

**CYBERLINK CORP. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**REPORT OF INDEPENDENT ACCOUNTANTS**  
**JUNE 30, 2015 AND 2014**

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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

PWCR15000748

To the Board of Directors and Stockholders of CyberLink Corp.

We have reviewed the accompanying consolidated balance sheets of CyberLink Corp. and subsidiaries as of June 30, 2015 and 2014, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these financial statements based on our reviews.

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

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

July 29, 2015

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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)

(CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2015 AND 2014 ARE REVIEWED, NOT AUDITED)

	June 30, 2015		December 31, 2014		June 30, 2014	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents (Note 6(1))	\$ 3,923,450	61	\$ 4,061,178	64	\$ 4,343,527	67
Financial assets at fair value through profit or loss - current (Note 6(2))	116,967	2	216,954	3	177,559	3
Notes receivable, net (Note 6(3))	8,496	-	11,733	-	10,824	-
Accounts receivable, net (Note 6(4))	70,696	1	162,035	3	138,003	2
Other receivables	7,284	-	16,357	-	17,167	-
Other receivables – related parties (Note 7)	6,971	-	-	-	-	-
Current income tax assets	14,676	-	2,321	-	-	-
Inventories	5,674	-	7,479	-	8,285	-
Other current assets	<u>37,496</u>	<u>1</u>	<u>48,069</u>	<u>1</u>	<u>42,504</u>	<u>1</u>
<b>Total current assets</b>	<u>4,191,710</u>	<u>65</u>	<u>4,526,126</u>	<u>71</u>	<u>4,737,869</u>	<u>73</u>
<b>Non-current Assets</b>						
Financial assets carried at cost – non-current (Note 6(5))	86,850	1	87,048	1	53,016	1
Investments accounted for using equity method (Note 6(6))	407,925	6	-	-	-	-
Property, plant and equipment, net (Note 6(7))	454,500	7	441,806	7	340,981	5
Investment property, net (Note 6(8))	1,285,043	20	1,290,503	20	1,295,964	20
Intangible assets (Note 6(9))	-	-	31	-	24,876	-
Deferred income tax assets	43,076	1	44,706	1	38,563	1
Other non-current assets	<u>3,859</u>	<u>-</u>	<u>8,491</u>	<u>-</u>	<u>16,575</u>	<u>-</u>
<b>Total non-current assets</b>	<u>2,281,253</u>	<u>35</u>	<u>1,872,585</u>	<u>29</u>	<u>1,769,975</u>	<u>27</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,472,963</u></b>	<b><u>100</u></b>	<b><u>\$ 6,398,711</u></b>	<b><u>100</u></b>	<b><u>\$ 6,507,844</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Notes payable	\$ -	-	\$ 181	-	\$ -	-
Accounts payable (Note 6(10))	248,247	4	270,470	4	257,558	4
Other payables (Note 6(11))	1,313,527	20	706,685	11	1,328,133	20
Income tax payable	23,910	1	15,284	-	28,576	1
Other current liabilities	<u>60,601</u>	<u>1</u>	<u>91,674</u>	<u>2</u>	<u>51,595</u>	<u>1</u>
<b>Total current liabilities</b>	<u>1,646,285</u>	<u>26</u>	<u>1,084,294</u>	<u>17</u>	<u>1,665,862</u>	<u>26</u>
<b>Non-current Liabilities</b>						
Provisions – non-current (Note 6(12))	395,040	6	388,799	6	342,806	5
Deferred income tax liabilities	3,049	-	7,644	-	465	-
Other non-current liabilities (Note 6(13))	<u>77,570</u>	<u>1</u>	<u>77,405</u>	<u>1</u>	<u>71,256</u>	<u>1</u>
<b>Total non-current liabilities</b>	<u>475,659</u>	<u>7</u>	<u>473,848</u>	<u>7</u>	<u>414,527</u>	<u>6</u>
<b>Total Liabilities</b>	<b><u>2,121,944</u></b>	<b><u>33</u></b>	<b><u>1,558,142</u></b>	<b><u>24</u></b>	<b><u>2,080,389</u></b>	<b><u>32</u></b>
<b>Equity Attributable To Shareholders Of the Parent</b>						
Capital stock (Note 6(15))						
Common stock	1,005,361	15	1,002,192	16	1,001,557	15
Capital reserve (Note 6(16))	1,797,462	28	1,782,414	28	1,777,314	28
Retained earnings (Note 6(17))						
Legal reserve	1,011,501	16	940,803	15	940,803	14
Special reserve	57,652	1	73,164	1	73,164	1
Unappropriated earnings	576,163	9	1,099,648	17	702,329	11
Other equity items (Note 6(18))						
Other equity, others	( 97,120)	( 2	( 57,652)	( 1	( 67,712)	( 1
Equity Attributable to Shareholders of the Parent	<u>4,351,019</u>	<u>67</u>	<u>4,840,569</u>	<u>76</u>	<u>4,427,455</u>	<u>68</u>
<b>Total Equity</b>	<b><u>4,351,019</u></b>	<b><u>67</u></b>	<b><u>4,840,569</u></b>	<b><u>76</u></b>	<b><u>4,427,455</u></b>	<b><u>68</u></b>
<b>Significant contingent liabilities and unrecognized contract commitments (Note 6(26))</b>						
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 6,472,963</u></b>	<b><u>100</u></b>	<b><u>\$ 6,398,711</u></b>	<b><u>100</u></b>	<b><u>\$ 6,507,844</u></b>	<b><u>100</u></b>

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

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

	Three-month period ended		Three-month period ended		Six-month period ended		(Adjusted)	
	June 30, 2015		June 30, 2014		June 30, 2015		June 30, 2014	
	Amount	%	Amount	%	Amount	%	Amount	%
Net revenues	462,523	100	\$ 570,798	100	\$ 947,731	100	\$ 1,116,355	100
Operating costs (Note 6(21))	(64,400)	(14)	(76,580)	(13)	(134,108)	(14)	(159,226)	(14)
Gross profit	<u>398,123</u>	<u>86</u>	<u>494,218</u>	<u>87</u>	<u>813,623</u>	<u>86</u>	<u>957,129</u>	<u>86</u>
Operating expenses (Notes 6(13)(21)(22) and 7)								
Selling	(129,591)	(28)	(132,482)	(23)	(265,729)	(28)	(265,982)	(24)
General	(33,500)	(7)	(58,888)	(11)	(68,171)	(8)	(103,159)	(9)
Research and development	(102,996)	(23)	(115,973)	(20)	(217,434)	(23)	(251,659)	(23)
Total operating expenses	(266,087)	(58)	(307,343)	(54)	(551,334)	(59)	(620,800)	(56)
Operating income	<u>132,036</u>	<u>28</u>	<u>186,875</u>	<u>33</u>	<u>262,289</u>	<u>27</u>	<u>336,329</u>	<u>30</u>
Non-operating income and expenses								
Other income (Notes 6(8)(19) and 7)	54,629	12	27,387	5	77,810	8	50,089	5
Other gains and losses (Notes 6(2)(20))	(21,116)	(4)	(47,275)	(9)	(48,368)	(5)	(10,294)	(1)
Share of loss of associates and joint ventures accounted for using equity methods (Note 6(6))	(12,259)	(3)	(-	(-	(12,259)	(1)	(-	(-
Total non-operating income and expenses	<u>21,254</u>	<u>5</u>	<u>(19,888)</u>	<u>(4)</u>	<u>17,183</u>	<u>2</u>	<u>39,795</u>	<u>4</u>
Income before income tax	<u>153,290</u>	<u>33</u>	<u>166,987</u>	<u>29</u>	<u>279,472</u>	<u>29</u>	<u>376,124</u>	<u>34</u>
Income tax expense (Note 6(23))	(27,485)	(6)	(34,806)	(6)	(45,998)	(5)	(71,753)	(7)
Profit from continuing operations	<u>125,805</u>	<u>27</u>	<u>132,181</u>	<u>23</u>	<u>233,474</u>	<u>24</u>	<u>304,371</u>	<u>27</u>
Net income	<u><u>125,805</u></u>	<u><u>27</u></u>	<u><u>\$ 132,181</u></u>	<u><u>23</u></u>	<u><u>\$ 233,474</u></u>	<u><u>24</u></u>	<u><u>\$ 304,371</u></u>	<u><u>27</u></u>
Other comprehensive income (loss)								
Items may be reclassified to profit or loss subsequently								
Exchange differences arising on translation of foreign operations (Note 6(18))	(\$ 15,363)	(3)	(\$ 13,390)	(2)	(\$ 31,771)	(3)	\$ 5,452	1
Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note 6(18))	(7,697)	(2)	(-	(-	(7,697)	(1)	(-	(-
Total comprehensive income for the period	<u><u>\$ 102,745</u></u>	<u><u>22</u></u>	<u><u>\$ 118,791</u></u>	<u><u>21</u></u>	<u><u>\$ 194,006</u></u>	<u><u>20</u></u>	<u><u>\$ 309,823</u></u>	<u><u>28</u></u>
Net income attributable to:								
Shareholders of the parent	<u><u>\$ 125,805</u></u>	<u><u>27</u></u>	<u><u>\$ 132,181</u></u>	<u><u>23</u></u>	<u><u>\$ 233,474</u></u>	<u><u>24</u></u>	<u><u>\$ 304,371</u></u>	<u><u>27</u></u>
Total comprehensive income attributable to:								
Shareholders of the parent	<u><u>\$ 102,745</u></u>	<u><u>22</u></u>	<u><u>\$ 118,791</u></u>	<u><u>21</u></u>	<u><u>\$ 194,006</u></u>	<u><u>20</u></u>	<u><u>\$ 309,823</u></u>	<u><u>28</u></u>
Earnings per share (Note 6(24))								
Basic earnings per share	<u><u>\$ 1.25</u></u>		<u><u>\$ 1.32</u></u>		<u><u>\$ 2.33</u></u>		<u><u>\$ 3.04</u></u>	
Diluted earnings per share	<u><u>\$ 1.24</u></u>		<u><u>\$ 1.31</u></u>		<u><u>\$ 2.30</u></u>		<u><u>\$ 3.00</u></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)  
 (UNAUDITED)

	Equity Attributable to Shareholders of the Parent								Exchange differences arising on translation of foreign operations	Total		
	Capital reserve			Retained earnings								
	Common stock	Paid-in capital in excess of par value	Employee stock option	Legal reserve	Special reserve	Unappropriated earnings						
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(17))	-	-	-	70,795	-	( 70,795)	-	-				
Cash dividends (Note 6(17))	-	-	-	-	-	( 701,030)	-	( 701,030)				
Net income for 2014	-	-	-	-	-	304,371	-	304,371				
Share-based payment transactions (Note 6(14))	-	-	2,311	-	-	-	-	-	2,311			
Employee stock options exercised (Note 6(14))	128	707	( 82)	-	-	-	-	-	753			
Other comprehensive income for 2014 (Note 6(18))	-	-	-	-	-	-	5,452	5,452				
Balance at June 30, 2014	<u>\$ 1,001,557</u>	<u>\$ 1,539,956</u>	<u>\$ 237,358</u>	<u>\$ 940,803</u>	<u>\$ 73,164</u>	<u>\$ 702,329</u>	<u>(\$ 67,712)</u>	<u>\$ 4,427,455</u>				
Balance at January 1, 2015	\$ 1,002,192	\$ 1,544,185	\$ 238,229	\$ 940,803	\$ 73,164	\$ 1,099,648	(\$ 57,652)	\$ 4,840,569				
Reversal of special reserve	-	-	-	-	( 15,512)	15,512	-	-				
Distribution of 2014 earnings:	-											
Legal reserve (Note 6(17))	-	-	-	70,698	-	( 70,698)	-	-				
Cash dividends (Note 6(17))	-	-	-	-	-	( 701,773)	-	( 701,773)				
Net income for 2015	-	-	-	-	-	233,474	-	233,474				
Share-based payment transactions (Note 6(14))	-	-	790	-	-	-	-	-	790			
Employee stock options exercised (Note 6(14))	3,169	14,909	( 651)	-	-	-	-	-	17,427			
Other comprehensive loss for 2015 (Note 6(18))	-	-	-	-	-	-	( 39,468)	( 39,468)				
Balance at June 30, 2015	<u>\$ 1,005,361</u>	<u>\$ 1,559,094</u>	<u>\$ 238,368</u>	<u>\$ 1,011,501</u>	<u>\$ 57,652</u>	<u>\$ 576,163</u>	<u>(\$ 97,120)</u>	<u>\$ 4,351,019</u>				

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

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

(UNAUDITED)

Six-month period ended  
 June 30, 2015

Six-month period ended  
 June 30, 2014

<u>Cash flows from operating activities</u>	\$	\$	\$
Income before income tax	279,472	376,124	
Adjustments to reconcile income before income tax to net cash provided by operating activities:			
Adjustments for:			
Unrealised gain (Note 6(6))	30,965		-
Gain on financial assets at fair value through profit or loss (Notes 6(2)(20))	(472)	(436)	
Depreciation expense (Notes 6(7)(8))	10,807		9,796
Amortization expense (Note 6(9))	31		66
Interest income (Note 6(19))	(15,553)	(23,804)	
Employees' stock option cost (Note 6(14))	790		2,311
Loss on disposal and scrapping of property, plant and equipment	-		111
Share of loss of associates and joint ventures accounted for using equity method (Note 6(6))	12,259		-
Changes in operating assets and liabilities:			
Financial assets held for trading	100,459		3,921
Notes receivable	3,237	(5,006)	
Accounts receivable	87,840		126,246
Other receivables	13,121		12,678
Other receivables – related parties	(6,971)		-
Inventories	1,805		442
Other current assets	10,210	(2,479)	
Other non-current assets	4,466		19,040
Notes payable	(181)		-
Accounts payable	(19,098)	(27,976)	
Other payables	(87,728)	(51,540)	
Other current liabilities	(30,951)	(39,397)	
Provisions	6,241		19,742
Other non-current liabilities	(38)		41
Cash generated from operations	400,711		419,880
Interest received	15,986		23,501
Income tax paid	(53,070)	(141,711)	
Net cash provided by operating activities	363,627		301,670
<u>Cash flows from investing activities</u>			
Net cash paid for acquisition of subsidiary	-	(22,824)	
Acquisition of property, plant, and equipment (Note 6(7))	(20,809)	(2,836)	
Acquisition of investments accounted for using equity method (Note 6(6))	(458,846)		-
Decrease in refundable deposits	72		128
Net cash used in investing activities	(479,583)		(25,532)
<u>Cash flows from financing activities</u>			
Increase in deposits received	208		-
Exercise of employee stock options	17,427		753
Net cash provided by financing activities	17,635		753
Effects of changes in exchange rates of foreign currency holdings	(39,407)		68
Net (decrease) increase in cash and cash equivalents	(137,728)		276,959
Cash and cash equivalents at beginning of the period	4,061,178		4,066,568
Cash and cash equivalents at end of the period	\$ 3,923,450	\$ 4,343,527	

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)  
(UNAUDITED)

**1. HISTORY AND ORGANIZATION**

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on July 29, 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")**

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the 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:

**A. IAS 1, 'Presentation of financial statements'**

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

**B. IFRS 13, 'Fair value measurement'**

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The standard sets out a framework for measuring fair value from market participants' perspective, and requires disclosures about fair value measurements. For non-financial assets

only, fair value is determined based on the highest and best use of the asset. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

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

None.

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

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

<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**

Except for compliance, basis of preparation and basis of consolidation, significant accounting policies are as follows, the rest is in agreement with Note 4 in the consolidated financial statements for the year ended December 31, 2014. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### **(1) Compliance statement**

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” endorsed by the FSC.
- B. The consolidated financial statements for the six-month period ended June 30, 2015 should be read together with those as of and for the year ended December 31, 2014.

##### **(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 conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### **(3) Basis of consolidation**

- A. Basis for preparation of consolidated financial statements:

The basis for preparation is consistent with those in the consolidated financial statements for the year ended December 31, 2014.

- B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Major Activities	Ownership (%)			Description
			June 30, 2015	December 31, 2014	June 30, 2014	
CyberLink Corp.	CyberLink.Com Corp. (CyberLink-USA)	Sales of computer software	100%	100%	100%	
CyberLink Corp.	CyberLink Europe B.V. (CyberLink-B.V.)	Sales of computer software	100%	100%	100%	
CyberLink Corp.	CyberLink International Technology Corp. (CyberLink-B.V.I)	Investment activities	100%	100%	100%	Note 1

Name of Investor	Name of Subsidiary	Major Activities	Ownership (%)			Description
			June 30, 2015	December 31, 2014	June 30, 2014	
CyberLink Corp.	CyberLink Investment Investment Corp. (CyberLink Investment)	Investment activities	100%	100%	100%	
CyberLink International Technology Corp.	CyberLink Inc. (CyberLink-Japan)	Sales of computer software	100%	100%	100%	
CyberLink International Technology Corp.	CyberLink (Shanghai)Co., Ltd. (CyberLink-Shanghai)	Design of computer peripherals and trade of software	100%	-	-	Note 2
CyberLink.Com Corp.	ImageChef Incorporated (ImageChef)	Digital information supply services	100%	100%	100%	Note 3

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

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

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

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group : None.

#### (4) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the

Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

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

No significant changes during the period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2014.

**6. DETAILS OF SIGNIFICANT ACCOUNTS**

**(1) Cash and cash equivalents**

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Cash on hand and petty cash	\$ 266	\$ 267	\$ 268
Checking accounts	69,384	112,457	43,827
Demand deposits	958,746	1,027,218	1,047,077
Time deposits	<u>2,895,054</u>	<u>2,921,236</u>	<u>3,252,355</u>
	<u>\$ 3,923,450</u>	<u>\$ 4,061,178</u>	<u>\$ 4,343,527</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group has no cash and cash equivalents pledged to others.

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

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Financial assets held for trading			
Money market funds	\$ 114,309	\$ 214,603	\$ 175,000
Valuation adjustment	<u>2,658</u>	<u>2,351</u>	<u>2,559</u>
	<u>\$ 116,967</u>	<u>\$ 216,954</u>	<u>\$ 177,559</u>

The Group recognized net gains of \$195, \$200, \$472 and \$436 on financial assets held for trading for the three-month and six-month periods ended June 30, 2015 and 2014, respectively.

(3) Notes receivable

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Notes receivable	\$ 8,526	\$ 11,763	\$ 10,854
Less: allowance for bad debts	(30)	(30)	(30)
	<u>\$ 8,496</u>	<u>\$ 11,733</u>	<u>\$ 10,824</u>

(4) Accounts receivable

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Accounts receivable	\$ 112,449	\$ 208,151	\$ 175,590
Less: allowance for sales return and discounts	(41,235)	(45,598)	(37,069)
Less: allowance for bad debts	(518)	(518)	(518)
	<u>\$ 70,696</u>	<u>\$ 162,035</u>	<u>\$ 138,003</u>

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

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Group 1	\$ 10,335	\$ 25	\$ 18,606
Group 2	37,623	70,335	70,427
Group 3	22,884	78,227	13,251
Group 4	12,125	16,953	17,663
Group 5	16,234	24,029	38,897
	<u>\$ 99,201</u>	<u>\$ 189,569</u>	<u>\$ 158,844</u>

Group 1: Accounts receivable from customers in Mainland China.

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

Group 3: Accounts receivable from customers in Japan.

Group 4: Accounts receivable from customers in Taiwan.

Group 5: Accounts receivable from customers in other areas.

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

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Up to 30 days	\$ 8,898	\$ 18,120	\$ 7,308
31 to 90 days	4,350	462	9,438
	<u>\$ 13,248</u>	<u>\$ 18,582</u>	<u>\$ 16,746</u>

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

C. The Group does not hold any collateral security.

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

Item	June 30, 2015	December 31, 2014	June 30, 2014
Unlisted stocks	\$ 86,850	\$ 87,048	\$ 53,016

- A. Based on the Group's intention, its investment in unlisted stocks and private fund should be classified as 'available-for-sale financial assets'. However, as the investments are not traded in an active market, and no sufficient related industry information nor similar companies' financial information can be obtained, the fair value of the investments in unlisted stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.
- B. As of June 30, 2015, December 31, 2014 and June 30, 2014, no financial assets measured at cost held by the Group were pledged to others.

(6) Investments accounted for using equity method

Details of investments accounted for using equity method:

	2015
At January 1	\$ -
Addition of investments accounted for using equity	458,846
Share of loss of investments accounted for using equity method	( 12,259)
Unrealised gain	( 30,965)
Changes in other equity items (Note 6(18))	( 7,697)
At June 30	<u>\$ 407,925</u>

A. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio		Methods of Measurement
		June 30, 2015	Nature of relationship	
Perfect Corp.	Cayman	49%	Investments accounted for using equity method	Equity method

In order to respond to market development trend, the Board of Directors has resolved that the Company acquire ordinary shares amounting to 147,000,000 shares at US\$0.1 per share issued by Perfect Corp. through the subsidiary, CyberLink-B.V.I. The total

investment amount is US\$14,700 thousand and the shareholding ratio is 49%.

(b) The summarized financial information of the associates that are material to the Group is as follows:

Balance sheet

	<u>Perfect Corp.</u>
	<u>June 30, 2015</u>
Current assets	\$ 835,856
Non-current assets	<u>73,305</u>
Total assets	<u>909,161</u>
Current liabilities	( 12,690)
Non-current liabilities	( 776)
Total liabilities	( 13,466)
Total net assets	<u>\$ 895,695</u>
Share in associate's net assets (Note)	<u>\$ 438,890</u>

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

Statement of comprehensive income

	<u>Perfect Corp.</u>
	<u>Three-month period ended June 30, 2015</u>
Revenue	\$ -
Loss for the period from continuing operations	(\$ 25,018)
Other comprehensive loss, net of tax	( 15,708)
Total comprehensive loss	<u>(\$ 40,726)</u>

	<u>Perfect Corp.</u>
	<u>Six-month period ended June 30, 2015</u>
Revenue	\$ -
Loss for the period from continuing operations	(\$ 25,018)
Other comprehensive loss, net of tax	( 15,708)
Total comprehensive loss	<u>(\$ 40,726)</u>

(7) Property, plant, and equipment

	Land	Building	Machinery	Office equipment	Transportation equipment	Total
<u>At January 1, 2015</u>						
Cost	\$ 267,441	\$ 188,714	\$ 23,362	\$ 6,744	\$ 7,427	\$ 493,688
Accumulated depreciation	-	(31,306)	(14,264)	(5,198)	(1,114)	(51,882)
	<u>\$ 267,441</u>	<u>\$ 157,408</u>	<u>\$ 9,098</u>	<u>\$ 1,546</u>	<u>\$ 6,313</u>	<u>\$ 441,806</u>
<u>Six-month period ended June 30, 2015</u>						
Opening net book amount	\$ 267,441	\$ 157,408	\$ 9,098	\$ 1,546	\$ 6,313	\$ 441,806
Additions	-	19,213	1,517	79	-	20,809
Costs of disposal	-	-	-	(86)	-	(86)
Accumulated depreciation on disposal	-	-	-	86	-	86
Depreciation expense	-	(2,274)	(2,086)	(391)	(596)	(5,347)
Net exchange differences	(1,167)	(1,547)	(4)	(50)	-	(2,768)
Closing net book amount	<u>\$ 266,274</u>	<u>\$ 172,800</u>	<u>\$ 8,525</u>	<u>\$ 1,184</u>	<u>\$ 5,717</u>	<u>\$ 454,500</u>
<u>At June 30, 2015</u>						
Cost	\$ 266,274	\$ 206,329	\$ 24,788	\$ 6,484	\$ 7,427	\$ 511,302
Accumulated depreciation	-	(33,529)	(16,263)	(5,300)	(1,710)	(56,802)
	<u>\$ 266,274</u>	<u>\$ 172,800</u>	<u>\$ 8,525</u>	<u>\$ 1,184</u>	<u>\$ 5,717</u>	<u>\$ 454,500</u>
	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	-	(32,936)	(12,698)	(5,902)	(3,297)	(54,833)
	<u>\$ 220,698</u>	<u>\$ 109,476</u>	<u>\$ 9,130</u>	<u>\$ 1,391</u>	<u>\$ 1,795</u>	<u>\$ 342,490</u>
<u>Six-month period ended June 30, 2014</u>						
Opening net book amount	\$ 220,698	\$ 109,476	\$ 9,130	\$ 1,391	\$ 1,795	\$ 342,490
Additions	-	-	2,136	700	-	2,836
Costs of disposal	-	-	-	(458)	-	(458)
Accumulated depreciation on disposal	-	-	-	347	-	347
Depreciation expense	-	(1,505)	(2,087)	(319)	(424)	(4,335)
Net exchange differences	-	84	7	10	-	101
Closing net book amount	<u>\$ 220,698</u>	<u>\$ 108,055</u>	<u>\$ 9,186</u>	<u>\$ 1,671</u>	<u>\$ 1,371</u>	<u>\$ 340,981</u>
<u>At June 30, 2014</u>						
Cost	\$ 220,698	\$ 142,525	\$ 24,042	\$ 7,590	\$ 5,092	\$ 399,947
Accumulated depreciation	-	(34,470)	(14,856)	(5,919)	(3,721)	(58,966)
	<u>\$ 220,698</u>	<u>\$ 108,055</u>	<u>\$ 9,186</u>	<u>\$ 1,671</u>	<u>\$ 1,371</u>	<u>\$ 340,981</u>

(8) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>At January 1, 2015</u>			
Cost	\$ 799,024	\$ 556,079	\$ 1,355,103
Accumulated depreciation	<u>-</u>	(64,600)	(64,600)
	<u>\$ 799,024</u>	<u>\$ 491,479</u>	<u>\$ 1,290,503</u>
<u>Six-month period ended June 30, 2015</u>			
Opening net book amount	\$ 799,024	\$ 491,479	\$ 1,290,503
Depreciation expense	<u>-</u>	(5,460)	(5,460)
Closing net book amount	<u>\$ 799,024</u>	<u>\$ 486,019</u>	<u>\$ 1,285,043</u>
<u>At June 30, 2015</u>			
Cost	\$ 799,024	\$ 556,079	\$ 1,355,103
Accumulated depreciation	<u>-</u>	(70,060)	(70,060)
	<u>\$ 799,024</u>	<u>\$ 486,019</u>	<u>\$ 1,285,043</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>Six-month period ended June 30, 2014</u>			
Opening net book amount	\$ 799,024	\$ 502,401	\$ 1,301,425
Depreciation expense	<u>-</u>	(5,461)	(5,461)
Closing net book amount	<u>\$ 799,024</u>	<u>\$ 496,940</u>	<u>\$ 1,295,964</u>
<u>At June 30, 2014</u>			
Cost	\$ 799,024	\$ 556,079	\$ 1,355,103
Accumulated depreciation	<u>-</u>	(59,139)	(59,139)
	<u>\$ 799,024</u>	<u>\$ 496,940</u>	<u>\$ 1,295,964</u>

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

	Three-month period ended June 30, 2015	Three-month period ended June 30, 2014
Rental income from the lease of the investment property	\$ 11,545	\$ 12,490
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 3,395	\$ 4,428
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 1,027	\$ -
	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
Rental income from the lease of the investment property	\$ 23,229	\$ 24,861
Direct operating expenses arising from the investment property that generated rental income during the period	\$ 5,706	\$ 7,159
Direct operating expenses arising from the investment property that did not generate rental income during the period	\$ 1,446	\$ -

B. The fair value of the investment property held by the Group as of June 30, 2015, December 31, 2014 and June 30, 2014 was \$2,060,814, \$2,380,291 and \$2,555,815, respectively, which was estimated based on market trading prices of similar property in the areas nearby.

(9) Intangible assets

	Goodwill	Others	Total
<u>At January 1, 2015</u>			
Cost	\$ 25,163	\$ 470	\$ 25,633
Accumulated amortization and impairment	(25,163)	(439)	(25,602)
	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ 31</u>
<u>Six-month period ended June 30, 2015</u>			
Opening net book amount	\$ -	\$ 31	\$ 31
Amortization charge	-	(31)	(31)
Closing net book amount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>At June 30, 2014</u>			
Cost	\$ 25,163	\$ 470	\$ 25,633
Accumulated amortization and impairment	(25,163)	(470)	(25,633)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>At January 1, 2014</u>			
Cost	\$ -	\$ 850	\$ 850
Accumulated amortization	-	(706)	(706)
	<u>\$ -</u>	<u>\$ 144</u>	<u>\$ 144</u>
<u>Six-month period ended June 30, 2014</u>			
Opening net book amount	\$ -	\$ 144	\$ 144
Additions-acquired through business combinations	25,001	-	25,001
Amortization charge	-	(66)	(66)
Net exchange differences	(203)	-	(203)
Closing net book amount	<u>\$ 24,798</u>	<u>\$ 78</u>	<u>\$ 24,876</u>
<u>At June 30, 2014</u>			
Cost	\$ 24,798	\$ 850	\$ 25,648
Accumulated amortization	-	(772)	(772)
	<u>\$ 24,798</u>	<u>\$ 78</u>	<u>\$ 24,876</u>

(10) Accounts payable

	June 30, 2015	December 31, 2014	June 30, 2014
Royalty expense	\$ 243,476	\$ 261,622	\$ 251,442
Others	4,771	8,848	6,116
	<u>\$ 248,247</u>	<u>\$ 270,470</u>	<u>\$ 257,558</u>

(11) Other payables

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Dividends	\$ 701,773	\$ -	\$ 701,030
Royalty collection	314,027	324,528	288,074
Employees' bonuses and directors' and supervisors' remuneration	119,008	126,645	125,841
Employees' rewards	53,964	62,936	49,646
Payroll	45,965	79,254	47,914
Promotional fees	38,669	40,180	38,012
Professional service fees	15,749	13,470	23,794
Commission expense	5,924	6,246	11,032
Employees' bonuses-before 2008	-	20,444	20,444
Other accrued expenses	16,471	17,244	17,662
Other payables	1,977	15,738	4,684
	<u>\$ 1,313,527</u>	<u>\$ 706,685</u>	<u>\$ 1,328,133</u>

(12) Provisions

	Cost of software		
	Royalty	bug-fixing	Total
At January 1, 2015	\$ 380,909	\$ 7,890	\$ 388,799
Additional provisions	6,943	-	6,943
Unused amounts reversed	-	(702)	(702)
At June 30, 2015	<u>\$ 387,852</u>	<u>\$ 7,188</u>	<u>\$ 395,040</u>

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

Analysis of total provisions:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Non-current	<u>\$ 395,040</u>	<u>\$ 388,799</u>	<u>\$ 342,806</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.

**(13)Pensions**

- A. a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.
- b) For the aforementioned pension plan, the Group recognised pension costs of \$340, \$320, \$679 and \$641 for the three-month and six-month periods ended June 30, 2015 and 2014, respectively.
- c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2016 amounts to \$960.
  
- B. a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on no less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- b) The pension costs under defined contribution pension plans of the Company for the three-month and six-month periods ended June 30, 2015 and 2014 were \$5,055, \$5,298, \$10,402 and \$10,899, respectively.
- c) The pension costs under local pension regulations of the foreign subsidiaries for the three-month and six-month periods ended June 30, 2015 and 2014 were \$1,327, \$1,345, \$2,327 and \$2,456, respectively.
- d) Cyberlink Investment has no employees and does not have any retirement plan.

(14) Share-based payment

A. For the six-month periods ended June 30, 2015 and 2014, the Company's share-based payment arrangements were as follows:

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

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

	Six-month period ended June 30, 2015			Six-month period ended June 30, 2014		
	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	2,822	\$ 76.02	3,172	\$ 80.50		
Options exercised	( 317)	55.00	( 13)	59.20		
Options forfeited	-	-	( 273)	72.22		
Options outstanding at end of the period	<u>2,505</u>	78.68	<u>2,886</u>	81.37		
Options exercisable at end of the period	<u>2,029</u>		<u>1,934</u>			

C. The weighted-average stock price of stock options at exercise dates for the six-month periods ended June 30, 2015 and 2014 was \$78.68 and \$81.37 (in dollars), respectively.

D. As of June 30, 2015, December 31, 2014 and June 30, 2014 the range of exercise prices of stock options outstanding was \$55~\$105.8, \$55~\$105.8 and \$59.2~\$114 (in dollars), respectively; the weighted-average remaining contractual period was 1.38~3.14 years, 1.88~3.64 years and 2.38~4.14 years, respectively.

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	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:

	Three-month period ended June 30, 2015	Three-month period ended June 30, 2014
Equity settled	<u>\$ 395</u>	<u>\$ 797</u>
	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
Equity settled	<u>\$ 790</u>	<u>\$ 2,311</u>

G. On March 19, 2015, the Board of Directors has resolved to issue the first employee stock options in 2015 amounting to 5,000,000 units. The subscription price is the closing price of the Company's ordinary shares on issuance date. The issuance has been approved by the competent authority.

(15) Share capital

As of June 30, 2015, the Company's authorized capital was \$1,610,000, consisting of 161,000 thousand shares of ordinary stock (including 21,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,005,361 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	2015	2014	(Thousand shares)
At January 1	100,219	100,143	
Employee stock options exercised	317	13	
At June 30	<u>100,536</u>	<u>100,156</u>	

(16) 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.

(17) 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. The appropriation of 2014 and 2013 earnings had been resolved at the stockholders' meeting on June 24, 2015 and June 19, 2014, respectively. However, 2014 earnings have not been distributed yet.

Details are summarized below:

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

- E. For information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(22).

(18) Other equity items

	2015	2014
Currency translation difference:		
At January 1	(\$ 57,652)	(\$ 73,164)
- Group	( 31,771)	5,452
- Associates	( 7,697)	-
At June 30	<u>(\$ 97,120)</u>	<u>(\$ 67,712)</u>

(19) Other income

	Three-month period ended June 30, 2015	Three-month period ended June 30, 2014
Rental income	\$ 13,425	\$ 12,490
Interest income from bank deposits	7,075	13,794
Others (Note)	<u>34,129</u>	<u>1,103</u>
	<u>\$ 54,629</u>	<u>\$ 27,387</u>
	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
Rental income	\$ 26,602	\$ 24,861
Interest income from bank deposits	15,553	23,804
Others (Note)	<u>35,655</u>	<u>1,424</u>
	<u>\$ 77,810</u>	<u>\$ 50,089</u>

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

(20) Other gains and losses

	Three-month period ended June 30, 2015	Three-month period ended June 30, 2014
Net currency exchange losses	(\$ 16,861)	(\$ 42,696)
Net gains on financial assets at fair value through profit or loss	195	200
Others	<u>( 4,450)</u>	<u>( 4,779)</u>
	<u><u>(\$ 21,116)</u></u>	<u><u>(\$ 47,275)</u></u>
	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
Net currency exchange losses	(\$ 41,633)	(\$ 3,078)
Net gains on financial assets at fair value through profit or loss	472	436
Others	<u>( 7,207)</u>	<u>( 7,652)</u>
	<u><u>(\$ 48,368)</u></u>	<u><u>(\$ 10,294)</u></u>

(21) Costs and expenses by nature

	Three-month period ended June 30, 2015	Three-month period ended June 30, 2014
Cost of goods sold	\$ 3,304	\$ 4,001
Employee benefit expenses	185,797	202,549
Royalty cost	61,096	72,579
Promotional fees	22,285	18,221
Professional service fees	18,402	49,669
Product selling fees	16,395	14,132
Depreciation of property, plant and equipment	2,727	2,101
Others	<u>20,481</u>	<u>20,671</u>
Total cost of sales and operating expenses	<u>\$ 330,487</u>	<u>\$ 383,923</u>
	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
Cost of goods sold	\$ 6,279	\$ 16,147
Employee benefit expenses	378,067	420,907
Royalty cost	127,829	143,079
Promotional fees	50,235	40,480
Professional service fees	42,031	79,503
Product selling fees	32,329	33,252
Depreciation of property, plant and equipment	5,347	4,335
Others	<u>43,325</u>	<u>42,323</u>
Total cost of sales and operating expenses	<u>\$ 685,442</u>	<u>\$ 780,026</u>

(22) Employee benefit expenses

	Three-month period ended June 30, 2015	Three-month period ended June 30, 2014
Wages and salaries	\$ 161,539	\$ 178,335
Labor and health insurance fees	13,835	12,981
Pension costs	6,722	6,963
Employee stock options	395	797
Other personnel expenses	<u>3,306</u>	<u>3,473</u>
	<u>\$ 185,797</u>	<u>\$ 202,549</u>
	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
Wages and salaries	\$ 331,016	\$ 370,058
Labor and health insurance fees	26,492	27,491
Pension costs	13,408	13,996
Employee stock options	790	2,311
Other personnel expenses	<u>6,361</u>	<u>7,051</u>
	<u>\$ 378,067</u>	<u>\$ 420,907</u>

A. The Articles of Incorporation of the Company are disclosed in Note 6(17). However, in accordance with the Company Act amended in May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. Taking into consideration of the Company's actual operation procedures, the Company's Articles of Incorporation has not been revised in accordance with the amended Company Act. Thus, all procedures are based on the unrevised Articles of Incorporation.

B. For the three-month and six-month periods ended June 30, 2015 and 2014, employees' remuneration (bonus) was accrued at \$11,325, \$11,896, \$21,015 and \$27,393, respectively; directors' and supervisors' remuneration was accrued at \$1,699, \$1,784, \$3,152 and \$4,109, respectively. The expenses recognised were accrued based on the net income of the year and the percentage specified in the Articles of Incorporation of the Company (10% and 1.5% for employees and directors/supervisors, respectively), taking into account other factors such as legal reserve. The aforementioned amounts were recognised in salary expenses.

The difference between directors' and supervisors' remuneration as resolved by the stockholders and the amount of \$9,544 recognised in the 2014 financial statements by \$233 had been adjusted in the 2015 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 will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

### (23) Income tax

#### A. Income tax expense

Components of income tax expense:

	Three-month period ended June 30, 2015	Three-month period ended June 30, 2014
Current tax expense recognised for the current period	\$ 18,446	\$ 36,313
Income tax adjustments on prior years	<u>-</u>	<u>521</u>
Total current tax	<u>18,446</u>	<u>36,834</u>
Temporary differences	<u>9,039</u>	<u>(2,028)</u>
Total deferred tax	<u>9,039</u>	<u>(2,028)</u>
Income tax expense recognised in profit or loss	<u>\$ 27,485</u>	<u>\$ 34,806</u>

	<u>Six-month period ended June 30, 2015</u>	<u>Six-month period ended June 30, 2014</u>
Current tax expense recognised for the current period	\$ 48,018	\$ 70,762
Income tax adjustments on prior years	1,367	4,901
Total current tax	49,385	75,663
Temporary differences	(3,387)	(3,910)
Total deferred tax	(3,387)	(3,910)
Income tax expense recognised in profit or loss	\$ 45,998	\$ 71,753

B. As of June 30, 2015, the Company's income tax returns through 2012 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Earnings generated in and before 1997	\$ 9,932	\$ 9,932	\$ 9,932
Earnings generated in and after 1998	566,231	1,089,716	692,397
	<u>\$ 576,163</u>	<u>\$ 1,099,648</u>	<u>\$ 702,329</u>

D. As of June 30, 2015, December 31, 2014 and June 30, 2014, the balance of the imputation tax credit account was \$51,896, \$64,281 and \$74,752, respectively. The creditable tax rate was 6.45% for 2013 and is 4.70% for 2014.

(24) Earnings per share

Three-month period ended June 30, 2015			
	Weighted average outstanding shares (share in thousands)	Earnings per share (in dollars)	
<u>Amount after tax</u>			
<b>Basic earnings per share</b>			
Profit attributable to the parent	\$ 125,805	100,403	\$ 1.25
<b>Diluted earnings per share</b>			
Profit attributable to the ordinary shareholders of the parent	\$ 125,805	100,403	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	505	
Employees' bonus	-	364	
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 125,805</u>	<u>101,272</u>	<u>\$ 1.24</u>

Three-month period ended June 30, 2014

	Weighted average outstanding shares	Earnings per share (in dollars)
<u>Amount after tax</u> <u>(share in thousands)</u>		
<b><u>Basic earnings per share</u></b>		
Profit attributable to the parent	\$ 132,181	100,155 \$ 1.32
<b><u>Diluted earnings per share</u></b>		
Profit attributable to the ordinary shareholders of the parent	\$ 132,181	100,155
Assumed conversion of all dilutive potential ordinary shares		
Employees' stock options	-	654
Employees' bonus	-	292
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 132,181</u>	<u>101,101</u> \$ 1.31

Six-month period ended June 30, 2015

	Weighted average outstanding shares	Earnings per share (in dollars)
<u>Amount after tax</u> <u>(share in thousands)</u>		
<b><u>Basic earnings per share</u></b>		
Profit attributable to the parent	\$ 233,474	100,304
	\$ 2.33	
<b><u>Diluted earnings per share</u></b>		
Profit attributable to the ordinary shareholders of the parent	\$ 233,474	100,304
Assumed conversion of all dilutive potential ordinary shares		
Employees' stock options	-	518
Employees' bonus	-	717
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 233,474	101,539
	\$ 2.30	

Six-month period ended June 30, 2014

	Weighted average outstanding shares	Earnings per share (in dollars)
<u>Amount after tax</u> <u>(share in thousands)</u>		
<b><u>Basic earnings per share</u></b>		
Profit attributable to the parent	\$ 304,371	100,150 \$ 3.04
<b><u>Diluted earnings per share</u></b>		
Profit attributable to the ordinary shareholders of the parent	\$ 304,371	100,150
Assumed conversion of all dilutive potential ordinary shares		
Employees' stock options	-	621
Employees' bonus	-	647
Profit attributable to the ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 304,371</u>	<u>101,418</u> \$ 3.00

(25) Business combinations

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

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

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

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

(26) 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 2014 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 \$13,425, \$12,490, \$26,602 and \$24,861 were for the three-month and six-month periods ended June 30, 2015 and 2014, respectively. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Not later than one year	\$ 50,049	\$ 46,532	\$ 41,353
Later than one year but not later than five years	<u>76,460</u>	<u>81,351</u>	<u>65,743</u>
	<u>\$ 126,509</u>	<u>\$ 127,883</u>	<u>\$ 107,096</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 \$1,807, \$2,233, \$3,790 and \$4,196 for the three-month and six-month periods ended June 30, 2015 and 2014, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Not later than one year	\$ 4,649	\$ 4,350	\$ 6,433
Later than one year but not later than five years	<u>-</u>	<u>1,813</u>	<u>5,235</u>
	<u>\$ 4,649</u>	<u>\$ 6,163</u>	<u>\$ 11,668</u>

#### (27) Supplemental cash flow information

Financing activities with no cash flow effects:

	<u>Six-month period ended June 30, 2015</u>	<u>Six-month period ended June 30, 2014</u>
Dividends declared yet to be distributed	\$ 701,773	\$ 701,030

### 7. RELATED PARTY TRANSACTIONS

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

##### A. Other receivables

	<u>June 30, 2015</u>	<u>December 31, 2014</u>	<u>June 30, 2014</u>
Associates	\$ 6,971	\$ -	\$ -

The receivables are mainly revenue from professional service and payment on behalf of others.

##### B. Property transaction

	<u>Accounts</u>	<u>Three-month period ended June 30, 2015</u>	
		<u>Disposal proceeds</u>	<u>Gain on disposal</u>
Associates	Other income	\$ 65,000	\$ 34,035
Associates	<u>Accounts</u>	<u>Disposal proceeds</u>	<u>Gain on disposal</u>
	Other income	\$ 65,000	\$ 34,035

The Company has sold intangible assets to associates in May 2015. Prices are based on appraisal reports issued by China Evergreen Technology Co., Ltd. and China Intangible Asset Appraisal. The total transaction amount is \$65,000, gain on disposal is \$65,000, and unrealised gain recognised proportionately to shareholding ratio is \$30,965.

**C. Other income**

	<u>Three-month period ended June 30, 2015</u>	<u>Three-month period ended June 30, 2014</u>
Associates	\$ 533	\$ -
	<u>Six-month period ended June 30, 2015</u>	<u>Six-month period ended June 30, 2014</u>
Associates	\$ 533	\$ -

Income is mainly rental income for leasing offices to related parties. Rental prices are based on lease contracts and collection term is on a monthly basis.

**(2) Key management compensation**

	<u>Three-month period ended June 30, 2015</u>	<u>Three-month period ended June 30, 2014</u>
Salaries and other short-term employee benefits	\$ 36,976	\$ 34,407
Post-employment benefits	300	320
Service execution fees	24	15
	<u>\$ 37,300</u>	<u>\$ 34,742</u>

	<u>Six-month period ended June 30, 2015</u>	<u>Six-month period ended June 30, 2014</u>
Salaries and other short-term employee benefits	\$ 57,445	\$ 54,634
Post-employment benefits	632	652
Service execution fees	37	23
	<u>\$ 58,114</u>	<u>\$ 55,309</u>

**8. PLEDGED ASSETS**

None.

**9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS**

**(1) Contingencies**

None.

**(2) Commitments**

The Group's commitments are disclosed in Note 6(26).

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

No significant changes during the period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2014.

### (2) Financial instruments

#### A. Fair value information of financial instruments

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

#### B. Financial risk management policies

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

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

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

##### a) Market risk

###### Foreign exchange risk

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

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

June 30, 2015

Currency	Foreign currency			Book value			Sensitivity analysis	
	amount (USD in thousands)	Exchange rate	Book value (NTD in thousands)	Degree of variation		Effect on profit or loss		
<b>Financial assets</b>								
USD:NTD	\$ 79,320	\$ 30.86	\$ 2,447,815	1%	\$ 24,478			
USD:JPY	9,788	122.27	302,058	1%	3,021			
USD:EUR	1,433	0.90	44,222	1%	442			
<b>Financial liabilities</b>								
USD:NTD	6,583	30.86	203,151	1%	2,032			
USD:JPY	5,523	122.27	170,440	1%	1,704			
USD:EUR	199	0.90	6,141	1%	61			

December 31, 2014

Currency	Foreign currency			Book value			Sensitivity analysis	
	amount (USD in thousands)	Exchange rate	Book value (NTD in thousands)	Degree of variation		Effect on profit or loss		
<b>Financial assets</b>								
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			
<b>Financial liabilities</b>								
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			

June 30, 2014

Currency	Foreign currency			Sensitivity analysis		
	amount (USD in thousands)	Exchange rate	Book value (NTD in thousands)	Degree of variation	Effect on profit or loss	
<b>Financial assets</b>						
USD:NTD	\$ 92,940	\$ 29.87	\$ 2,776,118	1%	\$ 27,761	
USD:JPY	10,379	101.39	310,021	1%	3,100	
USD:EUR	2,441	0.73	72,913	1%	729	
<b>Financial liabilities</b>						
USD:NTD	6,636	29.87	198,217	1%	1,982	
USD:JPY	6,321	101.39	188,808	1%	1,888	
USD:EUR	233	0.73	6,960	1%	70	

The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2015 and 2014, amounted to \$16,861, \$42,696, \$41,633 and \$3,078, respectively.

#### Price risk

- i. The Group is exposed to financial instruments price risk due to investments held by the Group under fair value through profit or loss. To manage its price risk arising from investments in financial instruments, the Group diversifies its portfolio. The diversification follows the limits set by the Group. The Group is not exposed to commodity price risk.
- ii. The Group's major financial investments are beneficiary certificates. The prices of the financial instruments would change due to the change of the future value of investment targets. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2015 and 2014 would have increased/decreased by \$1,170 and \$1,776, 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 June 30, 2015, December 31, 2014 and June 30, 2014 and thus there was no interest rate risk arising from borrowing.

b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for

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

- ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- iii. The credit quality information of financial assets that are neither past due nor impaired is provided in Note 6.
- iv. The ageing analysis of financial assets that were past due but not impaired is provided in Note 6(4). For accounts receivable that were overdue, the Group did not provide impairment if their credit quality was not changed significantly and if they were still collectible.
- v. The individual analysis of financial assets that have been impaired is provided in the statement for each type of financial assets in Note 6.

c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, and marketable securities. The selected instruments should either have appropriate maturity or sufficient liquidity to meet the above mentioned forecasts and provide sufficient cash balance. As at June 30, 2015, December 31, 2014 and June 30, 2014, the Group held money market position of \$3,970,767, \$4,165,408 and \$4,476,991, respectively that are expected to readily generate cash inflows for managing liquidity risk.
- iii. Based on contractual payments, the Group's non-derivative financial liabilities are all current financial liabilities.

### (3) Fair value information

- A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(8).
- B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

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

value of the Group's investment in beneficiary certificates is included in Level 1.

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

Level 3: Unobservable inputs for the asset or liability.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at June 30, 2015, December 31, 2014 and June 30, 2014 is as follows:

June 30, 2015	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<b><u>Recurring fair value measurements</u></b>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 116,967</u>	<u>\$ _____ - \$ _____</u>	<u>- \$ 116,967</u>	

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

June 30, 2014	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<b><u>Recurring fair value measurements</u></b>				
Financial assets at fair value through profit or loss				
Equity securities	<u>\$ 177,559</u>	<u>\$ _____ - \$ _____</u>	<u>- \$ 177,559</u>	

D. The methods and assumptions the Group used to measure fair value are as follows:  
The Group used market quoted prices as fair values (that is, Level 1) of open-ended fund and the market quoted prices are net value of the fund.

E. For the six-month periods ended June 30, 2015 and 2014, there was no transfer between Level 1 and Level 2.

F. For the six-month periods ended June 30, 2015 and 2014, there was no transfer into or out from Level 3.

## 13. SUPPLEMENTARY DISCLOSURES

### 1) Significant transactions information

- A. Lending to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries and associates): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 2.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

### 2) Information on investees

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

### 3) Information on investments in Mainland China

- A. Basic information: Please refer to table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

## 14. SEGMENT REPORTING

### 1) General information

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

### 2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Three-month period ended June 30, 2015			
	Media Experience and Entertainment	Media Creation and Others	Total
Segment Revenue	\$ 211,506	\$ 251,017	\$ 462,523
Segment Operating Income	\$ 55,810	\$ 76,226	\$ 132,036

Three-month period ended June 30, 2014			
	Media Experience and Entertainment	Media Creation and Others	Total
Segment Revenue	\$ 285,626	\$ 285,172	\$ 570,798
Segment Operating Income	\$ 88,241	\$ 98,634	\$ 186,875

Six-month period ended June 30, 2015			
	Media Experience and Entertainment	Media Creation and Others	Total
Segment Revenue	\$ 407,032	\$ 540,699	\$ 947,731
Segment Operating Income	\$ 102,823	\$ 159,466	\$ 262,289

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

### 3) 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.

CyberLink Corp.

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

For the six-month period ended June 30, 2015

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of June 30, 2015				Footnote (Note 4)
				Number of shares (Note 3)	Book value (Note 3)	Ownership (%)	Fair value	
CyberLink Corp.	Stock of One-Blue, LLC	Director of the investee company	Financial assets carried at cost - non-current	-	\$ 48,535	16.67%	\$ -	-
CyberLink Investment Corp	Yuanta Wan Tai Money Market Fund	None	Financial assets at fair value through profit or loss - current	7,834,019	116,967	-	116,967	
CyberLink Investment Corp	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	US\$ 150 (in thousand of dollars)	2.69%		
CyberLink International Technology Corp.	Preferred stock of LOFTechnology, Inc.	None	Financial assets carried at cost - non-current	100,000	US\$ 100 (in thousand of dollars)	1.25%		

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

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

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

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

CyberLink Corp.

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

For the six-month period ended June 30, 2015

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2015		Addition (Note 3)		Disposal (Note 3)			Balance as at June 30, 2015		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
CyberLink Corp.	Stock of CyberLink International Technology Corp.	Investments accounted for using equity method	Capital increase by cash	Subsidiary	2,000,000	\$ 183,290	20,000,000	\$ 626,325	-	\$ (76,680)	\$ -	(Note 5)	22,000,000	\$ 732,935
CyberLink International Technology Corp.	Stock of Perfect Corp.	Investments accounted for using equity method	Capital increase by cash	Associate	-	-	147,000,000	458,346	-	-	(50,421)	(Note 5)	147,000,000	407,925

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

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

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NTS300 million or 20% of paid-in capital or more.

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

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

CyberLink Corp.

Significant inter-company transactions during the reporting periods

For the six-month period ended June 30, 2015

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction				Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms		
0	CyberLink Corp.	CyberLink.Com Corp.	1	Sales revenue	\$ 80,613	Note 4		8.5%
				Receivables	26,610	Note 4, 5		0.4%
0	CyberLink Corp.	CyberLink Inc.	1	Sales revenue	78,943	Note 4		8.3%
				Receivables	11,487	Note 4, 5		0.2%
0	CyberLink Corp.	CyberLink Europe B.V.	1	Sales revenue	51,803	Note 4		5.5%

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

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

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

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

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

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

Note 5: Receivables include accounts receivable and other receivables.

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

CyberLink Corp.

Information on investees

For the six-month period ended June 30, 2015

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2015			Net profit (loss) of the investee for the six-month period ended June 30, 2015 (Note 2(2))	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2015 (Note 2(3))	Footnote
				Balance as at June 30, 2015	Balance as at June 30, 2014	Number of shares	Ownership (%)	Book value			
CyberLink Corp.	CyberLink.Com Corp.	America	Sale of software	\$ 136,327	\$ 136,327	4,000,000	100%	\$ 428,863	(\$ 19,785)	(\$ 19,785)	Direct subsidiary
CyberLink Corp.	CyberLink Europe B.V.	Netherlands	Sale of software	124,710	124,710	3,000,000	100%	56,848	1,892	1,892	Direct subsidiary
CyberLink Corp.	CyberLink International Technology Corp.	B.V.I.	Investment activities	691,146	64,821	22,000,000	100%	732,935	(25,540)	(25,540)	Direct subsidiary
CyberLink Corp.	CyberLink Investment Corp	Taiwan	Investment activities	220,000	220,000	12,000,000	100%	166,375	296	296	Direct subsidiary
CyberLink International Technology Corp.	CyberLink Inc.	Japan	Sale of software	26,169 (USD 848 in thousand of dollars)	26,839 (USD 848 in thousand of dollars)	1,900	100%	162,291 (USD 5,259 in thousand of dollars)	5,023 (USD 161 in thousand of dollars)	-	Indirect subsidiary
CyberLink International Technology Corp.	Perfect Corp.	Cayman	Investment activities	453,642 (USD 14,700 in thousand of dollars)	-	147,000,000	49%	407,925 (USD 13,219 in thousand of dollars)	(24,993) (USD 802 in thousand of dollars)	-	Investment accounted for using equity method
CyberLink.Com Corp.	ImageChef Incorporated	America	Digital information supply services	33,113 (USD 1,073 in thousand of dollars)	33,960 (USD 1,073 in thousand of dollars)	7,749,447	100%	11,038 (USD 358 in thousand of dollars)	2,895 (USD 93 in thousand of dollars)	-	Indirect subsidiary

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

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

- (1) The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at June 30, 2015' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2) The 'Net profit (loss) of the investee for the six-month period ended June 30, 2015' column should fill in amount of net profit (loss) of the investee for this period.
- (3) The 'Investment income (loss) recognised by the Company for the six-month period ended June 30, 2015' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

CyberLink Corp.  
Information on investments in Mainland China  
For the six-month period ended June 30, 2015

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2015	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six- month period ended June 30, 2015		Accumulated amount of remittance from Taiwan to Mainland China	Net income of investee as of as of June 30, June 30, 2015	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the six-month period ended June 30, 2015		Book value of investments in Mainland China as of June 30, 2015	Accumulated amount of income remitted back to Taiwan as of June 30, 2015	Footnote
					Remitted to Mainland China	Remitted back to Taiwan				(\$)	(\$)			
CyberLink (Shanghai) Co., Ltd.	Trading of computer peripheral and software	\$ 2,531	(2)	\$ -	\$ 2,531	\$ -	\$ 2,531	(\$ 63)	100	(\$ 63)	\$ 2,468	\$ -	Footnote 4	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2015	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investments in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs
		(MOEA)	MOEA
CyberLink Corp.	\$ 2,531 (USD 82 in thousand of dollars)	\$ 2,531 (USD 82 in thousand of dollars)	\$ 2,610,611

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

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

Note 2: In the 'Investment income (loss) recognised by the Company for the six-month period ended June 30, 2015' column:

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

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

Note 4: Through investing in CyberLink International Technology Corp.