financial instruments’	Not yet been decided
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts’	January 1, 2016
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, ‘Levies’	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in Note 4 of the consolidated financial statements Note 4 for the year ended December 31, 2013.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

B. The consolidated financial statements for the six-month period ended June 30, 2014 should be read together with those as of and for the year ended December 31, 2013.

(2) Basis of preparation

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

a) Financial assets and financial liabilities at fair value through profit or loss.

b) Liabilities on cash-settled share-based payment arrangements measured at fair value.

c) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised past service cost and unrecognised actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.

B. 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for these consolidated financial statements is consistent with those in the consolidated financial statements for the year ended December 31, 2013.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Major Operating Activities	Ownership (%) June 30, 2014	Ownership (%) December 31, 2013	Description
CyberLink Corp.	CyberLink.Com Corp. (CyberLink-USA)	Sales of computer software	100%	100%	
CyberLink Corp.	CyberLink Europe B.V. (CyberLink-B.V.)	Sales of computer software	100%	100%	
CyberLink Corp.	CyberLink International Technology Corp. (CyberLink-B.V.I)	Investment activities	100%	100%	
CyberLink Corp.	CyberLink Investment Corp. (CyberLink Investment)	Investment activities	100%	100%	
CyberLink International Technology Corp.	CyberLink Inc. (CyberLink-Japan)	Sales of computer software	100%	100%	
CyberLink.Com Corp.	ImageChef Incorporated (ImageChef)	Digital information supply services	100%	-	Note

Name of Investor	Name of Subsidiary	Major Operating Activities	Ownership (%) June 30, 2013	Description
CyberLink Corp.	CyberLink.Com Corp. (CyberLink-USA)	Sales of computer software	100%	
CyberLink Corp.	CyberLink Europe B.V. (CyberLink-B.V.)	Sales of computer software	100%	
CyberLink Corp.	CyberLink International Technology Corp. (CyberLink-B.V.I.)	Investment activities	100%	
CyberLink Corp.	CyberLink Investment Corp. (CyberLink Investment)	Investment activities	100%	
CyberLink International Technology Corp.	CyberLink Inc. (CyberLink-Japan)	Sales of computer software	100%	

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

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

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

(4) Intangible assets

A. Patents

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

B. Goodwill

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

(5) Impairment of non-financial assets

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

B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(6) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquire recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

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

Except for the following, the same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2013.

Critical accounting estimates and assumptions

Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

As of June 30, 2014, the Group recognised goodwill amounting to $24,798.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2014	December 31, 2013	June 30, 2013
Cash on hand	$ 268	$ 262	$ 262
Checking accounts	43,827	45,124	87,814
Demand deposits	1,047,077	1,145,898	1,855,088
Time deposits	3,252,355	2,875,284	1,590,208
	$ 4,343,527	$ 4,066,568	$ 3,533,372

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

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

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

	June 30, 2014	December 31, 2013	June 30, 2013
Financial assets held for trading			
Money market funds	$ 175,000	$ 178,734	$ 790,244
Valuation adjustment	2,559	2,310	13,504
	$ 177,559	$ 181,044	$ 803,748

The Group recognized net gains of $200, $1,427, $436 and $3,069 on financial assets held for trading for the three-month and the six-month periods ended June 30, 2014 and 2013, respectively.

(3) Notes receivable

	June 30, 2014	December 31, 2013	June 30, 2013
Notes receivable	$ 10,854	$ 5,849	$ 10,728
Less: Allowance for doubtful accounts	(30)	(30)	(30)
	$ 10,824	$ 5,819	$ 10,698

(4) Accounts receivable

	June 30, 2014	December 31, 2013	June 30, 2013
Accounts receivable	$ 175,590	$ 282,495	$ 408,879
Less: Allowance for sales return and discounts	(37,069)	(19,870)	(17,925)
Less: Allowance for doubtful accounts	(518)	(518)	(518)
	$ 138,003	$ 262,107	$ 390,436

A. The maximum exposure to credit risk at June 30, 2014, December 31, 2013 and June 30, 2013 was the carrying amount of each class of accounts receivable.

B. The Group does not hold any collateral as security.

(5) Financial assets measured at cost

Item	June 30, 2014	December 31, 2013	June 30, 2013
Unlisted stocks	$ 53,016	$ 53,007	$ 53,035

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

B. As of June 30, 2014, December 31 2013 and June 30, 2013, no financial assets measured at cost held by the Group were pledged to others.

(6) Property, plant, and equipment

	Land	Building	Machinery	Office equipment	Transportation equipment	Total
At January 1, 2014						
Cost	$ 220,698	$ 142,412	$ 21,828	$ 7,293	$ 5,092	$ 397,323
Accumulated depreciation	-	(32,936)	(12,698)	(5,902)	(3,297)	(54,833)
	$ 220,698	$ 109,476	$ 9,130	$ 1,391	$ 1,795	$ 342,490
2014						
Opening net book amount	$ 220,698	$ 109,476	$ 9,130	$ 1,391	$ 1,795	$ 342,490
Additions	-	-	2,136	700	-	2,836
Costs of disposal	-	-	-	(458)	-	(458)
Accumulated depreciation on disposal	-	-	-	347	-	347
Depreciation expense	-	(1,505)	(2,087)	(319)	(424)	(4,335)
Net exchange differences	-	84	7	10	-	101
Closing net book amount	$ 220,698	$ 108,055	$ 9,186	$ 1,671	$ 1,371	$ 340,981
At June 30, 2014						
Cost	$ 220,698	$ 142,525	$ 24,042	$ 7,590	$ 5,092	$ 399,947
Accumulated depreciation	-	(34,470)	(14,856)	(5,919)	(3,721)	(58,966)
	$ 220,698	$ 108,055	$ 9,186	$ 1,671	$ 1,371	$ 340,981

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

(7) Investment property

	Land	Buildings	Total
At January 1, 2014			
Cost	$ 799,024	$ 556,079	$ 1,355,103
Accumulated depreciation	-	(53,678)	(53,678)
	$ 799,024	$ 502,401	$ 1,301,425
2014			
Opening net book amount	$ 799,024	$ 502,401	$ 1,301,425
Depreciation expense	-	(5,461)	(5,461)
Closing net book amount	$ 799,024	$ 496,940	$ 1,295,964
At June 30, 2014			
Cost	$ 799,024	$ 556,079	$ 1,355,103
Accumulated depreciation	-	(59,139)	(59,139)
	$ 799,024	$ 496,940	$ 1,295,964

	Land	Buildings	Total
At January 1, 2013			
Cost	$ 799,024	$ 556,079	$ 1,355,103
Accumulated depreciation	-	(42,756)	(42,756)
	$ 799,024	$ 513,323	$ 1,312,347
2013			
Opening net book amount	$ 799,024	$ 513,323	$ 1,312,347
Depreciation expense	-	(5,461)	(5,461)
Closing net book amount	$ 799,024	$ 507,862	$ 1,306,886
At June 30, 2013			
Cost	$ 799,024	$ 556,079	$ 1,355,103
Accumulated depreciation	-	(48,217)	(48,217)
	$ 799,024	$ 507,862	$ 1,306,886

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

	For the three-month period ended June 30, 2014	For the three-month period ended June 30, 2013
Rental income from the lease of the investment property	$ 12,490	$ 12,378
Direct operating expenses arising from the investment property that generated rental income in the period	$ 4,428	$ 4,358

	For the six-month period ended June 30, 2014	For the six-month period ended June 30, 2013
Rental income from the lease of the investment property	$ 24,861	$ 23,800
Direct operating expenses arising from the investment property that generated rental income in the period	$ 7,159	$ 7,089

B. As of June 30, 2014, December 31 2013 and June 30, 2013, fair value of the Group's investment property was $2,555,815, $2,010,825 and $1,978,185, respectively, which was estimated based on market trading prices of similar property in the areas nearby.

(8) Intangible assets

	Goodwill	Others	Total
At January 1, 2014			
Cost	$ -	$ 850	$ 850
Accumulated amortization	-	(706)	(706)
	$ -	$ 144	$ 144
2014			
Opening net book amount	$ -	$ 144	$ 144
Additions-acquired through business combinations	25,001	-	25,001
Amortization charge	-	(66)	(66)
Net exchange differences	(203)	-	(203)
Closing net book amount	$ 24,798	$ 78	$ 24,876
At June 30, 2014			
Cost	$ 24,798	$ 850	$ 25,648
Accumulated amortization	-	(772)	(772)
	$ 24,798	$ 78	$ 24,876

	Goodwill	Others	Total
At January 1, 2013			
Cost	$ -	$ 2,037	$ 2,037
Accumulated amortization	-	(1,607)	(1,607)
	$ -	$ 430	$ 430
2013			
Opening net book amount	$ -	$ 430	$ 430
Amortization charge	-	(162)	(162)
Closing net book amount	$ -	$ 268	$ 268
At June 30, 2013			
Cost	$ -	$ 1,620	$ 1,620
Accumulated amortization	-	(1,352)	(1,352)
	$ -	$ 268	$ 268

A. Details of amortisation on intangible assets are as follows:

	For the three-month period ended June 30, 2014	For the three-month period ended June 30, 2013
Selling expenses	$ 24	$ 43
Research and development expenses	-	39
	$ 24	$ 82

	For the six-month period ended June 30, 2014	For the six-month period ended June 30, 2013
Selling expenses	$ 66	$ 85
Research and development expenses	-	77
	$ 66	$ 162

(9) Accounts payable

	June 30, 2014	December 31, 2013	June 30, 2013
Royalty expense	$ 251,442	$ 273,781	$ 346,640
Others	6,116	10,565	5,299
	$ 257,558	$ 284,346	$ 351,939

(10) Other payables

	June 30, 2014	December 31, 2013	June 30, 2013
Cash dividends payable	$ 701,030	$ -	$ 660,455
Royalty collection	288,074	303,348	366,484
Employees' bonuses and directors' and supervisors' remuneration	125,841	121,178	120,477
Employees' rewards	49,646	55,519	52,676
Payroll	47,914	79,081	30,265
Promotional fees	38,012	35,765	32,090
Professional service fees	23,794	21,335	23,821
Employees' bonuses-before 2008	20,444	20,444	20,444
Commission expense	11,032	12,850	17,051
Other accrued expenses	17,662	23,979	39,898
Other payables	4,684	1,910	3,555
	$ 1,328,133	$ 675,409	$ 1,367,216

(11) Provisions

	Royalty	Cost of software bug-fixing	Total
At January 1, 2014	$ 314,046	$ 9,018	$ 323,064
Additional provisions	20,239	-	20,239
Unused amounts reversed	-	(497)	(497)
At June 30, 2014	$ 334,285	$ 8,521	$ 342,806

	Royalty	Cost of software bug-fixing	Total
At January 1, 2013	$ 302,782	$ 12,085	$ 314,867
Additional provisions	14,450	-	14,450
Unused amounts reversed	-	(1,713)	(1,713)
At June 30, 2013	$ 317,232	$ 10,372	$ 327,604

Analysis of total provisions:

	June 30, 2014	December 31, 2013	June 30, 2013
Non-current	$ 342,806	$ 323,064	$ 327,604

A. Royalty

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

B. Cost of software bug-fixing

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

(12)Pensions

A. a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

b) For the aforementioned pension plan, the Group recognised pension costs of $320, $199, $641 and $398 for the three-month and six-month periods ended June 30, 2014 and 2013, respectively.

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

	For the three-month period ended June 30, 2014		For the three-month period ended June 30, 2013	
Selling expenses	$	72	$	49
General expenses		36		21
Research and development expenses		212		129
	$	320	$	199

	For the six-month period ended June 30, 2014		For the six-month period ended June 30, 2013	
Selling expenses	$	145	$	99
General expenses		71		42
Research and development expenses		425		257
	$	641	$	398

c) Expected contributions to the defined benefit pension plans of the Group within one year from June 30, 2014 amounts to $1,200.

B.a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on no less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

b) The pension costs under defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2014 and 2013 were $5,298、$5,818、$10,899 and $11,553, respectively.

c) The pension costs under local government law of the foreign subsidiaries for the three-month and six-month periods ended June 30, 2014 and 2013 were $1,345、$990、$2,456 and $2,049, respectively.

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

(13) Share-based payment

A. As of June 30, 2014 and 2013, the Company's share-based payment arrangements were as follows:

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

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

	For the six-month period ended June 30, 2014		For the six-month period ended June 30, 2013	
	No. of options (in thousands)	Weighted - average exercise price (in dollars)	No. of options (in thousands)	Weighted - average exercise price (in dollars)
Options outstanding at beginning of the period	3,172	$ 80.50	3,128	$ 90.97
Options exercised	(13)	59.20	-	-
Options forfeited	(273)	72.22	-	-
Options outstanding at end of the period	2,886	81.37	3,128	90.97
Options exercisable at end of the period	1,934		951	

C. The weighted-average stock price of stock options at exercise dates for the six-month periods ended June 30, 2014 and 2013 was $81.37 and $90.97 (in dollars), respectively.

D. As of June 30, 2014, December 31 2013 and June 30, 2013, the range of exercise prices of stock options outstanding was $59.2～$114, $59.2～$114 and $67.7～$130.3 (in dollars), respectively; the weighted-average remaining contractual period was 2.38~4.14 years, 0.08~4.64 years and 0.58~5.14 years, respectively.

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

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

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

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

	For the three-month period ended June 30, 2014	For the three-month period ended June 30, 2013
Equity settled	$ 797	$ 3,563

	For the six-month period ended June 30, 2014	For the six-month period ended June 30, 2013
Equity settled	$ 2,311	$ 7,126

(14) Share capital

A. As of June 30, 2014, the Company's authorized capital was $1,610,000, consisting of 161,000 thousand shares of ordinary stock (including 21,000 thousand shares reserved for employee stock options), and the paid-in capital was $1,001,557 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

(Thousand shares)

	2014	2013
At January 1	100,143	94,351
Employee stock options exercised	13	-
At June 30	100,156	94,351

B. To increase the Company's working capital, the stockholders at their annual stockholders' meeting in June 2013 adopted a resolution to distribute its legal reserve and the following capital reserve, amounting to $56,610, by issuing new shares. The application has been processed by the relevant authorities in order to obtain its approval. The effective and registration dates are set on August 17 and September 26, 2013, respectively.

(15) Capital reserve

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

(16) Retained earnings

A. In accordance with the Company's Articles of Incorporation, distribution of earnings would be based on the Company's operating and capital needs. Distribution of cash dividends is not less than 20% of stock dividend except as approved by the stockholders for significant capital expenditures. The annual net income should be used to cover any accumulated deficit and pay income tax. When distributing the remaining retained earnings, the distributions should be in accordance with the following order:

   a) Set aside 10% of the annual income as legal reserve. When such legal reserve amounts to the total authorized capital, this provision shall not apply.
   b) Set aside special reserve according to the Securities and Exchange Act.
   c) Set aside not more than 1.5% of the balance to directors and supervisors.
   d) Any remaining balance together with prior year retained earnings may be distributed as employees' bonus and stockholders' dividend. Employees' bonus is not lower than 3% of total amount of employees' bonus and stockholders' dividend. Employees' bonus could be distributed by cash or stock. Employees' stock bonus shall be distributed to all full-time employees of the Company and its subsidiaries.

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

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

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

D. For the three-month and six-month periods ended June 30, 2014 and 2013, employees' bonus was accrued at $11,896,$13,883,$27,393 and $31,703, respectively; directors' and supervisors' remuneration was accrued at $1,784,$2,082,$4,109 and $4,755, respectively, based on net income in 2013 after taking into account the legal reserve and other factors which are estimated according to the distribution percentage from the resolution of the Board of Directors (10% and 1.5%, respectively). The difference between employees' bonus, directors' and supervisors' remuneration as resolved by the stockholders and the amount recognised in the 2013 financial statements amounting to $92 had been adjusted in the 2014 statement of comprehensive income.

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

E. The appropriation of 2013 and 2012 earnings had been resolved at the stockholders' meeting on June 19, 2014 and June 17, 2013, respectively.

Details are summarized below:

	2013		2012	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 70,795		$ 65,135	
Special reserve	-		45,772	
Cash dividends	701,030	$ 7.00	660,455	$ 7.00
	$ 771,825		$ 771,362	

(17) Other equity items

	2014	2013
Currency translation:		
At January 1	($ 73,164)	($ 72,863)
Currency translation differences-group	5,452	9,736
At June 30	($ 67,712)	($ 63,127)

(18) Other income

	For the three-month period ended June 30, 2014	For the three-month period ended June 30, 2013
Rental income	$ 12,490	$ 12,378
Interest income from bank deposits	13,794	4,127
Others	1,103	284
	$ 27,387	$ 16,789

	For the six-month period ended June 30, 2014	For the six-month period ended June 30, 2013
Rental income	$ 24,861	$ 23,800
Interest income from bank deposits	23,804	7,691
Others	1,424	284
	$ 50,089	$ 31,775

(19) Other gains and losses

	For the three-month period ended June 30, 2014	For the three-month period ended June 30, 2013
Net currency exchange (losses) gains	($ 42,696)	$ 10,486
Net gains on financial assets at fair value through profit or loss	200	1,427
Others	(4,779)	(4,252)
	($ 47,275)	$ 7,661

	For the six-month period ended June 30, 2014	For the six-month period ended June 30, 2013
Net currency exchange (losses) gains	($ 3,078)	$ 25,310
Net gains on financial assets at fair value through profit or loss	436	3,069
Others	(7,652)	(7,165)
	($ 10,294)	$ 21,214

(20) Costs and expenses by nature

	For the three-month period ended June 30, 2014	For the three-month period ended June 30, 2013
Cost of goods sold and related expenses	$ 4,001	$ 5,694
Employee benefit expenses	202,549	213,174
Royalty cost	72,579	108,824
Professional service fees	49,669	31,846
Promotional fees	18,221	21,022
Product selling fees	14,132	22,896
Depreciation of property, plant and equipment	2,101	2,388
Others	20,671	25,012
Total cost of sales and operating expenses	$ 383,923	$ 430,856

	For the six-month period ended June 30, 2014	For the six-month period ended June 30, 2013
Cost of goods sold and related expenses	$ 16,147	$ 8,227
Employee benefit expenses	420,907	433,032
Royalty cost	143,079	207,476
Professional service fees	79,503	57,751
Promotional fees	40,480	40,597
Product selling fees	33,252	41,584
Depreciation of property, plant and equipment	4,335	4,766
Others	42,323	46,835
Total cost of sales and operating expenses	$ 780,026	$ 840,268

(21) Employee benefit expenses

	For the three-month period ended June 30, 2014	For the three-month period ended June 30, 2013
Wages and salaries	$ 178,335	$ 185,313
Labor and health insurance fees	12,981	13,829
Pension costs	6,963	7,007
Employee stock options	797	3,563
Other personnel expenses	3,473	3,462
	$ 202,549	$ 213,174

	For the six-month period ended June 30, 2014	For the six-month period ended June 30, 2013
Wages and salaries	$ 370,058	$ 377,941
Labor and health insurance fees	27,491	26,315
Pension costs	13,996	14,000
Employee stock options	2,311	7,126
Other personnel expenses	7,051	7,650
	$ 420,907	$ 433,032

(22) Income tax

A. Income tax expense

Components of income tax expense:

	For the three-month period ended June 30, 2014	For the three-month period ended June 30, 2013
Current tax expense recognised for the current period	$ 36,313	$ 42,082
Income tax adjustments on prior years	521	2,355
Temporary differences	(2,028)	1,112
Income tax credits	-	21,982
Income tax expense recognised in profit or loss	$ 34,806	$ 67,531

	For the six-month period ended June 30, 2014	For the six-month period ended June 30, 2013
Current tax expense recognised for the current period	$ 70,762	$ 78,556
Income tax adjustments on prior years	4,901	(5,253)
Temporary differences	(3,910)	892
Income tax credits	-	48,410
Income tax expense recognized in profit or loss	$ 71,753	$ 122,605

B. As of June 30, 2014, the Company’s income tax returns through 2011 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	June 30, 2014	December 31, 2013	June 30, 2013
Earnings generated in and before 1997	$ 9,932	$ 9,932	$ 9,932
Earnings generated in and after 1998	692,397	1,143,564	789,368
	$ 702,329	$ 1,153,496	$ 799,300

D. As of June 30, 2014, December 31, 2013, and June 30, 2013, the balance of the imputation tax credit account was $74,752、$10,797 and $29,773, respectively. The creditable tax rate was 2.46% for 2013 and is 6.44% for 2014.

(23) Earnings per share

	For the three-month period ended June 30, 2014		
	Amount after tax	Weighted-average outstanding shares (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 132,181	100,155	$ 1.32
Diluted earnings per share			
Profit attributable to the ordinary shareholders of the parent	$ 132,181	100,155	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	654	
Employees' bonus	-	292	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 132,181	101,101	$ 1.31

	For the three-month period ended June 30, 2013		
	Amount after tax	Adjusted retroactively outstanding shares (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 154,246	100,012	$ 1.54
Diluted earnings per share			
Profit attributable to the ordinary shareholders of the parent	$ 154,246	100,012	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	46	
Employees' bonus	-	-	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 154,246	100,058	$ 1.54

	For the six-month period ended June 30, 2014		
	Amount after tax	Weighted-average outstanding shares (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 304,371	100,150	$ 3.04
Diluted earnings per share			
Profit attributable to the ordinary shareholders of the parent	$ 304,371	100,150	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	621	
Employees' bonus	-	647	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 304,371	101,418	$ 3.00

	For the six-month period ended June 30, 2013		
	Amount after tax	Adjusted retroactively outstanding shares (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to the parent	$ 352,250	100,012	$ 3.52
Diluted earnings per share			
Profit attributable to the ordinary shareholders of the parent	$ 352,250	100,012	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	554	
Employees' bonus	-	368	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 352,250	100,934	$ 3.49

Based on the capital increase from capital reserves in 2013, the number of the Company's ordinary shares outstanding for the three-month and six-month periods ended June 30, 2013 are adjusted retrospectively.

(24)Business combinations

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

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

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

C. The operating revenue included in the consolidated statement of comprehensive income since May 8, 2014 contributed by ImageChef was $580. ImageChef also contributed loss before income tax of $1,174 over the same period. Had ImageChef been consolidated from January 1, 2014, the consolidated statement of comprehensive income would incrsease operating revenue by $942 and decrease profit before income tax by $921.

(25)Operating leases

A. The Group's investment assets from 1F to 9F, Building-B of "Sun-Tech Plaza" located in Nei-Hu District, are leased to others under non-cancellable operating lease agreements. These leases have terms expiring between 2013 and 2019, and all these lease agreements are not renewable at the end of the lease period. Recognised rental income of $12,490, $12,378, $24,861 and $23,800 were for the three-month and six-month periods ended June 30, 2014 and 2013, respectively. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Not later than one year	$ 41,353	$ 46,139	$ 50,811
Later than one year but not later than five years	65,743	64,340	88,699
Later than five years	-	-	834
	$ 107,096	$ 110,479	$ 140,344

B. Subsidiaries lease offices under non-cancellable operating lease agreements. The lease terms are within 1 to 2 years, and all these lease agreements are renewable at the end of the lease period. Some leases increase with the changes of local price indexes. Subsidiaries recognised rental expenses of $2,233, $2,252, $4,196 and $4,397 for the three-month and six-month periods ended June 30, 2014 and 2013, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Not later than one year	$ 6,433	$ 3,704	$ 6,909
Later than one year but not later than five years	5,235	-	-
	$ 11,668	$ 3,704	$ 6,909

7. RELATED PARTY TRANSACTIONS

Key management compensation

	For the three-month period ended June 30, 2014	For the three-month period ended June 30, 2013
Salaries and other short-term employee benefits	$ 34,407	$ 25,874
Post-employment benefits	320	262
Service execution fees	15	11
	$ 34,742	$ 26,147

	For the six-month period ended June 30, 2014	For the six-month period ended June 30, 2013
Salaries and other short-term employee benefits	$ 54,634	$ 49,218
Post-employment benefits	652	524
Service execution fees	23	17
	$ 55,309	$ 49,759

8. PLEDGED ASSETS

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

	Book value			
Pledged assets	June 30, 2014	December 31, 2013	June 30, 2013	Pledged purpose
Other assets–non-current Certificate of deposit	$ -	$ 10,000	$ 10,000	Guarantee for sequestration

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The Group’s commitments are disclosed in Note 6(25).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Certain accounts in the June 30, 2013 consolidated financial statements were reclassified to conform to June 30, 2014 consolidated financial statements presentation.

(2) Capital management

The same capital management has been followed in these consolidated financial statements as were applied in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2013.

(3) Financial instruments

A. Fair value information of financial instruments

a) Financial assets

	June 30, 2014	
	Book value	Fair value
Cash and cash equivalents	$ 4,343,527	$ 4,343,527
Financial assets at fair value through profit or loss	177,559	177,559
Notes receivable	10,824	10,824
Accounts receivable	138,003	138,003
Other receivables	17,167	17,167
Financial assets measured at cost	53,016	-
Other financial assets (under other non-current assets)	4,362	4,362

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

	June 30, 2013	
	Book value	Fair value
Cash and cash equivalents	$ 3,533,372	$ 3,533,372
Financial assets at fair value through profit or loss	803,748	803,748
Notes receivable	10,698	10,698
Accounts receivable	390,436	390,436
Other receivables	2,261	2,261
Financial assets measured at cost	53,035	-
Other financial assets (under other non-current assets)	14,390	14,390

b) Financial liabilities

	June 30, 2014			
	Book value		Fair value	
Accounts payable	$	257,558	$	257,558
Other payables		1,328,133		1,328,133
Deposits-in (under other non-current liabilities)		9,173		9,173

	December 31, 2013			
	Book value		Fair value	
Accounts payable	$	284,346	$	284,346
Other payables		675,409		675,409
Deposits-in (under other non-current liabilities)		9,173		9,173

	June 30, 2013			
	Book value		Fair value	
Accounts payable	$	351,939	$	351,939
Other payables		1,367,216		1,367,216
Deposits-in (under other non-current liabilities)		9,173		9,173

B. Financial risk management policies

The same financial risk management policies have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2013.

C. Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

i. The objective of the Group's financial risk management is to manage the foreign exchange risk, interest rate risk, credit risk and liquidity risk arising from business activities. To minimize financial risk, the Group identifies, evaluates and hedges the market uncertainty, so as to reduce the potential adverse effects of market changes on the Group's financial performance.

ii. The Group's business involves some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, JPY, and EUR). Significant financial assets and liabilities denominated in foreign currencies are as follows:

	June 30, 2014			
	Currency	Foreign currency amount (USD in thousands)	Exchange rate	Book value (NTD in thousands)
Financial assets	USD:NTD	$ 92,940	$ 29.87	$ 2,776,118
	USD:JPY	10,379	101.39	310,021
	USD:EUR	2,441	0.73	72,913
Financial liabilities	USD:NTD	6,636	29.87	198,217
	USD:JPY	6,321	101.39	188,808
	USD:EUR	233	0.73	6,960

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

	June 30, 2013			
	Currency	Foreign currency amount (USD in thousands)	Exchange rate	Book value (NTD in thousands)
Financial assets	USD:NTD	$ 53,778	$ 30.00	$ 1,613,337
	USD:JPY	9,715	98.81	291,447
	USD:EUR	2,897	0.77	86,911
Financial liabilities	USD:NTD	8,506	30.00	255,180
	USD:JPY	7,352	98.81	220,563
	USD:EUR	3,184	0.77	95,508

iii. At June 30, 2014 and 2013, if NTD had strengthened/weaken by 1% against USD with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2014 and 2013 would have been $27,651 higher and $14,204 lower, respectively, mainly as a result of foreign exchange gains/losses on translation of USD-denominated foreign currency monetary items.

Price risk

i. The Group is exposed to financial instruments price risk due to investments held by the Group under fair value through profit or loss. To manage its price risk arising from investments in financial instruments, the Group diversifies its portfolio. The diversification follows the limits set by the Group. The Group is not exposed to commodity price risk.

ii. The Group's major financial investments are beneficiary certificates. The prices of the financial instruments would change due to the change of the future value of investment targets. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2014 and 2013 would have increased/decreased by $1,776 and $8,036, respectively, under gains/losses on financial instruments classified as fair value through profit or loss.

Interest rate risk

i. The Group's interest-bearing assets are mainly cash and cash equivalents. The Group expects no significant cash flow interest rate risk on these assets as their maturity is within 12 months.

ii. The Group did not use any financial instruments to hedge interest rate risk.

b) Credit risk

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

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

iii. Aging analysis of accounts receivable, net

	June 30, 2014	December 31, 2013	June 30, 2013
Neither past due nor impaired	$ 121,257	$ 246,896	$ 244,613
Past due but not impaired			
Within 30 days	7,308	10,819	17,029
31-60 days	9	3,142	77,110
Over 61 days	9,429	1,250	51,684
	16,746	15,211	145,823
	$ 138,003	$ 262,107	$ 390,436

The credit term for most of the Group's customers is 30 days after monthly billings and 45~90 days after monthly billings for some customers. Allowance for bad debts is estimated based on aging analysis of accounts receivable, historical experience and customers' current financial conditions. Aging analysis of accounts receivable as at June 30, 2014 other than those whose impairment has been provided is shown in the table above. For accounts receivable that were overdue, the Group did not provide impairment if their credit quality was not changed significantly and if they were still collectible.

c) Liquidity risk

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

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, and marketable securities. The selected instruments should either have appropriate maturity or sufficient liquidity to meet the above mentioned forecasts and provide sufficient cash balance. As at June 30, 2014, December 31, 2013 and June 30, 2013, the Group held money market position of $4,476,991, $4,202,226, and $4,249,044, respectively that are expected to readily generate cash inflows for managing liquidity risk.

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

(4) Fair value estimation

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

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

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

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

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

13. SUPPLEMENTARY DISCLOSURES

1) Significant transactions information

A. Lending to others: None.

B. Provision of endorsements and guarantees to others: None.

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

Name of the investor	Type and name of marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2014			
				Number of shares	Book value	Ownership (%)	Fair value
CyberLink Corp.	JihSun Money Market Fund	None	Financial assets at fair value through profit or loss -current	2,069,308	$ 30,002	-	$ 30,002
	One-Blue, LLC	Director of the investee company	Financial assets carried at cost - non current	-	48,535	16.67%	-
CyberLink Investment Corp.	Yuanta Wan Tai Money Market Fund	None	Financial assets at fair value through profit or loss -current	9,937,366	147,557	-	147,557
CyberLink International Technology Corp.	Preferred stock of Cidana Inc.	None	Financial assets carried at cost - non current	500,000	US$ 150 (in thousand of dollars)	2.69%	-

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: : None.

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

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

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

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

I. Derivative financial instruments undertaken: None.

J. Significant inter-company transactions:

Number of the Company (Note 1)	Company	Names of Counterparty	Relationship with Company (Note 2)	Transaction			
				Subject	Amount	Terms of Transaction	Percentage of consolidated total revenue or total assets (Note 3)
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	$ 147,174	Note 4	13.2%
0	CyberLink Corp.	CyberLink.Com Corp.	1	Accounts receivable	45,665	Note 4	0.7%
0	CyberLink Corp.	CyberLink Europe B.V.	1	Sales revenue	72,220	Note 4	6.5%
0	CyberLink Corp.	CyberLink Inc.	1	Sales revenue	130,335	Note 4	11.7%

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

A. Parent Company : 0

B. Subsidiaries are numbered from 1.

Note 2：Relationships between the counterparties:

A. Parent company to subsidiary : 1

B. Subsidiary to parent company : 2

C. Subsidiary to another subsidiary : 3

Note 3：For balance sheet accounts, it is calculated based on consolidated assets; for income statement accounts, it is calculated based on consolidated revenue.

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

2) Relevant information regarding investee companies :

Name of the company	Name of the investee companies	Address	Major operating activities	Original investment amount		Holding status			Net income (loss) of investee company	Recognised investment income (loss)	Footnote
				June 30, 2014	December 31, 2013	Shares	Percentage (%)	Book value			
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	$ 136,327	$ 136,327	4,000,000	100.00	$ 513,669	($ 5,306)	($ 5,306)	Direct subsidiary
	CyberLink Europe B.V.	Europe	Sale of software	124,710	124,710	3,000,000	100.00	64,136	(964)	(964)	Direct subsidiary
	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	64,821	64,821	2,000,000	100.00	171,869	4,208	4,208	Direct subsidiary
	CyberLink Investment Corp.	Taiwan	Investment activities	220,000	220,000	12,000,000	100.00	165,685	413	413	Direct subsidiary
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	25,836	25,836	1,900	100.00	144,215	16,841	-	Indirect subsidiary
CyberLink. Com Corp	ImageChef Incorporated	America	Digital information supply services	23,279	-	5,749,447	100.00	21,929	(1,174)	-	Indirect subsidiary

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

14. SEGMENT REPORTING

A. General information

The Group recognises the reportable segments based on the reporting information used by Chief Operating Decision-maker. The Chief Operating Decision-maker operates the business and evaluates performance by products. Its main business activities are related to the sale of video entertainment and media creation software. Information about operating results of other products is provided in the column note “Media Creation and Others”.

B. Measure of segment information

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

	For the six-month period ended June 30, 2014		
	Media Experience and Entertainment	Media Creation and Others	Total
Segment Revenue	$ 532,001	$ 584,354	$ 1,116,355
Segment Operating Income	$ 152,080	$ 184,249	$ 336,329

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

C. 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.