

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

PWCR14002575

To the Board of Directors and Stockholders of CyberLink Corp.

We have audited the accompanying consolidated balance sheets of CyberLink Corp. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CyberLink Corp. and subsidiaries as of December 31, 2014 and 2013, and the results of their financial performance and cash flows for the years ended December 31, 2014 and 2013 in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of CyberLink Corp. as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified report.

February 11, 2015

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

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

	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
ASSETS				
Current Assets				
Cash and cash equivalents (Note 6(1))	\$ 4,061,178	64	\$ 4,066,568	64
Financial assets at fair value through profit or loss - current (Note 6(2))	216,954	3	181,044	3
Notes receivable, net (Note 6(3))	11,733	-	5,819	-
Accounts receivable, net (Note 6(4))	162,035	3	262,107	4
Other receivables	16,357	-	21,490	-
Current income tax assets	2,321	-		
Inventories	7,479	-	8,727	-
Other current assets	48,069	1	39,892	1
Total current assets	<u>4,526,126</u>	<u>71</u>	<u>4,585,647</u>	<u>72</u>
Non-current Assets				
Financial assets carried at cost – non-current (Note 6(5))	87,048	1	53,007	1
Property, plant and equipment, net (Note 6(6))	441,806	7	342,490	5
Investment property, net (Note 6(7))	1,290,503	20	1,301,425	20
Intangible assets (Notes 6(8)(24))	31	-	144	-
Deferred income tax assets (Note 6(22))	44,706	1	37,541	1
Other non-current assets (Note 8)	8,491	-	35,621	1
Total non-current assets	<u>1,872,585</u>	<u>29</u>	<u>1,770,228</u>	<u>28</u>
TOTAL ASSETS	<u><u>\$ 6,398,711</u></u>	<u><u>100</u></u>	<u><u>\$ 6,355,875</u></u>	<u><u>100</u></u>
LIABILITIES AND EQUITY				
Current Liabilities				
Notes payable	\$ 181	-	\$ -	-
Accounts payable (Note 6(9))	270,470	4	284,346	5
Other payables (Note 6(10))	706,685	11	675,409	11
Income tax payable	15,284	-	91,922	1
Other current liabilities	91,674	2	90,947	1
Total current liabilities	<u>1,084,294</u>	<u>17</u>	<u>1,142,624</u>	<u>18</u>
Non-current Liabilities				
Provisions – non-current (Note 6(11))	388,799	6	323,064	5
Deferred income tax liabilities (Note 6(22))	7,644	-	3,374	-
Other non-current liabilities (Note 6(12))	77,405	1	71,215	1
Total non-current liabilities	<u>473,848</u>	<u>7</u>	<u>397,653</u>	<u>6</u>
Total Liabilities	<u><u>1,558,142</u></u>	<u><u>24</u></u>	<u><u>1,540,277</u></u>	<u><u>24</u></u>
Equity Attributable To Shareholders Of the Parent				
Capital stock (Note 6(14))				
Common stock	1,002,192	16	1,001,429	16
Capital reserve (Note 6(15))	1,782,414	28	1,774,378	28
Retained earnings (Note 6(16))				
Legal reserve	940,803	15	870,008	14
Special reserve	73,164	1	89,451	1
Unappropriated earnings	1,099,648	17	1,153,496	18
Other equity inteseat (Note 6(17))				
Other equity, others	(57,652)	(1)	(73,164)	(1)
Equity Attributable To Shareholders Of the Parent	<u>4,840,569</u>	<u>76</u>	<u>4,815,598</u>	<u>76</u>
Total Equity	<u><u>4,840,569</u></u>	<u><u>76</u></u>	<u><u>4,815,598</u></u>	<u><u>76</u></u>
Significant contingent liabilities and unrecognized contract commitments (Note 6(25))				
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 6,398,711</u></u>	<u><u>100</u></u>	<u><u>\$ 6,355,875</u></u>	<u><u>100</u></u>

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

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

	Year ended December 31, 2014		Year ended December 31, 2013	
	Amount	%	Amount	%
Net revenues	\$ 2,222,549	100	\$ 2,580,196	100
Cost of revenues (Note 6(20))	(310,352)	(14)	(413,218)	(16)
Gross profit	<u>1,912,197</u>	<u>86</u>	<u>2,166,978</u>	<u>84</u>
Operating expenses (Notes 6(12)(20)(21) and 7)				
Selling	(545,129)	(24)	(542,924)	(21)
General	(190,265)	(9)	(181,812)	(7)
Research and development	(500,967)	(22)	(544,114)	(21)
Total operating expenses	<u>(1,236,361)</u>	<u>(55)</u>	<u>(1,268,850)</u>	<u>(49)</u>
Operating income	675,836	31	898,128	35
Non-operating income and expenses				
Other income (Notes 6(7) (18))	98,885	4	69,400	2
Other gains and losses (Notes 6(2) (8) (19))	108,891	5	24,327	1
Total non-operating income and expenses	<u>207,776</u>	<u>9</u>	<u>93,727</u>	<u>3</u>
Income before income tax	883,612	40	991,855	38
Income tax expense (Note 6(22))	(176,635)	(8)	(283,905)	(11)
Net income	<u>\$ 706,977</u>	<u>32</u>	<u>\$ 707,950</u>	<u>27</u>
Other comprehensive income (loss)				
Exchange differences arising on translation of foreign operations (Note 6(17))	\$ 15,512	-	(301)	-
Actuarial loss from defined benefit plans (Note 6(12))	(6,370)	-	(4,760)	-
Income tax benefit related to components of other comprehensive income (Note 6(22))	1,083	-	3,256	-
Total comprehensive income for the year	<u>\$ 717,202</u>	<u>32</u>	<u>\$ 706,145</u>	<u>27</u>
Net income attributable to:				
Shareholders of the parent	<u>\$ 706,977</u>	<u>32</u>	<u>\$ 707,950</u>	<u>27</u>
Total comprehensive income attributable to:				
Shareholders of the parent	<u>\$ 717,202</u>	<u>32</u>	<u>\$ 706,145</u>	<u>27</u>
Earnings per share (Note 6(23))				
Basic earnings per share	<u>\$ 7.06</u>		<u>\$ 7.07</u>	
Diluted earnings per share	<u>\$ 6.93</u>		<u>\$ 6.94</u>	

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

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

	Equity Attributable to Shareholders of the Parent							
	Capital reserve				Retained earnings			
	Paid-in capital in excess of par	Employee stock option	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences arising on translation of foreign operations		Total
Common stock	value	Employee stock option	Legal reserve	Special reserve	Unappropriated earnings	(\$)	72,863)	\$ 4,746,918
Balance at January 1, 2013								
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)	-
Capital reserve transferred to stock dividends (Note 6(14))	56,610	(56,610)	-	-	-	-	-	-
Net income for 2013	-	-	-	-	-	707,950	-	707,950
Share-based payment transactions (Note 6(13))	-	-	15,224	-	-	-	-	15,224
Employee stock options exercised (Note 6(13))	1,312	8,958	(2,504)	-	-	-	-	7,766
Other comprehensive loss for 2013 (Note 6(17))	-	-	-	-	-	(1,504)	(301)	(1,805)
Balance at December 31, 2013	\$ 1,001,429	\$ 1,539,249	\$ 235,129	\$ 870,008	\$ 89,451	\$ 1,153,496	(\$ 73,164)	\$ 4,815,598
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 2014	-	-	-	-	-	706,977	-	706,977
Share-based payment transactions (Note 6(13))	-	-	4,554	-	-	-	-	4,554
Employee stock options exercised (Note 6(13))	763	4,936	(1,454)	-	-	-	-	4,245
Other comprehensive income for 2014 (Note 6(17))	-	-	-	-	-	(5,287)	15,512	10,225
Balance at December 31, 2014	\$ 1,002,192	\$ 1,544,185	\$ 238,229	\$ 940,803	\$ 73,164	\$ 1,099,648	(\$ 57,652)	\$ 4,840,569

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)

	<u>Year ended December 31, 2014</u>	<u>Year ended December 31, 2013</u>
<u>Cash flows from operating activities</u>		
Income before income tax	\$ 883,612	\$ 991,855
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))	(893)	(4,413)
Depreciation expenses (Notes 6(6)(7))	19,992	20,403
Proceeds from loss on disposal and scrapping of property, plant and equipment	(49)	4
Amortization expenses (Note 6(8))	113	286
Interest income (Note 6(18))	(44,605)	(20,225)
Employees' stock option cost (Note 6(13))	4,554	15,224
Impairment losses of non-financial assets (Notes 6(8)(19))	25,163	-
Changes in operating assets and liabilities:		
Financial assets held for trading	(35,017)	804,048
Accounts receivable	106,754	24,105
Notes receivable	(5,914)	(645)
Other receivables	10,550	(8,051)
Inventories	1,248	(468)
Other current assets	(7,432)	(25,873)
Other non-current assets	16,788	(21,252)
Accounts payable	(22,467)	(123,336)
Notes payable	181	-
Other payables	13,360	(16,558)
Other current liabilities	358	75,329
Provisions	65,735	8,197
Other non-current liabilities	6,452	(403)
Cash generated from operations	1,038,483	1,718,227
Interest received	44,903	18,980
Income tax paid	(258,877)	(144,268)
Dividend paid	(701,022)	(660,455)
Net cash provided by operating activities	<u>123,487</u>	<u>932,484</u>
<u>Cash flows from investing activities</u>		
Net cash paid for acquisition of subsidiary (Note 6(24))	(22,824)	-
Acquisition of property, plant, and equipment (Note 6(6))	(109,274)	(5,363)
Proceeds from disposal of property, plant and equipment	881	-
Acquisitions of financial assets measured at cost	(33,765)	-
Decrease in refundable deposits	673	533
Decrease in other non-current assets	10,000	-
Net cash used in investing activities	<u>(154,309)</u>	<u>(4,830)</u>
<u>Cash flows from financing activities</u>		
(Decrease) increase in deposits received	(274)	462
Exercise of employee stock options	<u>4,245</u>	<u>7,766</u>
Net cash provided by financing activities	<u>3,971</u>	<u>8,228</u>
Effects of changes in exchange rates of foreign currency holdings	<u>21,461</u>	<u>7,427</u>
Net (decrease) increase in cash and cash equivalents	(5,390)	943,309
Cash and cash equivalents at beginning of the year	<u>4,066,568</u>	<u>3,123,259</u>
Cash and cash equivalents at end of the year	<u><u>\$ 4,061,178</u></u>	<u><u>\$ 4,066,568</u></u>

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

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

1. HISTORY AND ORGANIZATION

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on February 11, 2015.

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 and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" effective January 1, 2015 (collectively referred herein as the "2013 version of IFRSs") in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
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

<u>New Standards, Interpretations and Amendments</u>	<u>International Accounting Standards Board</u>
Disclosures – Transfers of financial assets (amendment to IFRS 7)	July 1, 2011
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 IFRSs has no significant impact on the consolidated financial statements of the Group, except for the following:

A. IAS 1, ‘Presentation of financial statements’

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

B. IFRS 13, ‘Fair value measurement’

The standard defines fair value, 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.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016
The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the consolidated financial statements will be disclosed when the assessment is complete.	

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - a) Financial assets and financial liabilities at fair value through profit or loss.
 - b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in compliance with requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
 - b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
 - e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Major Operating Activities	Ownership (%)		Description
			December 31, 2014	December 31, 2013	
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

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) Foreign currency translation

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

A. Foreign currency transactions and balances

a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are

recognised in profit or loss in the period in which they arise.

- b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii All resulting exchange differences are recognised in other comprehensive income.
- b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

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

- b) Liabilities arising mainly from trading activities;
- c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Accounts receivable

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

(9) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - a) Significant financial difficulty of the issuer or debtor;
 - b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

- d) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- e) The disappearance of an active market for that financial asset because of financial difficulties;
- f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
- h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

a) Financial assets measured at amortized cost

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

b) Financial assets measured at cost

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

(10) Derecognition of financial assets

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

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

however, the Group has not retained control of the financial asset.

(11) Leases (lessor)

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

(12) Inventories

Inventories are stated at cost. Cost is determined using the weighted-average method. At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value should be based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expense.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are audited, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(14) 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.

(15) 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.

(16) 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.

(17) Notes and accounts payable

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

(18) Derecognition of financial liabilities

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

(19) Provisions

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

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

a) Defined contribution plans

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

b) Defined benefit plans

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

ii. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise.

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

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

(21) Employee share-based payment

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

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carry forward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(23) 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.

(24) Revenue recognition

- A. The Group sells computer software products. Revenue is measured at the fair value of the

consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities.

- B. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
- C. Revenue arising from the sales of software products to hardware firm to be bundled with its hardware products should be recognised when the Group has delivered the software to the hardware firm, or based on the sales report provided by the hardware firm periodically to the Group in regards to the sales of its hardware products bundled with the software produced by the Group. Sales report is usually provided to the Group in the next quarter of its hardware sales. Revenue arising from the sales of software to distributor or retailer should be recognised when the Group has delivered the software to the distributor or retailer. Revenue arising from the sales of software through internet should be recognised based on the sales report provided by the internet service provider, which is usually provided to the Group in the next month after the sales of the software.
- D. The Group occasionally provides debug program to customers, which can be downloaded through the internet for free. This service is not an obligation of the sale nor does it increase the main functions of the product. Therefore, service costs and liabilities relating to this service are accrued upon the sale of the product; this service would not affect the amount of revenue of the product.
- E. The Group offers customers price discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for allowance for sales returns and discounts are recorded when the sales are recognised.
- F. Cost of goods sold comprises packaging cost, production cost, royalty paid to third party, provision for royalty liability, inventory valuation and obsolescence loss, etc.

(25) Operating segments

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

(26) Business combinations

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

at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

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

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

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

A. Financial assets—impairment of equity investments

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

B. Investment property

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

(2) Critical accounting estimates and assumptions

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(8) for the information of goodwill impairment.

B. Reliability of deferred income tax assets

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

As of December 31, 2014, the Group recognised deferred income tax assets amounting to \$44,706.

C. Provision for royalty liabilities

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

As of December 31, 2014, the Group's provision for royalty liabilities was \$380,909.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash on hand	\$ 267	\$ 262
Demand deposits	1,027,218	1,145,898
Checking accounts	112,457	45,124
Time deposits	<u>2,921,236</u>	<u>2,875,284</u>
	<u>\$ 4,061,178</u>	<u>\$ 4,066,568</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. 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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Financial assets held for trading		
Money market funds	\$ 214,603	\$ 178,734
Valuation adjustment	<u>2,351</u>	<u>2,310</u>
	<u>\$ 216,954</u>	<u>\$ 181,044</u>

The Group recognized net gains of \$893 and \$4,413 on financial assets held for trading for the years ended December 31, 2014 and 2013, respectively.

(3) Notes receivable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Notes receivable	\$ 11,763	\$ 5,849
Less: allowance for bad debts	(30)	(30)
	<u>\$ 11,733</u>	<u>\$ 5,819</u>

(4) Accounts receivable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Accounts receivable	\$ 208,151	\$ 282,495
Less: allowance for sales return and discounts	(45,598)	(19,870)
Less: allowance for bad debts	(518)	(518)
	<u>\$ 162,035</u>	<u>\$ 262,107</u>

- A. The maximum exposure to credit risk at December 31, 2014 and 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	Dcecmber 31, 2014	December 31, 2013
Unlisted stocks	\$ 87,048	\$ 53,007

- A. Based on the Group's intention, its investment in unlisted stocks and private fund should be classified as 'available-for-sale financial assets'. However, as the 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 December 31 2014 and 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
<u>At January 1, 2014</u>						
Cost	\$ 220,698	\$ 142,412	\$ 21,828	\$ 7,293	\$ 5,092	\$ 397,323
Accumulated depreciation	<u>-</u>	<u>(32,936)</u>	<u>(12,698)</u>	<u>(5,902)</u>	<u>(3,297)</u>	<u>(54,833)</u>
	<u>\$ 220,698</u>	<u>\$ 109,476</u>	<u>\$ 9,130</u>	<u>\$ 1,391</u>	<u>\$ 1,795</u>	<u>\$ 342,490</u>
<u>2014</u>						
Opening net book amount	\$ 220,698	\$ 109,476	\$ 9,130	\$ 1,391	\$ 1,795	\$ 342,490
Additions	46,743	51,476	4,157	943	5,955	109,274
Costs of disposal	-	(4,970)	(2,481)	(1,627)	(3,620)	(12,698)
Accumulated depreciation on disposal	-	4,970	2,481	1,449	2,966	11,866
Depreciation expense	-	(3,394)	(4,184)	(709)	(783)	(9,070)
Net exchange differences	-	(150)	(5)	99	-	(56)
Closing net book amount	<u>\$ 267,441</u>	<u>\$ 157,408</u>	<u>\$ 9,098</u>	<u>\$ 1,546</u>	<u>\$ 6,313</u>	<u>\$ 441,806</u>
<u>At December 31, 2014</u>						
Cost	\$ 267,441	\$ 188,714	\$ 23,362	\$ 6,744	\$ 7,427	\$ 493,688
Accumulated depreciation	<u>-</u>	<u>(31,306)</u>	<u>(14,264)</u>	<u>(5,198)</u>	<u>(1,114)</u>	<u>(51,882)</u>
	<u>\$ 267,441</u>	<u>\$ 157,408</u>	<u>\$ 9,098</u>	<u>\$ 1,546</u>	<u>\$ 6,313</u>	<u>\$ 441,806</u>
	Land	Building	Machinery	Office equipment	Transportation equipment	Total
<u>At January 1, 2013</u>						
Cost	\$ 220,698	\$ 180,796	\$ 43,541	\$ 9,808	\$ 5,092	\$ 459,935
Accumulated depreciation	<u>-</u>	<u>(67,241)</u>	<u>(35,148)</u>	<u>(8,017)</u>	<u>(2,448)</u>	<u>(112,854)</u>
	<u>\$ 220,698</u>	<u>\$ 113,555</u>	<u>\$ 8,393</u>	<u>\$ 1,791</u>	<u>\$ 2,644</u>	<u>\$ 347,081</u>
<u>2013</u>						
Opening net book amount	\$ 220,698	\$ 113,555	\$ 8,393	\$ 1,791	\$ 2,644	\$ 347,081
Additions	-	-	5,102	261	-	5,363
Costs of disposal	-	(37,830)	(26,386)	(2,670)	-	(66,886)
Accumulated depreciation on disposal	-	37,830	26,386	2,666	-	66,882
Depreciation expense	-	(3,647)	(4,216)	(769)	(849)	(9,481)
Net exchange differences	-	(432)	(149)	112	-	(469)
Closing net book amount	<u>\$ 220,698</u>	<u>\$ 109,476</u>	<u>\$ 9,130</u>	<u>\$ 1,391</u>	<u>\$ 1,795</u>	<u>\$ 342,490</u>
<u>At December 31, 2013</u>						
Cost	\$ 220,698	\$ 142,412	\$ 21,828	\$ 7,293	\$ 5,092	\$ 397,323
Accumulated depreciation	<u>-</u>	<u>(32,936)</u>	<u>(12,698)</u>	<u>(5,902)</u>	<u>(3,297)</u>	<u>(54,833)</u>
	<u>\$ 220,698</u>	<u>\$ 109,476</u>	<u>\$ 9,130</u>	<u>\$ 1,391</u>	<u>\$ 1,795</u>	<u>\$ 342,490</u>

(7) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2014</u>			
Cost	\$ 799,024	\$ 556,079	\$ 1,355,103
Accumulated depreciation	<u>-</u>	(53,678)	(53,678)
	<u>\$ 799,024</u>	<u>\$ 502,401</u>	<u>\$ 1,301,425</u>
<u>2014</u>			
Opening net book amount	\$ 799,024	\$ 502,401	\$ 1,301,425
Depreciation expense	<u>-</u>	(10,922)	(10,922)
Closing net book amount	<u>\$ 799,024</u>	<u>\$ 491,479</u>	<u>\$ 1,290,503</u>
<u>At December 31, 2014</u>			
Cost	\$ 799,024	\$ 556,079	\$ 1,355,103
Accumulated depreciation	<u>-</u>	(64,600)	(64,600)
	<u>\$ 799,024</u>	<u>\$ 491,479</u>	<u>\$ 1,290,503</u>
<u>At January 1, 2013</u>			
Cost	\$ 799,024	\$ 556,079	\$ 1,355,103
Accumulated depreciation	<u>-</u>	(42,756)	(42,756)
	<u>\$ 799,024</u>	<u>\$ 513,323</u>	<u>\$ 1,312,347</u>
<u>2013</u>			
Opening net book amount	\$ 799,024	\$ 513,323	\$ 1,312,347
Depreciation expense	<u>-</u>	(10,922)	(10,922)
Closing net book amount	<u>\$ 799,024</u>	<u>\$ 502,401</u>	<u>\$ 1,301,425</u>
<u>At December 31, 2013</u>			
Cost	\$ 799,024	\$ 556,079	\$ 1,355,103
Accumulated depreciation	<u>-</u>	(53,678)	(53,678)
	<u>\$ 799,024</u>	<u>\$ 502,401</u>	<u>\$ 1,301,425</u>

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

	Year ended	Year ended
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Rental income from the lease of the investment property	\$ <u>48,822</u>	\$ <u>48,505</u>
Direct operating expenses arising from the investment property that generated rental income during the period	\$ <u>14,125</u>	\$ <u>14,055</u>

B. As of December 31 2014 and 2013, fair value of the Group's investment property was \$2,380,291 and \$2,010,825, respectively, which was estimated based on market trading prices of similar property in the areas nearby.

(8) Intangible assets

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

	Goodwill	Others	Total
<u>At January 1, 2013</u>			
Cost	\$ -	\$ 2,037	\$ 2,037
Accumulated amortization	<u>-</u>	<u>(1,607)</u>	<u>(1,607)</u>
	<u>\$ -</u>	<u>\$ 430</u>	<u>\$ 430</u>
<u>2013</u>			
Opening net book amount	\$ -	\$ 430	\$ 430
Amortization charge	<u>-</u>	<u>(286)</u>	<u>(286)</u>
Closing net book amount	<u>\$ -</u>	<u>\$ 144</u>	<u>\$ 144</u>
<u>At December 31, 2013</u>			
Cost	\$ -	\$ 850	\$ 850
Accumulated amortization	<u>-</u>	<u>(706)</u>	<u>(706)</u>
	<u>\$ -</u>	<u>\$ 144</u>	<u>\$ 144</u>

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

	Year ended	Year ended
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Selling expenses	\$ 113	\$ 170
Research and development expenses	<u>-</u>	<u>116</u>
	<u>\$ 113</u>	<u>\$ 286</u>

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

(9) Accounts payable

	December 31, 2014	December 31, 2013
Royalty expense	\$ 261,622	\$ 273,781
Others	<u>8,848</u>	<u>10,565</u>
	<u>\$ 270,470</u>	<u>\$ 284,346</u>

(10) Other payables

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Royalty collection	\$ 324,528	303,348
Employees' bonuses and directors' and supervisors' remuneration	126,645	121,178
Payroll	79,254	79,081
Employees' rewards	62,936	55,519
Promotional fees	40,180	35,765
Employees' bonuses-before 2008	20,444	20,444
Professional service fees	13,470	21,335
Commission expense	6,246	12,850
Other accrued expenses	17,244	23,979
Other payables	<u>15,738</u>	<u>1,910</u>
	<u><u>\$ 706,685</u></u>	<u><u>\$ 675,409</u></u>

(11) Provisions

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

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

Analysis of total provisions:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Non-current	<u>\$ 388,799</u>	<u>\$ 323,064</u>

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

	December 31, 2014	December 31, 2013
Present value of defined benefit obligations	(\$ 91,032)	(\$ 82,889)
Fair value of plan assets	<u>22,539</u>	<u>20,848</u>
Net liability in the balance sheet	<u>(\$ 68,493)</u>	<u>(\$ 62,041)</u>

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

	2014	2013
Present value of defined benefit obligations		
At January 1	(\$ 82,889)	(\$ 77,080)
Interest cost	(1,655)	(1,155)
Actuarial loss	(6,488)	(4,654)
At December 31	<u>(\$ 91,032)</u>	<u>(\$ 82,889)</u>

d) Movements in fair value of plan assets:

	2014	2013
Fair value of plan assets		
At January 1	\$ 20,848	\$ 19,395
Expected return on plan assets	373	359
Actuarial profit (loss)	118	(106)
Employer contributions	<u>1,200</u>	<u>1,200</u>
At December 31	<u>\$ 22,539</u>	<u>\$ 20,848</u>

e) Amounts of expenses recognised in comprehensive income statements:

	Year ended	Year ended
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Interest cost	\$ 1,655	\$ 1,156
Expected return on plan assets	(373)	(359)
Current pension costs	<u>\$ 1,282</u>	<u>\$ 797</u>

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

	Year ended	Year ended
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Selling expenses	\$ 285	\$ 192
General expenses	145	85
Research and development expenses	<u>852</u>	<u>520</u>
	<u>\$ 1,282</u>	<u>\$ 797</u>

f) Amounts of actuarial gains or losses recognised under other comprehensive income are as follows:

	Year ended	Year ended
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Recognition for current period	<u>\$ 6,370</u>	<u>\$ 4,760</u>
Accumulated amount	<u>\$ 26,856</u>	<u>\$ 20,486</u>

g) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the local banks interest rates for two-year time deposits. The constitution of fair value of plan assets as of December 31, 2014 and 2013 is given in the Annual Labor Retirement Fund Utilization Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilization by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

For the years ended December 31, 2014 and 2013, the actual return on plan assets was \$491 and \$253, respectively.

h) The principal actuarial assumptions used were as follows:

	Year ended	Year ended
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Discount rate	2.00%	2.00%
Future salary increases	3.00%	3.00%
Expected return on plan assets	1.75%	1.75%

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

i) Historical information of experience adjustments was as follows:

	Year ended	Year ended	Year ended
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Present value of defined benefit obligation	(\$ 91,032)	(\$ 82,889)	(\$ 77,080)
Fair value of plan assets	<u>22,539</u>	<u>20,848</u>	<u>19,395</u>
Deficit in the plan	<u>(\$ 68,493)</u>	<u>(\$ 62,041)</u>	<u>(\$ 57,685)</u>
Experience adjustments on plan liabilities	<u>(\$ 2,670)</u>	<u>(\$ 6,305)</u>	<u>(\$ 9,330)</u>
Change of actuarial assumptions			
adjustments on plan liabilities	<u>(\$ 3,818)</u>	<u>\$ 1,652</u>	<u>(\$ 6,195)</u>
Experience adjustments on plan assets	<u>\$ 118</u>	<u>(\$ 106)</u>	<u>(\$ 202)</u>

j) Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 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 years ended December 31, 2014 and 2013 were \$20,944 and \$22,608, respectively.

c) The pension costs under local government law of the foreign subsidiaries for the years ended December 31, 2014 and 2013 were \$4,638 and \$4,028, respectively.

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

(13) Share-based payment

A. For the years ended December 31, 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:

	Year ended December 31, 2014		Year ended December 31, 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
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	188	79.57
Options exercised	(76)	55.70	(131)	59.20
Options forfeited	(274)	72.22	(13)	59.20
Options outstanding at end of the period	<u>2,822</u>	76.02	<u>3,172</u>	80.50
Options exercisable at end of the period	<u>2,346</u>		<u>2,177</u>	

C. The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2014 and 2013 was \$76.02 and \$80.50 (in dollars), respectively.

D. As of December 31, 2014 and 2013 the range of exercise prices of stock options outstanding was \$55~\$105.8 and \$59.2~\$114 (in dollars), respectively; the weighted-average remaining contractual period was 1.88~3.64 years and 0.08~4.64 years, respectively.

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

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

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

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

	Year ended	Year ended
	December 31, 2014	December 31, 2013
Equity settled	\$ 4,554	\$ 15,224

(14) Share capital

A. As of December 31, 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 \$1,002,192 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:

	2014	2013	(Thousand shares)
At January 1	100,143	94,351	
Employee stock options exercised	76	131	
Capital Reserve Transferred to			
Common Stock	-	5,661	
At December 31	100,219	100,143	

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 years ended December 31, 2014 and 2013, employees' bonus was accrued at \$63,628 and \$64,009, respectively; directors' and supervisors' remuneration was accrued at \$9,544 and \$9,601, 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:

	Year ended		Year ended	
	December 31, 2013		December 31, 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	<u>701,030</u>	\$ 7.00	<u>660,455</u>	\$ 7.00
	<u><u>\$ 771,825</u></u>		<u><u>\$ 771,362</u></u>	

(17) Other equity items

	2014	2013
Currency translation:		
At January 1	(\$ 73,164)	(\$ 72,863)
Currency translation differences-group	<u>15,512</u>	(<u>301</u>)
At December 31	<u><u>(\$ 57,652)</u></u>	<u><u>(\$ 73,164)</u></u>

(18) Other income

	Year ended		Year ended	
	December 31, 2014		December 31, 2013	
Rental income	\$ 50,242		\$ 48,505	
Interest income from bank deposits	44,605		20,225	
Others	<u>4,038</u>		<u>670</u>	
	<u><u>\$ 98,885</u></u>		<u><u>\$ 69,400</u></u>	

(19) Other gains and losses

	Year ended	Year ended
	December 31, 2014	December 31, 2013
Net currency exchange gains	\$ 148,096	\$ 34,113
Net gains on financial assets at fair value through profit or loss	893	4,413
Impairment of non- financial assets	(25,163)	-
Others	(<u>14,935</u>)	(<u>14,199</u>)
	<u><u>\$ 108,891</u></u>	<u><u>\$ 24,327</u></u>

(20) Costs and expenses by nature

	Year ended	Year ended
	December 31, 2014	December 31, 2013
Cost of goods sold	\$ 30,536	\$ 18,230
Employee benefit expenses	842,264	865,220
Royalty cost	280,944	394,988
Professional service fees	144,511	122,561
Promotional fees	93,036	89,903
Product selling fees	63,954	80,813
Depreciation of property, plant and equipment	9,070	9,481
Others	<u>82,398</u>	<u>100,872</u>
Total cost of sales and operating expenses	<u>\$ 1,546,713</u>	<u>\$ 1,682,068</u>

(21) Employee benefit expenses

	Year ended	Year ended
	December 31, 2014	December 31, 2013
Wages and salaries	\$ 744,254	\$ 752,990
Labor and health insurance fees	52,975	54,165
Pension costs	26,864	27,433
Employee stock options	4,554	15,224
Other personnel expenses	<u>13,617</u>	<u>15,408</u>
	<u>\$ 842,264</u>	<u>\$ 865,220</u>

(22) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended	Year ended
	December 31, 2014	December 31, 2013
Current tax expense recognised for the current period	\$ 173,520	\$ 190,008
Income tax adjustments on prior years	4,927	(5,279)
Total current tax	<u>178,447</u>	<u>184,729</u>
Temporary differences	(1,812)	(3,976)
Income tax credits	-	103,152
Total deferred tax	<u>(1,812)</u>	<u>99,176</u>
Income tax expense	<u>\$ 176,635</u>	<u>\$ 283,905</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended	Year ended
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 180,123	\$ 198,435
Effects from items disallowed by tax regulation	33,004	31,939
Effect from tax credit of investment	(41,419)	58,810
Prior year income tax underestimation (over)	<u>4,927</u>	<u>(5,279)</u>
Income tax expense	<u>\$ 176,635</u>	<u>\$ 283,905</u>

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

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

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

D. Details of the amount the Company is entitled as investment tax credit and unrecognized deferred tax assets are as follows:

	Year ended December 31, 2013		
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Tax credit of investment usable until
Research and development	\$ 35,281	\$ 35,281	2013
Employees' training	12	12	"
	\$ 35,293	\$ 35,293	

E. The Company was granted a five-year tax holiday with respect to the income derived from its design and sale of software. It is not included in the 2014 tax calculation for overall tax considerations.

F. As of December 31, 2014, the Company's income tax returns through 2012 have been assessed and approved by the Tax Authority.

G. Unappropriated retained earnings:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Earnings generated in and before 1997	\$ 9,932	\$ 9,932
Earnings generated in and after 1998	<u>1,089,716</u>	<u>1,143,564</u>
	<u>\$ 1,099,648</u>	<u>\$ 1,153,496</u>

H. As of December 31, 2014, and 2013, the balance of the imputation tax credit account was \$64,281 and \$10,797, respectively. The creditable tax rate was 6.45% for 2013 and is 5.91% for 2014.

(23) Earnings per share

	<u>Year ended December 31, 2014</u>		
	Weighted average	outstanding shares	Earnings per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	<u>\$ 706,977</u>	<u>100,162</u>	<u>\$ 7.06</u>
<u>Diluted earnings per share</u>			
Profit attributable to the ordinary shareholders of the parent	\$ 706,977	100,162	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	671	
Employees' bonus	-	<u>1,149</u>	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 706,977</u>	<u>101,982</u>	<u>\$ 6.93</u>

Year ended December 31, 2013

	Adjusted retroactively	outstanding shares (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 707,950	100,086	\$ 7.07
<u>Diluted earnings per share</u>			
Profit attributable to the ordinary shareholders of the parent	\$ 707,950	100,086	
Assumed conversion of all dilutive potential ordinary shares	-	682	
Employees' stock options	-	1,197	
Employees' bonus	-	1,197	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 707,950</u>	<u>101,965</u>	<u>\$ 6.94</u>

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

(25) Operating leases

A. The Group's investment assets of two short sections numbered 229 in Xihu Section in Neihu District of Taipei City, from 1F to 9F, Building-B of "Sun-Tech Plaza" located in Nei-Hu District of Taipei City, from 5F to 6F, Building of "Jiang-Ling Information" located in Xindian District of New Taipei City and offices located in San Jose in California State are leased to others under non-cancellable operating lease agreements. These leases have terms expiring between 2013 and the third quarter of 2019, and all these lease agreements are not renewable at the end of the lease period. Recognised rental income of \$50,242 and \$48,505 were for the years ended December 31, 2014 and 2013, respectively. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2014	December 31, 2013
Not later than one year	\$ 46,532	\$ 46,139
Later than one year but not later than five years	81,351	64,340
	<u>\$ 127,883</u>	<u>\$ 110,479</u>

B. Subsidiaries lease offices under non-cancellable operating lease agreements. The lease terms are within 1 to 2 years, and all these lease agreements are renewable at the end of the lease period. Some leases increase with the changes of local price indexes. Subsidiaries recognised rental expenses of \$7,795 and \$8,413 for the years ended December 31, 2014 and 2013, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Not later than one year	\$ 4,350	\$ 3,704
Later than one year but not later than five years	1,813	-
	<u>\$ 6,163</u>	<u>\$ 3,704</u>

(26) Non-cash transaction

Financing activities with no cash flow effects:

	<u>Year ended</u> <u>December 31, 2014</u>	<u>Year ended</u> <u>December 31, 2013</u>
Capital reserve transferred to common stock	\$ -	\$ 56,610

7. RELATED PARTY TRANSACTIONS

Key management compensation

	<u>Year ended</u> <u>December 31, 2014</u>	<u>Year ended</u> <u>December 31, 2013</u>
Salaries and other short-term employee benefits	\$ 98,699	\$ 89,400
Post-employment benefits	1,292	1,010
Service execution fees	48	31
	<u>\$ 100,039</u>	<u>\$ 90,441</u>

8. PLEDGED ASSETS

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

<u>Pledged assets</u>	<u>Book value</u>		<u>Pledged purpose</u>
	<u>December 31, 2014</u>	<u>December 31, 2013</u>	
Other assets—non-current			Guarantee for
Certificate of deposit	\$ -	\$ 10,000	sequestration

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) 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) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

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

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

December 31, 2014

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

December 31, 2013

Currency	Foreign currency			Book value			Sensitivity analysis	
	amount (USD in thousands)	Exchange rate		(NTD in thousands)	Degree of variation	Effect on profit or loss		
Financial assets								
USD:NTD	\$ 81,148	\$ 29.81		\$ 2,419,022	1%	\$ 24,190		
USD:JPY	12,668	105.00		377,633	1%	3,776		
USD:EUR	1,377	0.73		41,048	1%	410		
Financial liabilities								
USD:NTD	6,619	29.81		197,299	1%	1,973		
USD:JPY	8,539	105.00		254,539	1%	2,545		
USD:EUR	981	0.73		29,258	1%	293		

Price risk

- i. The Group is exposed to financial instruments price risk due to investments held by the Group under fair value through profit or loss. To manage its price risk arising from investments in financial instruments, the Group diversifies its portfolio. The diversification follows the limits set by the Group. The Group is not exposed to commodity price risk.
- ii. The Group's major financial investments are beneficiary certificates. The prices of the financial instruments would change due to the change of the future value of investment targets. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2014 and 2013 would have increased/decreased by \$2,170 and \$1,811, 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.
- iii. There was no borrowing as of December 31, 2014 and 2013 and thus there was no interest rate risk arising from borrowing.

b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The Group's accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.
- iv. Aging analysis of accounts receivable, net

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Neither past due nor impaired	<u>\$ 143,453</u>	<u>\$ 246,896</u>
Past due but not impaired		
Within 30 days	18,120	10,819
31-60 days	462	3,142
Over 61 days	-	1,250
	<u>18,582</u>	<u>15,211</u>
	<u>\$ 162,035</u>	<u>\$ 262,107</u>

The credit term for most of the Group's customers is 30 days after monthly billings and 45~90 days after monthly billings for some customers. Allowance for bad debts is estimated based on aging analysis of accounts receivable, historical experience and customers' current financial conditions. Aging analysis of accounts receivable as at December 31, 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 December 31, 2014 and 2013, the Group held money market position of \$4,165,408 and \$4,202,226, respectively that are expected to readily generate cash inflows for managing liquidity risk.
- iii. Based on contractual payments, the Group's non-derivative financial liabilities are all current financial liabilities.

(3) Fair value estimation

- A. The different levels of valuation method to measure fair value have been defined as follows:
 - Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
 - Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
 - Level 3: Inputs for the asset or liability that are not based on observable market data.
- B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are measured by level 1 valuation method and classified as financial assets at fair value through profit or loss.

13. SUPPLEMENTARY DISCLOSURES

1) Significant transactions information

- A. Lending to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries):

Name of the investor	Type and name of marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2014				Footnote (Note 4)
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
CyberLink Corp.	Yuanta Wan Tai Money Market Fund	None	Financial assets at fair value through profit or loss -current	6,717,270	\$ 100,013	-	\$ 100,013	
"	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	7,854,159	116,941	-	116,941	
"	Fuh Hwa Tung-ta Fund	None	Financial assets carried at cost - non current	3,060,000	30,600	1.60%	-	
CyberLink International Technology Corp.	Preferred stock of Cidana Inc.	None	Financial assets carried at cost - non current	500,000	USD\$ 150 (in thousand of dollars)	2.69%	-	
"	Preferred stock of LOFTechnology, Inc.	None	Financial assets carried at cost - non current	100,000	USD\$ 100 (in thousand of dollars)	1.25%	-	

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

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

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

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

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

Name of Company	Name of the security (Note 1)	Account used to record transaction	Counterparty (Note 2)	Relationship with the counterparty (Note 2)	Beginning balance		Additions (Note 3)		Disposals (Note 3)			Ending balance		
					Number of shares (thousand units)	Amount	Number of shares (thousand units)	Amount	Number of Shares (thousand units)	Sales price	Book value	Gain or loss from disposal	Number of shares (thousand units)	Amount
CyberLink Corp.	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss-current	-	-	2,289	\$33,889	14,794	\$219,858	10,366	\$ 153,953	\$ 153,734	\$ 219	6,717	\$100,013

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:

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote Purchaser/seller Counterparty
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
CyberLink Corp.	CyberLink.Com Corp.	A subsidiary of the Company	Sales	\$ 284,058	16%	Note	The same as those with third parties	Note	\$ 5,456	6%	
"	CyberLink Europe B.V.	"	"	116,779	7%	"	"	"	4,727	5%	
"	CyberLink Inc.	"	"	301,312	17%	"	"	"	43,633	49%	

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

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

I. Derivative financial instruments undertaken: None.

J. Significant inter-company transactions:

Number of the Company (Note 1)	Company	Names of Counterparty	Relationship with Company (Note 2)	Transaction				Percentage of consolidated total revenue or total assets (Note 3)
				Subject	Amount	Terms of Transaction		
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	\$ 284,058	Note 4		12.8%
				Accounts receivable	10,715	Note 4 、 Note 5		0.2%
"	"	CyberLink Europe B.V.	"	Sales revenue	116,779	Note 4		5.3%
"	"	CyberLink Inc.	"	Sales revenue	301,312	Note 4		13.6%
				Accounts receivable	46,883	Note 4 、 Note 5		0.7%

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.

Note 5: Receivables include accounts receivable and other receivables.

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
				December 31, 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	\$ 452,589	(\$ 24,742)	(\$ 24,742)	Direct subsidiary
	CyberLink Europe B.V.	Europe	Sale of software	124,710	124,710	3,000,000	100.00	61,373	(27)	(27)	Direct subsidiary
	CyberLink International Technology Corp.	British Virgin Islands	Investment activities	64,821	64,821	2,000,000	100.00	183,290	31,643	31,643	Direct subsidiary
	CyberLink Investment Corp.	Taiwan	Investment activities	220,000	220,000	12,000,000	100.00	166,079	807	807	Direct subsidiary
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	26,839 (USD\$848 in thousand of dollars)	25,279 (USD\$848 in thousand of dollars)	1,900	100.00	165,023 (USD\$5,214 in thousand of dollars)	54,891 (USD\$1,811 in thousand of dollars)	-	Indirect subsidiary
CyberLink. Com Corp	ImageChef Incorporated	America	Digital information supply services	33,960 (USD\$1,073 in thousand of dollars)	-	7,749,447	100.00	8,387 (USD\$265 in thousand of dollars)	667 (USD\$22 in thousand of dollars)	-	Indirect subsidiary (Note)

Note : Impairment loss was accrued for equity investments in ImageChef Incorporated in 2014.

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 the Chief Operating Decision-maker. The Chief Operating Decision-maker operates the business and evaluates performance by products. Its main business activities are related to the sale of video entertainment and media creation software. Information about operating results of other products is provided in the column note "Media Creation and Others".

B. Measurement of segment information

- a) The accounting policies for operating segments are the same as those summarized in Note 2 of the financial statements.
- b) The Company uses segment revenue and operating income as the basis for evaluating performance and has eliminated the impact of inter-segment transactions.

C. Information about segment profit or loss, assets and liabilities

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

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

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

D. Reconciliation for segment profit or loss

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

E. Information on product and service

Please refer to Note 14(3).

F. Geographical information

Geographical information for the years ended December 31, 2014 and 2013 is as follows:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Revenue	Non-current assets	Revenue	Non-current assets
America	\$ 928,366	\$ 98,568	\$ 974,504	\$ 842
Japan	634,847	2,293	613,228	2,577
Taiwan	98,087	1,635,782	310,965	1,661,775
Others	561,249	163	681,499	117
	<u>\$ 2,222,549</u>	<u>\$ 1,736,806</u>	<u>\$ 2,580,196</u>	<u>\$ 1,665,311</u>

G. Major customer information

Major customer information of the Group for the years ended December 31, 2014 and 2013 is as follows:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Revenue	Operating segment	Revenue	Operating segment
Customer A	\$ 639,110	Media Experience and Entertainment and Others	\$ 612,984	Media Experience and Entertainment and Others
Customer B	231,631	Media Experience and Entertainment and Others	279,107	Media Experience and Entertainment and Others