HTC Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2013 and 2012 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
HTC Corporation

We have reviewed the accompanying consolidated balance sheets of HTC Corporation and its subsidiaries (collectively referred to as the "Company") as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income for the three months ended June 30, 2013 and 2012, six months ended June 30, 2013 and 2012, and changes in equity and cash flows for the six months ended June 30, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "Engagements to Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated 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 above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standard 1 "First-time Adoption of International Financial Reporting Standards" and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

July 30, 2013

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally applied in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent accountants' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent accountants' review report and consolidated financial statements shall prevail. Also, as stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under accounting principles and practices generally applied in the Republic of China were not translated into English.

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

ASSETS	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 48,115,859	$ 50,966,143	$ 55,521,118	$ 62,026,758
Financial assets at fair value through profit or loss - current (Notes 7 and 32)	48,502	6,950	181,288	256,868
Available-for-sale financial assets - current (Notes 8 and 32)	-	37,902	794,213	736,031
Held-to-maturity financial assets - current (Notes 9 and 32)	100,612	101,459	-	-
Derivative financial assets for hedging - current (Notes 10 and 32)	-	204,519	-	-
Note and trade receivables, net (Notes 13 and 33)	48,203,254	41,253,826	66,125,253	64,719,791
Other receivables (Note 13)	1,845,947	1,524,269	1,959,611	1,947,665
Other receivables - related parties (Notes 13 and 33)	-	6,600,093	-	966
Current tax assets	360,743	61,532	142,484	263,116
Inventories (Note 14)	28,052,138	23,809,377	26,658,855	28,430,590
Prepayments (Note 15)	6,569,646	4,965,814	9,442,543	6,507,516
Other current financial assets (Notes 6, 12 and 34)	4,140,566	6,561,444	26,128,610	25,543,450
Other current assets	33,547	39,097	53,235	249,644
Total current assets	137,470,814	136,132,425	187,007,210	190,682,395
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 8 and 32)	152	197	189	279
Held-to-maturity financial assets - non-current (Notes 9 and 32)	-	-	202,922	204,597
Financial assets measured at cost - non-current (Notes 11 and 32)	4,547,521	4,304,907	3,690,929	3,408,654
Investments accounted for using equity method (Note 16)	5,551,231	5,892,168	309,374	71,732
Property, plant and equipment (Notes 17 and 33)	25,908,958	25,990,766	25,685,355	21,715,633
Intangible assets (Note 18)	11,304,591	11,683,170	21,878,629	22,767,479
Deferred tax assets	9,002,443	8,689,842	6,459,667	6,319,978
Refundable deposits	175,723	190,142	186,988	185,306
Long-term receivables (Note 13)	4,516,650	4,369,350	-	-
Prepaid pension cost - non-current (Note 23)	131,469	119,273	112,298	100,651
Other non-current assets (Note 15)	11,307,739	9,876,752	9,635,240	10,655,126
Total non-current assets	72,446,477	71,116,567	68,161,591	65,429,435
TOTAL	$ 209,917,291	$ 207,248,992	$ 255,168,801	$ 256,111,830

LIABILITIES AND EQUITY	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	$ 9,936,630	$ -	$ -	$ -
Derivative financial liabilities for hedging - current (Notes 10 and 32)	-	-	15,871	-
Note and trade payables (Notes 20 and 33)	65,760,801	73,618,197	79,222,932	78,473,130
Other payables (Notes 21 and 33)	44,723,615	39,267,173	80,164,184	47,595,791
Current tax liabilities	347,900	2,713,373	2,056,643	10,570,682
Provisions - current (Note 22)	5,601,489	8,881,514	14,310,954	15,133,275
Other current liabilities (Note 21)	1,633,504	1,788,106	1,968,971	1,661,140
Total current liabilities	128,003,939	126,268,363	177,739,555	153,434,018
NON-CURRENT LIABILITIES				
Deferred tax liabilities	670,638	647,936	463,475	340,261
Guarantee deposits received	183,014	59,999	98,879	42,946
Total non-current liabilities	853,652	707,935	562,354	383,207
Total liabilities	128,857,591	126,976,298	178,301,909	153,817,225
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 24)				
Share capital - common stock	8,520,521	8,520,521	8,520,521	8,520,521
Capital surplus	16,601,557	16,601,557	16,601,557	16,601,557
Retained earnings				
Legal reserve	18,149,350	16,471,254	16,471,254	10,273,674
Special reserve	854,138	-	-	580,856
Accumulated earnings	50,770,725	53,630,777	48,669,552	75,687,478
Total retained earnings	69,774,213	70,102,031	65,140,806	86,542,008
Other equity	228,899	(885,925)	(526,073)	2,939
Treasury shares	(14,065,490)	(14,065,490)	(14,065,490)	(10,365,144)
Total equity attributable to owners of the parent	81,059,700	80,272,694	75,671,321	101,301,881
NON-CONTROLLING INTEREST	-	-	1,195,571	992,724
Total equity	81,059,700	80,272,694	76,866,892	102,294,605
TOTAL	$ 209,917,291	$ 207,248,992	$ 255,168,801	$ 256,111,830

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
REVENUES (Notes 25 and 33)	$ 70,666,915	$ 91,040,876	$ 113,455,432	$ 158,830,457
COST OF REVENUES (Notes 14, 26 and 33)	54,290,241	66,467,207	88,396,606	117,277,592
GROSS PROFIT	16,376,674	24,573,669	25,058,826	41,552,865
OPERATING EXPENSES (Notes 26 and 33)				
Selling and marketing	10,268,551	10,039,092	14,191,385	16,761,340
General and administrative	1,616,764	1,725,320	3,164,649	3,439,393
Research and development	3,441,468	4,656,081	6,609,543	8,078,390
Total operating expenses	15,326,783	16,420,493	23,965,577	28,279,123
OPERATING PROFIT	1,049,891	8,153,176	1,093,249	13,273,742
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 26)	251,228	333,446	509,536	588,663
Other gains and losses (Note 26)	97,507	345,495	(145,047)	546,856
Finance costs	(1,825)	(179)	(1,873)	(499)
Share of the profit or loss of associates and joint ventures (Note 16)	128,041	(7,599)	171,722	(12,069)
Total non-operating income and expenses	474,951	671,163	534,338	1,122,951
PROFIT BEFORE INCOME TAX	1,524,842	8,824,339	1,627,587	14,396,693
INCOME TAX (Note 27)	275,331	1,174,884	292,950	1,943,241
PROFIT FOR THE PERIOD	1,249,511	7,649,455	1,334,637	12,453,452
OTHER COMPREHENSIVE INCOME AND LOSS				
Exchange differences on translating foreign operations (Note 24)	533,737	155,659	1,320,701	(540,605)
Unrealized gains (losses) on available-for-sale financial assets (Note 24)	(21)	(84,565)	(11,825)	29,587
Cash flow hedge (Notes 10 and 24)	-	(17,994)	(194,052)	(17,994)
Other comprehensive income and loss for the period, net of income tax	533,716	53,100	1,114,824	(529,012)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 1,783,227	$ 7,702,555	$ 2,449,461	$ 11,924,440
ALLOCATIONS OF PROFIT FOR THE PERIOD ATTRIBUTABLE TO				
Owners of the parent	$ 1,249,511	$ 7,381,668	$ 1,334,637	$ 11,847,883
Non-controlling interest	-	267,787	-	605,569
	$ 1,249,511	$ 7,649,455	$ 1,334,637	$ 12,453,452
ALLOCATIONS OF TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO				
Owners of the parent	$ 1,783,227	$ 7,434,768	$ 2,449,461	$ 11,318,871
Non-controlling interest	-	267,787	-	605,569
	$ 1,783,227	$ 7,702,555	$ 2,449,461	$ 11,924,440

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Three Months Ended June 30		Six Months Ended June 30	
	2013	**2012**	**2013**	**2012**
EARNINGS PER SHARE (Note 28)				
Basic earnings per share	$1.50	$8.88	$1.60	$14.23
Diluted earnings per share	$1.50	$8.86	$1.60	$14.17

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent											
						Other Equity						
	Share Capital		Retained Earnings									
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Cash Flow Hedge	Treasury Shares	Total Equity Attributable to Owners of the Parent	Non-controlling Interest	Total Equity
BALANCE, JANUARY 1, 2012	$ 8,520,521	$ 16,601,557	$ 10,273,674	$ 580,856	$ 75,687,478	$ -	$ 2,939	$ -	$ (10,365,144)	$ 101,301,881	$ 992,724	$ 102,294,605
Appropriation of 2011 earnings												
Legal reserve	-	-	6,197,580	-	(6,197,580)	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	(580,856)	580,856	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(33,249,085)	-	-	-	-	(33,249,085)	-	(33,249,085)
Profit for the six months ended June 30, 2012	-	-	-	-	11,847,883	-	-	-	-	11,847,883	605,569	12,453,452
Other comprehensive income and loss for the six months ended June 30, 2012	-	-	-	-	-	(540,605)	29,587	(17,994)	-	(529,012)	-	(529,012)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(3,700,346)	(3,700,346)	-	(3,700,346)
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(402,722)	(402,722)
BALANCE, JUNE 30, 2012	$ 8,520,521	$ 16,601,557	$ 16,471,254	$ -	$ 48,669,552	$ (540,605)	$ 32,526	$ (17,994)	$ (14,065,490)	$ 75,671,321	$ 1,195,571	$ 76,866,892
BALANCE, JANUARY 1, 2013	$ 8,520,521	$ 16,601,557	$ 16,471,254	$ -	$ 53,630,777	$ (1,089,693)	$ 9,716	$ 194,052	$ (14,065,490)	$ 80,272,694	$ -	$ 80,272,694
Appropriation of 2012 earnings												
Legal reserve	-	-	1,678,096	-	(1,678,096)	-	-	-	-	-	-	-
Special reserve	-	-	-	854,138	(854,138)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,662,455)	-	-	-	-	(1,662,455)	-	(1,662,455)
Profit for the six months ended June 30, 2013	-	-	-	-	1,334,637	-	-	-	-	1,334,637	-	1,334,637
Other comprehensive income and loss for the six months ended June 30, 2013	-	-	-	-	-	1,320,701	(11,825)	(194,052)	-	1,114,824	-	1,114,824
BALANCE, JUNE 30, 2013	$ 8,520,521	$ 16,601,557	$ 18,149,350	$ 854,138	$ 50,770,725	$ 231,008	$ (2,109)	$ -	$ (14,065,490)	$ 81,059,700	$ -	$ 81,059,700

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Six Months Ended June 30	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,627,587	$ 14,396,693
Adjustments for:		
Depreciation	1,408,280	1,117,339
Amortization	1,002,080	1,013,002
Impairment loss recognized on trade receivables	1,009,364	507,441
Finance costs	1,873	499
Interest income	(347,759)	(327,491)
Dividend income	(13,232)	(1,427)
Share of the profit or loss of associates and joint ventures	(171,722)	12,069
Losses on disposal of property, plant and equipment	1,563	120
Transfer of property, plant and equipment to expenses	-	4,630
Gain on sale of investments	(29,735)	(39,656)
Impairment losses on non-financial assets	1,123,441	286,674
Changes in operating assets and liabilities		
(Increase) decrease in financial instruments held for trading	(41,552)	75,580
Decrease in derivative financial instruments for hedging	204,519	15,871
Increase in note and trade receivables	(7,958,792)	(1,912,903)
Increase in other receivables	(367,888)	(7,485)
Decrease in other receivables - related parties	-	966
(Increase) decrease in inventories	(4,999,538)	1,485,061
Increase in prepayments	(2,113,542)	(2,935,027)
Decrease in other current assets	5,550	196,409
(Increase) decrease in other non-current assets	(1,443,183)	1,008,239
(Decrease) increase in note and trade payables	(7,857,396)	749,802
Increase (decrease) in other payables	4,407,900	(2,327,489)
Decrease in provisions	(3,280,025)	(822,321)
(Decrease) increase in other current liabilities	(154,602)	307,831
Cash (used in) generated from operations	(17,986,809)	12,804,427
Interest received	393,969	323,149
Interest paid	(642)	(499)
Income tax paid	(3,247,533)	(10,353,123)
Net cash (used in) generated from operating activities	(20,841,015)	2,773,954
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	56,738	85,938
Payments to acquire financial assets measured at cost	(120,244)	(390,948)
Net cash outflow on acquisition of subsidiaries	-	(55,252)
Payments for property, plant and equipment	(1,696,188)	(3,754,335)
Proceeds from disposal of property, plant and equipment	-	7,107
Increase in refundable deposits	-	(1,682)
Decrease in refundable deposits	14,419	-

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Six Months Ended June 30	
	2013	**2012**
Decrease in other receivables - related parties	$ 6,600,093	$ -
Payments for intangible assets	(193,761)	(107,996)
Increase in other current financial assets	-	(585,160)
Decrease in other current financial assets	2,420,878	-
Increase in prepayments for equipment in transit	-	(181,429)
Decrease in prepayments for equipment in transit	24,046	-
Dividend received	658,846	1,427
Loss of a subsidiary	-	(501,425)
Net cash generated from (used in) investing activities	7,764,827	(5,483,755)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	9,936,630	-
Payments for treasury shares	-	(3,700,346)
Increase in guarantee deposits received	123,015	55,933
Change in non-controlling interest	-	(152,033)
Net cash generated from (used in) financing activities	10,059,645	(3,796,446)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	166,259	607
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,850,284)	(6,505,640)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	50,966,143	62,026,758
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 48,115,859	$ 55,521,118

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

HTC Corporation ("HTC") was incorporated on May 15, 1997 under the Company Law of the Republic of China to design, manufacture, assemble, process, and sell smart mobile devices and provide after-sales service.

In March 2002, HTC had its stock listed on the Taiwan Stock Exchange. On November 19, 2003, HTC listed some of its shares of stock on the Luxembourg Stock Exchange in the form of global depositary receipts.

The functional currency of HTC is New Taiwan dollars. The consolidated financial statements are presented in New Taiwan dollars since HTC is the ultimate parent of the Company.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on July 30, 2013.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

In addition to the disclosure in Note 3 to the consolidated financial statements as of March 31, 2013, HTC and its entire controlled subsidiaries (the "Company") have not applied the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations, and Standing Interpretations (collectively, the "IFRSs") that have been issued by the IASB. As of the date that the consolidated financial statements were approved and authorized for issue, the Financial Supervisory Commission ("FSC") has not announced the effective dates for the following new and revised Standards, Amendments and Interpretations:

New, Revised Standards, Amendments and Interpretations		Effective Date Announced by IASB (Note)
Amendments to IAS 36	Recoverable Amount Disclosures for Non-financial Assets	January 1, 2014
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21	Levies	January 1, 2014

Note: Unless otherwise noted, the above new and revised Standards, Amendments and Interpretations are effective for annual periods beginning on or after the respective effective dates.

Except for the following, the initial application of the above new and revised Standards, Amendments and Interpretations had not had any material impact on the Company's accounting policies:

IFRS 9: Financial Instruments

- With regards to financial assets, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets and equity investments are measured at their fair value at the balance sheet date.

- As for financial liabilities, the main changes are with regard to the classification and measurement of financial liabilities designated as at fair value through profit or loss. IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The management anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the FSC announced the "Framework for the Adoption of IFRSs by the Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved by the FSC. The date of transition to IFRSs was January 1, 2012. Refer to Note 39 for the impact of IFRSs conversion on the consolidated financial statements.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 34 "Interim Financial Reporting" as endorsed by the FSC.

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail. However, the accompanying consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under accounting principles and practices generally applied in the Republic of China but are required by the Securities and Futures Bureau for their oversight purposes.

Basis of Consolidation

The consolidated financial statements have been prepared on the same basis as the consolidated financial statements as of March 31, 2013. Please refer to the Note 4 to the consolidated financial statements as of March 31, 2013 for details.

a. Subsidiaries included in consolidated financial statements

The consolidated entities as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 were as follows:

			% of Ownership				
Investor	Investee	Main Businesses	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	Remark
HTC Corporation	H.T.C. (B.V.I.) Corp.	International holding company	100.00	100.00	100.00	100.00	-
	Communication Global Certification Inc.	Telecom testing and certification services	100.00	100.00	100.00	100.00	-
	High Tech Computer Asia Pacific Pte. Ltd.	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	100.00	-
	HTC Investment Corporation	General investing activities	100.00	100.00	100.00	100.00	-
	PT. High Tech Computer Indonesia	Marketing, repair and after-sales service	1.00	1.00	1.00	1.00	-
	HTC I Investment Corporation	General investing activities	100.00	100.00	100.00	100.00	-
	HTC Holding Cooperatief U.A.	International holding company	1.00	1.00	1.00	1.00	-
	Huada Digital Corporation	Software service	50.00	50.00	50.00	50.00	1)
	HTC Investment One (BVI) Corporation	Holding S3 Graphics Co., Ltd. and general investing activities	100.00	100.00	100.00	100.00	-
	FunStream Corporation	Design, research and development of three-D technology	-	100.00	100.00	-	2)
H.T.C. (B.V.I.) Corp.	High Tech Computer Corp. (Suzhou)	Manufacture and sale of smart mobile devices	100.00	100.00	100.00	100.00	-
	Exedea Inc.	Distribution and sales	-	-	100.00	100.00	3) -
High Tech Computer Asia Pacific Pte. Ltd.	High Tech Computer (H.K.) Limited	Marketing, repair and after-sales service	100.00	100.00	100.00	100.00	-
	HTC (Australia and New Zealand) Pty. Ltd.	〃	100.00	100.00	100.00	100.00	-
	HTC Philippines Corporation	〃	99.99	99.99	99.99	99.99	-
	PT. High Tech Computer Indonesia	〃	99.00	99.00	99.00	99.00	-
	HTC (Thailand) Limited	〃	100.00	100.00	100.00	100.00	-
	HTC India Private Ltd.	〃	99.00	99.00	99.00	99.00	-
	HTC Malaysia Sdn. Bhd.	〃	100.00	100.00	100.00	100.00	-
	HTC Innovation Limited	〃	100.00	100.00	100.00	100.00	-
	HTC Communication Co., Ltd.	Sale of smart mobile devices	100.00	100.00	100.00	100.00	-
	HTC HK, Limited	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	100.00	-
	HTC Holding Cooperatief U.A.	International holding company	99.00	99.00	99.00	99.00	-
	HTC Communication Technologies (SH)	Design, research and development of application software	100.00	100.00	100.00	100.00	-
HTC Investment Corporation	Yoda Co., Ltd.	Operation of restaurant business, parking lot and building cleaning services	100.00	100.00	-	-	4)
HTC Investment One (BVI) Corporation	S3 Graphics Co., Ltd.	Design, research and development of graphics technology	100.00	100.00	100.00	100.00	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	Remark
HTC HK, Limited	HTC Corporation (Shanghai WGQ)	Repair and after-sales services	100.00	100.00	100.00	100.00	-
	HTC Electronics (Shanghai) Co., Ltd.	Manufacture and sale of smart mobile devices	100.00	100.00	100.00	100.00	-
HTC Holding Cooperatief U.A.	HTC Netherlands B.V.	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	100.00	-
HTC Holding Cooperatief U.A.	HTC India Private Ltd.	Marketing, repair and after-sales services	1.00	1.00	1.00	1.00	-
	HTC South Eastern Europe Limited Liability Company	〃	0.67	0.67	0.67	0.67	-
HTC Netherlands B.V.	HTC EUROPE CO., LTD.	International holding company, marketing, repair and after-sales services	100.00	100.00	100.00	100.00	-
	HTC BRASIL	Marketing, repair and after-sales services	99.99	99.99	99.99	99.99	-
	HTC Belgium BVBA/SPRL	〃	100.00	100.00	100.00	100.00	-
	HTC NIPPON Corporation	Sale of smart mobile devices	100.00	100.00	100.00	100.00	-
	HTC FRANCE CORPORATION	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	100.00	-
	HTC South Eastern Europe Limited liability Company	Marketing, repair and after-sales services	99.33	99.33	99.33	99.33	-
	HTC Nordic ApS.	〃	100.00	100.00	100.00	100.00	-
	HTC Italia SRL	〃	100.00	100.00	100.00	100.00	-
	HTC Germany GmbH	〃	100.00	100.00	100.00	100.00	-
	HTC Iberia, S.L.	〃	100.00	100.00	100.00	100.00	-
	HTC Poland sp. z.o.o.	〃	100.00	100.00	100.00	100.00	-
	Saffron Media Group Ltd.	International holding company	100.00	100.00	100.00	100.00	-
	HTC Communication Canada, Ltd.	Marketing, repair and after-sales services	100.00	100.00	100.00	100.00	-
	HTC Norway AS	〃	100.00	100.00	100.00	100.00	-
	HTC RUS LLC	〃	100.00	100.00	100.00	100.00	-
	HTC Communication Sweden AB	〃	100.00	100.00	100.00	100.00	-
	HTC Luxembourg S.a.r.l.	Online/download media services	100.00	100.00	100.00	100.00	-
	HTC Middle East FZ-LLC	Marketing, repair and after-sales services	100.00	100.00	-	-	5)
HTC EUROPE CO., LTD.	HTC America Holding Inc.	International holding company	100.00	100.00	100.00	100.00	-
HTC FRANCE CORPORATION	ABAXIA SAS	International holding company, design, research and development of application software	100.00	100.00	100.00	100.00	-
HTC America Holding Inc.	HTC America Inc.	Sale of smart handheld devices	100.00	100.00	100.00	100.00	-
	One & Company Design, Inc.	Design, research and development of application software	100.00	100.00	100.00	100.00	-
	HTC America Innovation Inc.	〃	100.00	100.00	100.00	100.00	-
	HTC America Content Services, Inc.	Online/download media services	100.00	100.00	100.00	100.00	-
	Dashwire, Inc.	Design, research and development of wireless connectivity software	100.00	100.00	100.00	100.00	-
	Beats Electronics, LLC	Design, research and development of audio technology	-	-	50.14	50.14	6)

(Continued)

Investor	Investee	Main Businesses	% of Ownership June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012	Remark
	Inquisitive Minds, Inc.	Development and sale of digital education platform	100.00	100.00	100.00	100.00	-
ABAXIA SAS	HTC BLR	Design, research and development of application software	100.00	100.00	100.00	100.00	-
Saffron Media Group Ltd.	Saffron Digital Ltd.	Design, research and development of application software	100.00	100.00	100.00	100.00	-
	Saffron Digital Inc.	〃	100.00	100.00	100.00	100.00	-

(Concluded)

Remark:

1) Huada Digital Corporation ("Huada") was incorporated in January 2010 and the Company changed in ownership percentage in October 2011. In March 2012, investment type change to joint venture and the Company lost significant influence.

2) In February 2012, the Company invested in FunStream Corporation shares. FunStream Corporation was dissolved in June 2013.

3) Exedea Inc. was incorporated in December 2004, investment received in July 2005 and liquidated in December 2012.

4) Yoda Co., Ltd. was incorporated in September 2012.

5) HTC Middle East FZ-LLC was incorporated in September 2012.

6) The Company invested in Beats Electronics, LLC shares in October 2011 and lost its control of the subsidiary in August 2012 because of the partial disposal of its shares and thus accounted for this investment by equity method.

b. Subsidiaries excluded from consolidated financial statements: None

Other Significant Accounting Policies

The same accounting policies have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the three months ended March 31, 2013, except for those described below. Please refer to Note 4 to the consolidated financial statements as of March 31, 2013 for the details of summary of significant accounting policy.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the three months ended March 31, 2013, except for those described below. Please refer to the Note 5 to the consolidated financial statements as of March 31, 2013 for the details of critical accounting judgments and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Cash on hand	$ 1,868	$ 15,433	$ 12,680	$ 6,436
Checking accounts	3,841	12,134	10,457	9,709
Demand deposits	27,899,201	36,224,664	30,481,156	28,197,300
Time deposits (with original maturities less than three months)	20,210,949	14,713,912	25,016,825	33,813,313
	$ 48,115,859	$ 50,966,143	$ 55,521,118	$ 62,026,758

Cash equivalents include time deposits that have a maturity of three months or less from the date of acquisition, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value; these were held for the purpose of meeting short-term cash commitments.

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Bank deposits	0.25%-1.1%	0.20%-1.05%	0.15%-1.1%	0.15%-1%

As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the carrying amounts of time deposits with original maturities more than three months were NT$489,224 thousand, NT$2,915,624 thousand, NT$26,128,610 thousand, and NT$25,543,450 thousand, respectively, which were classified as other current financial assets. (Please refer to Notes 12 and 39).

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Financial assets held for trading				
Derivatives (not designated as hedging instruments)				
Exchange contracts	$ 48,502	$ 6,950	$ 181,288	$ 256,868

The Company entered into forward exchange contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

Forward Exchange Contracts

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)
June 30, 2013				
Foreign exchange contracts	Sell	JPY/USD	2013.07.31-2013.08.21	JPY 13,336,335
Foreign exchange contracts	Sell	EUR/USD	2013.07.03-2013.08.21	EUR 213,000
Foreign exchange contracts	Sell	GBP/USD	2013.07.17-2013.09.25	GBP 34,450
Foreign exchange contracts	Sell	RMB/USD	2013.07.17-2013.09.11	RMB 1,379,681

(Continued)

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
Foreign exchange contracts	Sell	CAD/USD	2013.07.05-2013.12.30	CAD	12,000
Foreign exchange contracts	Sell	USD/NTD	2013.07.05-2013.07.31	USD	440,350
Foreign exchange contracts	Buy	USD/NTD	2013.07.05-2013.07.26	USD	50,000
December 31, 2012					
Foreign exchange contracts	Sell	EUR/USD	2013.01.11-2013.03.27	EUR	146,000
Foreign exchange contracts	Sell	GBP/USD	2013.01.09-2013.03.20	GBP	20,700
Foreign exchange contracts	Sell	USD/NTD	2013.01.17-2013.02.20	USD	70,000
Foreign exchange contracts	Sell	USD/RMB	2013.01.09-2013.01.30	USD	78,000
Foreign exchange contracts	Buy	USD/RMB	2013.01.09-2013.01.30	USD	106,000
Foreign exchange contracts	Buy	USD/JPY	2013.01.09-2013.03.08	USD	97,437
Foreign exchange contracts	Buy	USD/CAD	2013.01.09-2013.02.22	USD	22,158
Foreign exchange contracts	Buy	USD/NTD	2013.01.07-2013.02.21	USD	270,000
June 30, 2012					
Foreign exchange contracts	Sell	EUR/USD	2012.07.06-2012.09.28	EUR	358,000
Foreign exchange contracts	Sell	GBP/USD	2012.07.06-2012.08.29	GBP	20,600
Foreign exchange contracts	Sell	USD/NTD	2012.07.02-2012.07.06	USD	30,000
Foreign exchange contracts	Buy	USD/RMB	2012.07.11-2012.09.26	USD	295,373
Foreign exchange contracts	Buy	USD/JPY	2012.07.06-2012.09.12	USD	116,647
Foreign exchange contracts	Buy	USD/CAD	2012.07.11-2012.08.01	USD	9,387
January 1, 2012					
Foreign exchange contracts	Buy	USD/CAD	2012.01.11-2012.02.22	USD	28,010
Foreign exchange contracts	Buy	USD/RMB	2012.01.04-2012.01.31	USD	105,000
Foreign exchange contracts	Sell	EUR/USD	2012.01.04-2012.03.30	EUR	339,000
Foreign exchange contracts	Sell	GBP/USD	2012.01.11-2012.02.22	GBP	17,100

(Concluded)

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Domestic investments				
Listed stocks	$ 152	$ 197	$ 189	$ 279
Mutual funds	-	-	738,744	736,031
	152	197	738,933	736,310
Foreign investments				
Listed depositary receipts	-	37,902	55,469	-
	$ 152	$ 38,099	$ 794,402	$ 736,310
Current	$ -	$ 37,902	$ 794,213	$ 736,031
Non-current	152	197	189	279
	$ 152	$ 38,099	$ 794,402	$ 736,310

9. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Domestic investment				
Bonds	$ 100,612	$ 101,459	$ 202,922	$ 204,597
Current	$ 100,612	$ 101,459	$ -	$ -
Non-current	-	-	202,922	204,597
	$ 100,612	$ 101,459	$ 202,922	$ 204,597

10. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Hedging derivative assets				
Cash flow hedge - forward exchange contracts	$ -	$ 204,519	$ -	$ -
Hedging derivative liabilities				
Cash flow hedge - forward exchange contracts	$ -	$ -	$ 15,871	$ -

The Company's foreign-currency cash flows derived from the highly probable forecast transaction may lead to risks on foreign-currency financial assets and liabilities and estimated future cash flows due to the exchange rate fluctuations. The Company assesses the risks may be significant; thus, the Company entered into derivative contracts to hedge against foreign-currency exchange risks.

The terms of the forward exchange contracts had been negotiated to match the terms of the respective designated hedged items. The outstanding forward exchange contracts of the Company at the end of the reporting period were as follows:

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2012				
Foreign exchange contracts	Buy	USD/JPY	2013.03.28	USD 95,356
June 30, 2012				
Foreign exchange contracts	Buy	USD/JPY	2013.03.28	USD 95,356

The Company supplied products to clients in Japan and signed forward exchange contracts to avoid its exchange rate exposure due to the forecast sales. Those forward exchange contracts were designated as cash flow hedges.

Gains and losses of hedging instruments transferred from equity to profit or loss were included in the following line items in the consolidated statements of comprehensive income:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Revenues	$ -	$ -	$ 258,327	$ -
Other gains and losses	-	2,123	151,197	2,123
	$ -	$ 2,123	$ 409,524	$ 2,123

11. FINANCIAL ASSETS MEASURED AT COST

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Domestic unlisted equity investment	$ 698,861	$ 698,861	$ 698,861	$ 698,861
Overseas unlisted equity investment	1,841,459	1,781,514	1,964,577	2,065,876
Overseas unlisted mutual funds	2,007,201	1,824,532	1,027,491	643,917
	$ 4,547,521	$ 4,304,907	$ 3,690,929	$ 3,408,654
Classified according to financial asset measurement categories				
Available-for-sale financial assets	$ 4,547,521	$ 4,304,907	$ 3,690,929	$ 3,408,654

Management believed that the above unlisted equity investments and mutual funds held by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of reporting period.

12. OTHER CURRENT FINANCIAL ASSETS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Trust assets for employee benefit	$ 3,651,342	$ 3,645,820	$ -	$ -
Time deposits with original maturities more than three months	489,224	2,915,624	26,128,610	25,543,450
	$ 4,140,566	$ 6,561,444	$ 26,128,610	$ 25,543,450

To protect the rights and interests of its employees, the Company deposited unpaid employee bonus in a new trust account in September 2012 and were classified as other current financial assets.

The market interest rates of the time deposits with original maturity more than three months were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Time deposits with original maturities more than three months	1.09%-3.08%	0.39%-3.30%	0.39%-4.63%	0.39%-3.30%

For details of pledged other current financial assets, please refer to Note 34.

13. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Note and trade receivables				
Note receivables	$ -	$ -	$ 3,463	$ 755,450
Trade receivables	51,272,142	43,118,861	67,959,950	65,518,876
Trade receivables - related parties	1,165	221,050	224,287	473
Less: Allowances for doubtful debts	(3,070,053)	(2,086,085)	(2,062,447)	(1,555,008)
	$ 48,203,254	$ 41,253,826	$ 66,125,253	$ 64,719,791
Other receivables				
Loan receivables - fluctuation rate	$ -	$ 6,554,025	$ -	$ -
Receivables from disposal of investments	4,516,650	4,369,350	-	-
VAT refund receivables	293,846	391,276	717,165	792,364
Interest receivables	7,925	54,135	27,603	23,261
Others	1,544,176	1,124,926	1,214,843	1,133,006
	$ 6,362,597	$ 12,493,712	$ 1,959,611	$ 1,948,631
Current - other receivables	$ 1,845,947	$ 8,124,362	$ 1,959,611	$ 1,948,631
Non-current - other receivables	4,516,650	4,369,350	-	-
	$ 6,362,597	$ 12,493,712	$ 1,959,611	$ 1,948,631

Trade Receivables

The credit period on sales of goods is 30-75 days. No interest is charged on trade receivables before the due date. Thereafter, interest is charged at 1-18% per annum on the outstanding balance, which is considered to be non-controversial, to some of customers. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. For customers with low credit risk, the Company has recognized an allowance for doubtful debts of 1-5% against receivables past due beyond 31-90 days and of 5-100% against receivables past due beyond 91 days. For customers with high credit risk, the Company has recognized an allowance for doubtful debts of 10-100% against receivables past due more than 31 days.

Before accepting any new customer, the Company's Department of Financial and Accounting evaluates the potential customer's credit quality and defines credit limits and scorings by customer. The factor of overdue attributed to customers are reviewed once a week and the Company evaluates the financial performance periodically for the adjustment of credit limits.

The concentration of credit risk is limited due to the fact that the customer base is diverse.

As of the reporting date, the Company had no receivables that are past due but not impaired.

Age of impaired trade receivables

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
1-90 days	$ 3,662,259	$ 7,700,143	$ 9,248,551	$ 15,528,464
91-180 days	449,483	1,092,164	8,294,796	1,994,283
Over 181 days	1,674,954	5,651	978,765	74,014
	$ 5,786,696	$ 8,797,958	$ 18,522,112	$ 17,596,761

The above analysis was based on amounts after deducting the allowance for doubtful debts and the past due date.

Movement in the allowances for doubtful debts

	Six Months Ended June 30	
	2013	2012
Balance, beginning of period	$ 2,086,085	$ 1,555,008
Impairment losses recognized on receivables	1,009,364	507,441
Amounts written off during the period	(13,943)	-
Translation adjustment	(11,453)	(2)
Balance, end of period	$ 3,070,053	$ 2,062,447

Other Receivables

Loan receivables - fluctuation rate is the short-term loan to Beats Electronics, LLC. For more details, please refer to Note 33.

Receivable from disposal of investments is the amount of sale of shares of Beats Electronics, LLC. For more details, please refer to Note 30.

Others were primarily prepayments on behalf of vendors or customers and withholding income tax of employees' bonuses.

14. INVENTORIES

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Finished goods	$ 3,059,264	$ 3,310,521	$ 5,778,655	$ 2,189,984
Work-in-process	582,909	1,902,733	1,037,575	4,320,763
Semi-finished goods	7,956,433	5,635,374	5,214,767	4,547,374
Raw materials	16,188,234	12,663,961	13,381,411	17,251,140
Inventory in transit	265,298	296,788	1,246,447	121,329
	$ 28,052,138	$ 23,809,377	$ 26,658,855	$ 28,430,590

The losses on inventories decline amounting to NT$756,777 thousand and NT$286,674 thousand were recognized as cost of revenues for the six months ended June 30, 2013 and 2012, respectively.

15. PREPAYMENTS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Royalty	$ 12,201,611	$ 9,936,609	$ 13,050,635	$ 12,521,985
Prepayments to suppliers	2,883,761	2,976,231	3,078,331	3,256,082
Net input VAT	1,977,622	434,521	477,762	320,544
Prepaid equipment	207,965	232,011	388,490	207,061
Service	143,255	171,440	970,770	55,192
Land use right	138,959	134,074	135,911	139,707
Software and hardware maintenance	125,759	716,695	660,336	311,416
Others	198,453	240,985	315,548	350,655
	$ 17,877,385	$ 14,842,566	$ 19,077,783	$ 17,162,642
Current	$ 6,569,646	$ 4,965,814	$ 9,442,543	$ 6,507,516
Non-current	11,307,739	9,876,752	9,635,240	10,655,126
	$ 17,877,385	$ 14,842,566	$ 19,077,783	$ 17,162,642

Prepayments for royalty were primarily for getting royalty right and were classified as current or non-current in accordance with their nature. For details of content of contracts, please refer to Note 37.

Prepayments to suppliers were primarily for discount purposes and were classified as current or non-current in accordance with their nature.

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Investment in associates	$ 5,316,014	$ 5,650,859	$ 61,313	$ 71,732
Investment in jointly controlled entities	235,217	241,309	248,061	-
	$ 5,551,231	$ 5,892,168	$ 309,374	$ 71,732

Investments in Associates

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Unlisted equity investments				
Beats Electronics, LLC	$ 5,316,014	$ 5,650,859	$ -	$ -
SYNCTV Corporation	-	-	61,313	71,732
	$ 5,316,014	$ 5,650,859	$ 61,313	$ 71,732

The percentage of ownership and voting rights held by the Company at the end of reporting period were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Beats Electronics, LLC				
Ownership	25.14%	25.14%	50.14%	50.14%
Voting right	25.57%	25.57%	51.00%	51.00%
SYNCTV Corporation	20.00%	20.00%	20.00%	20.00%

In September 2011, the Company acquired 20% equity interest in SYNCTV Corporation for US$2,500 thousand and accounted for this investment by the equity method. In December 2012, the Company determined that the recoverable amount of this investment was less than its carrying amount and thus recognized an impairment loss of NT$56,687 thousand.

In October 2011, the Company acquired 50.14% equity interest in Beats Electronics, LLC for US$300,000 thousand. In July 2012, the Company sold back 25% of Beats Electronics, LLC shares to the founding members of Beats Electronics, LLC for US$150,000 thousand. For details of transaction, please refer to Note 30. After the transaction, the Company remained 25.14% of the shareholdings in Beats Electronics, LLC and accounted for this investment by the equity method.

The amount of unrecognized share of losses of those associates, both for the period and cumulatively, were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Unrecognized share of losses of associates				
For the period	$ 1,885	$ -	$ 4,528	$ -
Accumulated			$ 8,134	$ -

Investments accounted for using the equity method and the share of net income or loss and other comprehensive income from investments are accounted for based on the reviewed financial statements except for SYNCTV Corporation. For the six months ended June 30, 2013, the Company recognizes the share of the net income of Beats Electronics, LLC for NT$177,814 thousand. For the six months ended June 30, 2012, the Company recognizes the share of the net loss of SYNCTV Corporation for NT$9,441 thousand. The Company's management considers the use of unreviewed financial statements of the investee did not have material impact on its consolidated financial statements.

Investments in Jointly Controlled Entity

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Unlisted equity investments				
Huada Digital Corporation	$ 235,217	$ 241,309	$ 248,061	$ -

The percentage of ownership and voting rights held by the Company at the end of reporting period were as follows:

Company Name	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Huada Digital Corporation	50.00%	50.00%	50.00%	50.00%

In December 2009, the Company acquired 100% equity interest in Huada, whose main business is software services, for NT$245,000 thousand and accounted for this investment by the equity method. In September 2011, the Company increased its investment by NT$5,000 thousand. As of December 31, 2012, the Company's investment in Huada had amounted to NT$250,000 thousand. In September 2011, the Fair Trade Commission approved an investment by Chunghwa Telecom Co., Ltd. ("CHT") in Huada and the registration of this investment was completed in October 2011. After CHT's investment, the Company's ownership percentage declined from 100% to 50%. In March 2012, Huada held a stockholders' meeting and re-elected its directors and supervisors. As a result, the investment type was changed to joint venture and the Company continued to account for this investment by the equity method.

The investments accounted for using the equity method and the share of net income and other comprehensive income from investments are accounted for based on unreviewed financial statements. For the six months ended June 30, 2013 and 2012, the Company recognizes the share of the net losses of Huada for NT$6,092 thousand and NT$2,628 thousand, respectively. The Company's management considers the use of unreviewed financial statements of Huada did not have material impact on its consolidated financial statements.

17. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Carrying amounts				
Land	$ 7,611,746	$ 7,615,546	$ 7,614,312	$ 7,614,167
Buildings	11,202,804	11,086,713	11,133,562	5,401,104
Property in construction	6,086	-	-	1,923,876
Machinery and equipment	6,070,995	6,327,723	5,922,398	5,907,321
Other equipment	1,017,327	960,784	1,015,083	869,165
	$ 25,908,958	$ 25,990,766	$ 25,685,355	$ 21,715,633

Movement of property, plant and equipment for the six months ended June 30, 2013 and 2012 were as follows:

	2013					
	Land	Buildings	Property in Construction	Machinery and Equipment	Other Equipment	Total
Cost						
Balance, beginning of period	$ 7,615,546	$ 12,683,285	$ -	$ 13,310,647	$ 1,956,423	$ 35,565,901
Additions	-	391,942	5,997	468,461	230,746	1,097,146
Disposal	-	(5,995)	-	(65,354)	(67,614)	(138,963)
Translation adjustment	(3,800)	116,085	89	191,416	26,282	330,072
Balance, end of period	7,611,746	13,185,317	6,086	13,905,170	2,145,837	36,854,156
Accumulated depreciation						
Balance, beginning of period	-	1,596,572	-	6,982,924	995,639	9,575,135
Depreciation expenses	-	370,553	-	844,919	192,808	1,408,280
Disposal	-	(5,995)	-	(62,275)	(69,130)	(137,400)
Translation adjustment	-	21,383	-	68,607	9,193	99,183
Balance, end of period	-	1,982,513	-	7,834,175	1,128,510	10,945,198
Net book value, end of period	$ 7,611,746	$ 11,202,804	$ 6,086	$ 6,070,995	$ 1,017,327	$ 25,908,958

	2012					
	Land	Buildings	Property in Construction	Machinery and Equipment	Other Equipment	Total
Cost						
Balance, beginning of period	$ 7,614,167	$ 6,476,801	$ 1,923,876	$ 11,470,702	$ 1,611,225	$ 29,096,771
Additions	208	341,946	3,910,718	858,641	301,034	5,412,547
Disposal	-	(421)	-	(173,012)	(10,193)	(183,626)
Reclassification	-	5,615,958	(5,834,594)	-	-	(218,636)
Transfer to expense	-	-	-	-	(4,630)	(4,630)
Translation adjustment	(63)	(36,938)	-	(59,439)	(15,354)	(111,794)
Balance, end of period	7,614,312	12,397,346	-	12,096,892	1,882,082	33,990,632
Accumulated depreciation						
Balance, beginning of period	-	1,075,697	-	5,563,381	742,060	7,381,138
Depreciation expenses	-	190,454	-	796,266	130,619	1,117,339
Disposal	-	(421)	-	(172,755)	(3,223)	(176,399)
Translation adjustment	-	(1,946)	-	(12,398)	(2,457)	(16,801)
Balance, end of period	-	1,263,784	-	6,174,494	866,999	8,305,277
Net book value, end of period	$ 7,614,312	$ 11,133,562	$ -	$ 5,922,398	$ 1,015,083	$ 25,685,355

The above items of property, plant and equipment were depreciated on a straight-line basis at the following rates per annum:

Building	5-50 years
Machinery and equipment	3-5 years
Other equipment	3-5 years

The major component parts of the buildings held by the Company included plants, electro-powering machinery and engineering systems, etc., which were depreciated over their estimated useful lives of 40 to 50 years, 20 years and 5 to 10 years, respectively.

There were no interests capitalized for the six months ended June 30, 2013 and 2012.

18. INTANGIBLE ASSETS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Carrying amounts				
Patents	$ 8,642,123	$ 9,180,674	$ 10,296,588	$ 11,152,098
Goodwill	1,182,400	1,534,366	5,329,646	10,812,564
Other intangible assets	1,480,068	968,130	6,252,395	802,817
	$ 11,304,591	$ 11,683,170	$ 21,878,629	$ 22,767,479

Movements of intangible assets for the six months ended June 30, 2013 and 2012 were as follows:

	2013			
	Patents	Goodwill	Other Intangible Assets	Total
Cost				
Balance, beginning of period	$ 11,239,554	$ 1,681,561	$ 1,603,108	$ 14,524,223
Additions				
Acquisition	22,213	-	171,548	193,761
Transfer from prepayment	-	-	509,710	509,710

(Continued)

	2013			
	Patents	**Goodwill**	**Other Intangible Assets**	**Total**
Disposal	$ -	$ -	$ (17,142)	$ (17,142)
Adjustment in acquisition of a subsidiary	-	(16,372)	-	(16,372)
Translation adjustment	294,600	38,501	40,327	373,428
Balance, end of period	11,556,367	1,703,690	2,307,551	15,567,608
Accumulated amortization				
Balance, beginning of period	2,058,880	-	634,978	2,693,858
Amortization expenses	808,440	-	193,640	1,002,080
Disposal	-	-	(17,142)	(17,142)
Translation adjustment	46,924	-	16,007	62,931
Balance, end of period	2,914,244	-	827,483	3,741,727
Accumulated impairment				
Balance, beginning of period	-	147,195	-	147,195
Impairment losses	-	366,664	-	366,664
Translation adjustment	-	7,431	-	7,431
Balance, end of period	-	521,290	-	521,290
Net book value, end of period	$ 8,642,123	$ 1,182,400	$ 1,480,068	$ 11,304,591

(Concluded)

	2012			
	Patents	**Goodwill**	**Other Intangible Assets**	**Total**
Cost				
Balance, beginning of period	$ 11,608,540	$ 10,905,878	$ 1,203,368	$ 23,717,786
Additions				
Acquisition	19,707	-	88,289	107,996
Difference between the cost of investments and the Company's share in investees' net assets	-	337,146		337,146
Disposal	-		(20,198)	(20,198)
Reclassification	-	(5,717,960)	5,717,960	-
Translation adjustment	(118,371)	(103,318)	(111,731)	(333,420)
Balance, end of period	11,509,876	5,421,746	6,877,688	23,809,310
Accumulated amortization				
Balance, beginning of period	456,442	-	400,551	856,993
Amortization expenses	754,221	-	258,781	1,013,002
Disposal	-	-	(20,198)	(20,198)
Translation adjustment	2,625	-	(13,841)	(11,216)
Balance, end of period	1,213,288	-	625,293	1,838,581

(Continued)

	2012			
	Patents	**Goodwill**	**Other Intangible Assets**	**Total**
Accumulated impairment				
Balance, beginning of period	$ -	$ 93,314	$ -	$ 93,314
Impairment losses	-	-	-	-
Translation adjustment	-	(1,214)	-	(1,214)
Balance, end of period	-	92,100	-	92,100
Net book value, end of period	$ 10,296,588	$ 5,329,646	$ 6,252,395	$ 21,878,629

(Concluded)

The Company owns patents of graphics technologies. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the carrying amounts of such patents were NT$7,245,459 thousand, NT$7,555,334 thousand, NT$8,381,809 thousand and NT$9,008,002 thousand, respectively. The patents will be fully amortized over their remaining economic lives.

Some of other intangible assets will not be amortized before their useful lives are determined. These intangible assets will be tested for impairment annually together with goodwill impairment testing, whether indication of impairment exists.

19. SHORT-TERM BORROWINGS

	June 30, 2013	**December 31, 2012**	**June 30, 2012**	**January 1, 2012**
Unsecured borrowings				
Line of credit borrowings	$ 9,936,630	$ -	$ -	$ -

As of June 30, 2013, the weighted average effective interest rate was 0.65%-1.25% per annum.

20. NOTE AND TRADE PAYABLES

	June 30, 2013	**December 31, 2012**	**June 30, 2012**	**January 1, 2012**
Note payables	$ 5,572	$ 294	$ 1,745	3,779
Trade payables	65,755,229	73,598,634	79,221,187	78,469,351
Trade payables - related parties	-	19,269	-	-
	$ 65,760,801	$ 73,618,197	$ 79,222,932	$ 78,473,130

The average term of payment are four months. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

21. OTHER LIABILITIES

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Other payables				
Accrued expenses	$ 41,878,871	$ 37,469,944	$ 43,779,742	$ 46,270,611
Cash dividend payable	1,662,455	-	33,249,085	-
Payables for purchase of equipment	872,487	1,471,529	2,470,452	812,240
Others	309,802	325,700	664,905	512,940
	$ 44,723,615	$ 39,267,173	$ 80,164,184	$ 47,595,791
Other current liabilities				
Advance receipts	$ 526,482	$ 637,657	$ 762,484	$ 574,596
Agency receipts	232,572	301,868	416,617	440,862
Others	874,450	848,581	789,870	645,682
	$ 1,633,504	$ 1,788,106	$ 1,968,971	$ 1,661,140

Accrued Expenses

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Marketing	$ 24,887,257	$ 20,872,536	$ 23,558,865	$ 29,104,665
Bonus to employees	5,781,170	5,712,075	8,458,522	7,238,637
Salaries and bonuses	5,518,719	5,712,741	4,790,342	3,532,970
Services	1,452,845	1,020,609	2,540,625	1,324,631
Materials and molding expenses	1,636,136	1,904,181	2,006,591	1,854,932
Import, export and freight	762,849	644,432	912,444	1,397,747
Repairs, maintenance and sundry purchase	615,906	573,355	391,250	466,135
Others	1,223,989	1,030,015	1,121,103	1,350,894
	$ 41,878,871	$ 37,469,944	$ 43,779,742	$ 46,270,611

The Company accrued marketing expenses on the basis of related agreements and other factors that would significantly affect the accruals.

Other Payables - Others

Other payables - others were payables for patents, and agreed installments payable to the original stockholders of subsidiaries.

22. PROVISIONS

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Warranty provision	$ 4,710,552	$ 8,058,509	$ 12,784,252	$ 13,080,394
Provisions for contingent loss on purchase orders	890,937	823,005	1,526,702	2,052,881
	$ 5,601,489	$ 8,881,514	$ 14,310,954	$ 15,133,275

Movement of provisions for the six months ended June 30, 2013 and 2012 were as follows:

	2013		
	Warranty Provision	Provisions for Contingent Loss on Purchase Orders	Total
Balance, beginning of period	$ 8,058,509	$ 823,005	$ 8,881,514
Provisions recognized	4,363,610	191,714	4,555,324
Amount utilized during the period	(7,880,508)	(123,782)	(8,004,290)
Translation adjustment	168,941	-	168,941
Balance, end of period	$ 4,710,552	$ 890,937	$ 5,601,489

	2012		
	Warranty Provision	Provisions for Contingent Loss on Purchase Orders	Total
Balance, beginning of period	$ 13,080,394	$ 2,052,881	$ 15,133,275
Provisions recognized	6,442,585	-	6,442,585
Reversing un-usage balances	-	(369,888)	(369,888)
Amount utilized during the period	(6,676,847)	(156,291)	(6,833,138)
Translation adjustment	(61,880)	-	(61,880)
Balance, end of period	$ 12,784,252	$ 1,526,702	$ 14,310,954

The Company provides warranty service for its customers for one year to two years. The warranty liability is estimated on the basis of evaluation of the products under warranty, past warranty experience, and pertinent factors.

The provision for contingent loss on purchase orders is estimated after taking into account the effects of changes in the product market, evaluating the foregoing effects on inventory management and adjusting the Company’s purchases.

23. RETIREMENT BENEFIT PLANS

The pension plans adopted by the Company include defined contribution plans and defined benefit plans. The Company recognized employee benefit expenses for defined benefit plan, calculated using the actuarially determined pension cost rate as of December 31, 2012 and January 1, 2012, respectively. For more details of defined benefit plans, please refer to Note 22 in Consolidated Financial Statements for the three months ended March 31, 2013.

Employee benefit expenses for defined benefit plans for the reporting period were included in the following line items:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Cost of revenues	$ 118	$ 169	$ 223	$ 348
Selling and marketing	$ 21	$ 38	$ 42	$ 87
General and administrative	$ 48	$ 57	$ 95	$ 113
Research and development	$ 145	$ 327	$ 297	$ 635

24. EQUITY

Share Capital

a. Common stock

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Authorized shares (in thousands of shares)	1,000,000	1,000,000	1,000,000	1,000,000
Authorized capital	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000
Issued and fully paid shares (in thousands of shares)	852,052	852,052	852,052	852,052
Issued capital	$ 8,520,521	$ 8,520,521	$ 8,520,521	$ 8,520,521

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

30,000 thousand shares and 16,000 thousand shares of the Company's shares authorized were reserved for the issuance of convertible bonds and employee share options, respectively.

b. Global depositary receipts

In November 2003, HTC issued 14,400 thousand common shares corresponding to 3,600 thousand units of Global Depositary Receipts ("GDRs"). For this GDR issuance, HTC's stockholders, including Via Technologies, Inc., also issued 12,878.4 thousand common shares, corresponding to 3,219.6 thousand GDR units. Thus, the entire offering consisted of 6,819.6 thousand GDR units. Taking into account the effect of stock dividends, the GDRs increased to 8,782.1 thousand units (36,060.5 thousand shares). The holders of these GDRs requested HTC to redeem the GDRs to get HTC's common shares. As of June 30, 2013, there were 8,081.8 thousand units of GDRs redeemed, representing 32,327.2 thousand common shares, and the outstanding GDRs represented 3,733.3 thousand common shares or 0.45 % of HTC's common shares.

Capital Surplus

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Additional paid-in capital - issuance of shares in excess of par	$ 14,809,608	$ 14,809,608	$ 14,809,608	$ 14,809,608
Treasury shares	1,730,458	1,730,458	1,730,458	1,730,458
Merger	24,423	24,423	24,423	24,423
Expired stock options	37,068	37,068	37,068	37,068
	$ 16,601,557	$ 16,601,557	$ 16,601,557	$ 16,601,557

The premium from shares issued in excess of par (share premium from issuance of common shares, treasury shares transactions, merger and expired stock options) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's capital surplus and once a year).

Retained Earnings and Dividend Policy

Under HTC's Articles of Incorporation, HTC should make appropriations from its net income in the following order:

a. To pay taxes.

b. To cover accumulated losses, if any.

c. To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of HTC's authorized capital.

d. To recognize or reverse special reserve return earnings.

e. To pay remuneration to directors and supervisors at 0.3% maximum of the balance after deducting the amounts under the above items (a) to (d).

f. To pay bonus to employees at 5% minimum of the balance after deducting the amounts under the above items (a) to (d), or such balance plus the unappropriated retained earnings of previous years. However, the bonus may not exceed the limits on employee bonus distributions as set out in the Regulations Governing the Offering and Issuance of Securities by Issuers. Where bonus to employees is allocated by means of new share issuance, the employees to receive bonus may include the affiliates' employees who meet specific requirements prescribed by the board of directors.

g. For any remainder, the board of directors should propose allocation ratios based on the dividend policy set forth in HTC's Articles and propose them at the stockholders' meeting.

As part of a high-technology industry and as a growing enterprise, HTC considers its operating environment, industry developments, and long-term interests of stockholders as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. HTC's dividend policy stipulates that at least 50% of total dividends may be distributed as cash dividends.

The employee bonus for 2013 and 2012 should be appropriated at 5% and 8.4%, respectively, of net income before deducting employee bonus expenses. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of certain shareholders' equity accounts shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. The Company had a decrease in retained earnings that resulted from all IFRSs adjustments; therefore, no special reserve was appropriated.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2012 and 2011 had been approved in the shareholders' meetings on June 21, 2013 and June 12, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For 2012	**For 2011**	**For 2012**	**For 2011**
Legal reserve	$ 1,678,097	$ 6,197,580	$ -	$ -
Special reserve (reversal)	854,138	(580,856)	-	-
Cash dividends	1,662,454	33,249,085	2	40
Stock dividends	-	-	-	-

The bonus to employees for 2012 and 2011 approved in the shareholders' meetings on June 21, 2013 and June 12, 2012, respectively, were as follows:

		Amounts Approved in Board Meetings	**Amounts Recognized in Financial Statements**
For 2012	Cash	$ 976,327	
	Stock	-	
		$ 976,327	$ 976,327
For 2011	Cash	$ 7,238,637	
	Stock	-	
		$ 7,238,637	$ 7,238,637

The approved amounts of bonus to employees were the same as the accrual amounts recognized in the financial statements for 2012 and 2011, respectively.

The appropriations of earnings for 2012 were proposed according to HTC's financial statements for the years ended December 31, 2012, which were prepared in accordance with the pre-amended Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China, and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the amended Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards.

Information on the earnings appropriation and the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Other Equity

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Exchange differences on translating foreign operations	$ 231,008	$ (1,089,693)	$ (540,605)	$ -
Unrealized (loss) gains on available-for-sale financial assets	(2,109)	9,716	32,526	2,939
Cash flow hedge	-	194,052	(17,994)	-
	$ 228,899	$ (885,925)	$ (526,073)	$ 2,939

a. Exchange differences on translating foreign operations

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

b. Unrealized gains or losses on available-for-sale financial assets

Unrealized gains or losses on available-for-sale financial assets represents the cumulative gains and losses arising on the revaluation of AFS financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

c. Cash flow hedging

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedging reserve will be transferred to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item.

Non-controlling Interest

	Six Months Ended June 30	
	2013	2012
Balance, beginning of period	$ -	$ 992,724
Net income contributed to non-controlling interest	-	605,569
Decrease in non-controlling interest due to losing control of subsidiary	-	(250,689)
Non-controlling interests relating to outstanding vested share options held by the employees of subsidiaries	-	(152,033)
Balance, end of period	$ -	$ 1,195,571

Treasury Shares

(In Thousands of Shares)

Reason to reacquire	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
Six months ended June 30, 2013				
To transfer shares to the Company's employees	20,825	-	-	20,825
Six months ended June 30, 2012				
To transfer shares to the Company's employees	14,011	6,814	-	20,825

Based on the Securities and Exchange Act of the ROC, the number of reacquired shares should not exceed 10% of a company's issued and outstanding shares, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par and realized capital surplus.

Under the Securities and Exchange Act, HTC shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

25. REVENUE

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Sale of goods	$ 69,854,453	$ 89,582,995	$ 112,106,188	$ 155,331,457
Other operating income	812,462	1,457,881	1,349,244	3,499,000
	$ 70,666,915	$ 91,040,876	$ 113,455,432	$ 158,830,457

Some sales denominated in foreign currencies were hedged for cash flow risk. Accordingly, the Company transferred $258,327 thousand of the gain or loss on the hedging instrument that was determined to be the effective portion of the hedge to sales of goods for the six months ended June 30, 2013.

For the analysis of main products and other revenue, please refer to Note 38.

26. NET PROFIT FOR THE PERIODS

The details of profit for the period were as follows:

a. Other income

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Interest income				
Cash in bank	$ 67,258	$ 159,818	$ 136,165	$ 326,578
Held-to-maturity financial assets	228	459	455	913
Loan	120,638	-	211,139	-
	188,124	160,277	347,759	327,491
Dividend income	3,227	663	13,232	1,427
Others	59,877	172,506	148,545	259,745
	$ 251,228	$ 333,446	$ 509,536	$ 588,663

b. Other gains and losses

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Losses on disposal of property, plant and equipment	$ (5)	$ (115)	$ (1,563)	$ (120)
Gain on disposal of investments	-	39,656	29,735	39,656
Net foreign exchange (loss) gains	109,134	141,231	44,417	378,998
Net gain arising on financial assets classified as held for trading	48,502	181,288	48,502	181,288
Hedge ineffective portion on cash flow hedges	-	2,123	151,197	2,123
Impairment loss	(24,178)	-	(366,664)	-
Other losses	(35,946)	(18,688)	(50,671)	(55,089)
	$ 97,507	$ 345,495	$ (145,047)	$ 546,856

Gain or loss on financial assets and liabilities held for trading was made on forward exchange transactions. The Company entered into forward exchange transactions to manage exposures related to exchange rate fluctuations.

c. Impairment losses on financial assets

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Trade receivables (included in operating expense)	$ 611,448	$ 2,363	$1,009,364	$ 507,441
Other receivables (included in operating expense)	(177,900)	-	-	-
	$ 433,548	$ 2,363	$1,009,364	$ 507,441

d. Depreciation and amortization

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Property, plant and equipment	$ 713,591	$ 575,126	$ 1,408,280	$ 1,117,339
Intangible assets	508,020	545,426	1,002,080	1,013,002
	$ 1,221,611	$ 1,120,552	$ 2,410,360	$ 2,130,341
Classification of depreciation - by function				
Cost of revenues	$ 366,956	$ 320,931	$ 723,900	$ 625,214
Operating expenses	346,635	254,195	684,380	492,125
	$ 713,591	$ 575,126	$ 1,408,280	$ 1,117,339
Classification of amortization - by function				
Cost of revenues	$ 4,634	$ 125,397	$ 5,551	$ 250,774
Operating expenses	503,386	420,029	996,529	762,228
	$ 508,020	$ 545,426	$ 1,002,080	$ 1,013,002

e. Employee benefits expense

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Post-employment benefits (Note 23)				
Defined contribution plans	$ 176,249	$ 170,399	$ 349,998	$ 336,692
Defined benefit plans	332	591	657	1,183
	176,581	170,990	350,655	337,875
Other employee benefits	4,951,278	6,563,804	9,256,534	11,861,001
Total employee benefits expense	$ 5,127,859	$ 6,734,794	$ 9,607,189	$ 12,198,876
Classification - by function				
Cost of revenues	$ 1,902,191	$ 1,717,086	$ 3,362,011	$ 3,161,108
Operating expenses	3,225,668	5,017,708	6,245,178	9,037,768
	$ 5,127,859	$ 6,734,794	$ 9,607,189	$ 12,198,876

f. Impairment losses on non-financial assets

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Inventories (included in cost of revenues)	$ 557,111	$ 212,741	$ 756,777	$ 286,674
Goodwill (included in other gains and losses)	24,178	-	366,664	-
	$ 581,289	$ 212,741	$ 1,123,441	$ 286,674

27. INCOME TAX

a. Income tax recognized in profit or loss

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Current tax				
In respect of the current period	$ 448,496	$ 1,598,046	$ 575,178	$ 1,971,630
In respect of the prior periods	(54,281)	(13,222)	7,671	(11,914)
	394,215	1,584,824	582,849	1,959,716
Deferred tax				
In respect of the current period	(118,884)	(409,940)	(289,899)	(16,475)
Income tax recognized in profit or loss	$ 275,331	$ 1,174,884	$ 292,950	$ 1,943,241

Income tax expense was recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Considering the significant difference between the estimated and actual tax-exempt income and non-deductible expenses, the income tax expense calculated based on the actual taxable income, the applicable tax rate and the deferred tax is differ from the results obtained. Hence, a numerical reconciliation between accounting profit and taxable income was impractical for the six months ended June 30, 2013.

The income tax for the six months ended June 30, 2012 can be reconciled to the accounting profit as follows:

	Six Months Ended June 30, 2012
Profit before income tax	$ 14,396,693
Income tax calculated at 17%	2,447,438
Effect of expenses that were not deductible in determining taxable profit	261,746
Effect of temporary differences	(373,857)
Effect of investment tax credits	(1,489,549)
Effect of income that is exempt from taxation	(1,287,312)
Additional income tax under the Alternative Minimum Tax Act	298,816
Additional 10% income tax on unappropriated earnings	1,493,613
Effect of different tax rates of subsidiaries operating in other jurisdictions	604,260
Adjustments for prior years' tax	(11,914)
Income tax recognized in profit or loss	$ 1,943,241

b. Integrated income tax

The imputation credit account ("ICA") information as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Unappropriated earnings generated on and after January 1, 1998	$ 50,770,725	$ 53,630,777	$ 48,669,552	$ 75,687,478
Balance of ICA	$ 6,672,527	$ 5,966,033	$ 5,940,508	$ 2,523,575

The actual creditable ratio for distribution of earnings of 2011 was 15.99% and estimated creditable ratio for distribution of earnings of 2012 was 13.47%.

Under Income Tax Act, for distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Company was based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2012 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

c. Income tax assessments

HTC's income tax returns through 2010 had been assessed by the tax authorities. However, HTC disagreed with the tax authorities' assessment on its returns for unappropriated earnings of 2009 and applied for the administrative remedial. Nevertheless, under the conservatism guideline, HTC adjusted its income tax for the tax shortfall stated in the tax assessment notices.

The income tax returns of CGC, HTC Investment Corporation and HTC I Investment Corporation for the years through 2011 have been assessed and approved by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT$ Per Share

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Basic earnings per share	$ 1.50	$ 8.88	$ 1.60	$14.23
Diluted earnings per share	$ 1.50	$ 8.86	$ 1.60	$14.17

The earnings and weighted average number of ordinary shares outstanding for the computation of earnings per share were as follows:

Net Profit for the Periods

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Profit for the period attributable to owners of the parent	$ 1,249,511	$ 7,381,668	$ 1,334,637	$ 11,847,883

Shares

Unit: In Thousands of Shares

	Three Months Ended June 30		Six Months Ended June 30	
	2013	**2012**	**2013**	**2012**
Weighted average number of ordinary shares used in computation of basic earnings per share	831,227	831,227	831,227	832,742
Effect of dilutive potential ordinary shares:				
Bonus issue to employees	313	2,204	332	3,490
Weighted average number of ordinary shares used in the computation of diluted earnings per share	831,540	833,431	831,559	836,232

If the Company was able to settle the bonuses paid to employees by cash or shares, the Company presumed that the entire amount of the bonus would be settled in shares and the resulting potential shares should be included in the weighted average number of outstanding shares used in the computation of diluted earnings per share, if the shares had a dilutive effect. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

29. BUSINESS COMBINATIONS

Subsidiaries Acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
FunStream Corporation	Design, research and development of 3-D technology	February 2012	100.00%	$ 45,090

The Company acquired FunStream Corporation to obtain its techniques in the design, research and development of 3-D technology. The Company paid cash for the acquisition of FunStream Corporation.

Assets Acquired and Liabilities Assumed at the Date of Acquisition

	FunStream Corporation
Current assets	
Cash and cash equivalents	$ 69
Other receivables	4
Net assets	$ 73

Goodwill Arising on Acquisition

	FunStream Corporation
Consideration transferred	$ 45,090
Less: Fair value of identifiable net assets acquired	(73)
Goodwill arising on acquisition	$ 45,017

Net Cash Outflow on Acquisition of Subsidiaries

	Six Months Ended June 30	
	2013	2012
Consideration paid in cash	$ -	$ 45,090
Less: Cash and cash equivalent balances acquired	-	(69)
	$ -	$ 45,021

Impact of Acquisitions on the Results of the Company

The results of acquirees since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Revenue		
FunStream Corporation	$ -	$ -
Net loss		
FunStream Corporation	$ (6)	$ (50)

Had these business combinations been in effect at the beginning of the annual reporting period, the results of acquirees included in the consolidated statements of comprehensive income were as follows. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that actually would have been achieved had the acquisition been completed, nor is it intended to be a projection of future results.

	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Revenue		
FunStream Corporation	$ -	$ -
Net loss		
FunStream Corporation	$ (6)	$ (50)

30. DISPOSAL OF SUBSIDIARIES

The Company and CHT each had held 50% share of Huada, respectively. In March 2012, Huada held a stockholders' meeting and re-elected its directors and supervisors. As a result, the investment type was changed to joint venture and the Company continued to account for this investment by the equity method.

In July 2012, the Company sold back 25% of Beats Electronics, LLC shares to the founding members of Beats for US$150,000 thousand. Beats specializes in design, research and development of audio technology. After the above transactions were completed, the Company lost its control on Beats.

Consideration Received

Three-year non-recourse secured promissory notes (the "Notes"), totaling US$150,000 thousand, were issued by the buying party for the above buy back of Beats Electronics, LLC and accounted for under "long-term receivable". These notes payable at the maturity in three years, bear interest based on LIBOR plus 1% and was secured by pledge of interest obtained by the buying party in this transaction.

Analysis of Asset and Liabilities Over Which Control Was Lost

	Huada Digital Corporation	Beats Electronics, LLC
Current assets		
Cash and cash equivalents	$ 501,425	$ 6,746,277
Other current assets	123	5,928,728
Non-current assets	-	9,966,683
Current liabilities	(170)	(11,037,967)
Net assets disposed of	$ 501,378	$ 11,603,721

Loss on Disposal of Subsidiary

	Huada Digital Corporation	Beats Electronics, LLC
Consideration received	$ -	$ 4,498,923
Net assets disposed of	(501,378)	(11,603,721)
Non-controlling interests	250,689	1,550,253
Remaining investment measured at fair value	250,689	5,340,277
Loss on disposal	$ -	$ (214,268)

In July 2012, the Company sold back 25% of Beats Electronics, LLC shares to the founding members of Beats Electronics, LLC for US$150,000 thousand with a cost amounting to US$157,144 thousand (including initial investment cost of US$150,000 thousand and an accumulated gain of US$7,144 thousand on equity method investment). This transaction resulted in a loss on disposal of US$7,144 thousand (NT$214,268 thousand).

Net Cash Outflow on Disposal of Subsidiary

	Six Months Ended June 30	
	2013	2012
Consideration received in cash and cash equivalents	$ -	$ -
Less: Cash and cash equivalent balances disposed of	-	(501,425)
	$ -	$ (501,425)

31. CAPITAL RISK MANAGEMENT

The goal, policies and process of capital risk management and the capital structure of the Company in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the three months ended March 31, 2013. Please refer to Note 30 to the consolidated financial statements as of March 31, 2013 for details.

32. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

a. Financial instruments not carried at fair value

Financial instruments not carried at fair value held by the Company include held-to-maturity financial assets and financial assets measured at cost. Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair value or the fair value are not measured reliably.

	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets								
Held-to-maturity investments	$ 100,612	$ 100,680	$ 101,459	$ 101,436	$ 202,922	$ 202,404	$ 204,597	$ 203,783

b. Fair value measurements recognized in the consolidated balance sheet.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 30, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 48,502	$ -	$ 48,502
Available-for-sale financial assets				
Domestic listed stocks - equity investments	$ 152	$ -	$ -	$ 152

December 31, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 6,950	$ -	$ 6,950
Available-for-sale financial assets				
Domestic listed stocks - equity investments	$ 197	$ -	$ -	$ 197
Foreign listed stocks - equity investments	37,902	-	-	37,902
	$ 38,099	$ -	$ -	$ 38,099
Hedging derivative assets				
Derivative financial instruments	$ -	$ 204,519	$ -	$ 204,519

June 30, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 181,288	$ -	$ 181,288
Available-for-sale financial assets				
Domestic listed stocks - equity investments	$ 189	$ -	$ -	$ 189
Foreign listed stocks - equity investments	55,468	-	-	55,468
Mutual funds	738,745	-	-	738,745
	$ 794,402	$ -	$ -	$ 794,402
Hedging derivative liabilities				
Derivative financial instruments	$ -	$ 15,871	$ -	$ 15,871

January 1, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 256,868	$ -	$ 256,868
Available-for-sale financial assets				
Domestic listed stocks - equity investments	$ 279	$ -	$ -	$ 279
Mutual funds	736,031	-	-	736,031
	$ 736,310	$ -	$ -	$ 736,310

There were no transfers between Level 1 and 2 in the period.

c. Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed corporate bonds). Where such prices were not available, valuation techniques were applied. The estimates and assumptions used by the Company are consistent with those that market participants would use in setting a price for the financial instrument;

- The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The estimates and assumptions used by the Company were consistent with those that market participants would use in setting a price for the financial instrument;

  Foreign currency forward contracts were measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts; and

- The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Categories of Financial Instruments

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Financial assets				
FVTPL				
Held for trading	$ 48,502	$ 6,950	$ 181,288	$ 256,868
Derivative instruments in designated hedge accounting relationships	-	204,519	-	-
Held-to-maturity investments	100,612	101,459	202,922	204,597
Loans and receivables (Note 1)	102,305,626	106,905,775	149,734,592	154,238,630
Available-for-sale financial assets (Note 2)	4,547,673	4,343,006	4,485,331	4,144,964

(Continued)

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Financial liabilities				
FVTPL				
Held for trading	$ -	$ -	$ 15,871	$ -
Amortized cost (Note 3)	120,421,046	112,885,370	159,387,116	126,068,921

(Concluded)

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, other current financial assets, note and trade receivables and other receivables.

Note 2: The balances included available-for-sale financial assets and the carrying amount of available-for-sale financial assets measured at cost.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, note and trade payables and other payables.

Financial Risk Management Objectives and Policies

The Company's financial instruments mainly include equity and debt investments, trade receivables, other receivables, trade payables and other payables. The Company's Department of Financial and Accounting provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through analyzing the exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments and non-derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Department of Financial and Accounting reported quarterly to the Company's supervisory and board of directors for monitoring risks and policies implemented to mitigate risk exposures.

a. Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates. The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

There has been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

Foreign currency risk

The Company undertook transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arose. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period please refer to Note 36.

Sensitivity analysis

The Company was mainly exposed to the Currency United Stated dollars ("USD"), Euro ("EUR"), Renminbi ("RMB") and Japanese yen ("JPY").

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollars ("NTD", the functional currency) against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the forward exchange contracts were entered into cash flow hedges. A positive number below indicates an increase in profit before income tax or equity where the NTD strengthens 1% against the relevant currency. For a 1% weakening of the NTD against the relevant currency, there would be a comparable impact on the profit before income tax or equity, and the balances below would be negative.

	Profit or Loss (1)	**Equity (2)**
Six months ended June 30, 2013		
USD	$ (14,856)	$ -
EUR	(2,701)	-
RMB	(70,450)	-
JPY	7,619	-
Six months ended June 30, 2012		
USD	(46,265)	(28,497)
EUR	2,350	-
RMB	14,618	-
JPY	6,212	28,530

1) This was mainly attributable to the exposure outstanding on each currency receivables and payables, which were not hedged at the end of the reporting period.

2) This was mainly as a result of the changes in fair value of derivative instruments designated as hedging instruments in cash flow hedges.

b. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As of June 30, 2013, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and the carrying amount of financial assets reported on consolidated balance sheet. The Company does not issue any financial guarantee involving credit risk.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit risk information of trade receivables are disclosed in the Note 13.

c. Liquidity risk

The Company manages liquidity risk to ensure that the Company possesses sufficient financial flexibility by maintaining adequate reserves of cash and cash equivalents and reserve financing facilities, and also monitor liquidity risk of shortage of funds by the maturity date of financial instruments and financial assets.

1) Liquidity risk tables

The following tables detail the Company's remaining contractual maturity for its derivative financial liabilities and non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows.

June 30, 2013

	Less Than 3 Months	3 to 12 Months	Over 1 Year
Non-derivative financial liabilities			
Short-term borrowings	$ 9,936,630	$ -	$ -
Note and trade payables	28,183,041	37,577,760	-
Other payables	17,348,328	27,375,287	-
Other current liabilities	166,882	65,690	-
Guarantee deposits received	-	-	183,014
	$ 55,634,881	$ 65,018,737	$ 183,014

December 31, 2012

	Less Than 3 Months	3 to 12 Months	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 25,172,364	$ 48,445,833	$ -
Other payables	16,036,617	23,230,556	-
Other current liabilities	270,073	31,795	-
Guarantee deposits received	-	-	59,999
	$ 41,479,054	$ 71,708,184	$ 59,999

June 30, 2012

	Less Than 3 Months	3 to 12 Months	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 32,801,405	$ 46,421,527	$ -
Other payables	40,362,633	39,801,551	-
Other current liabilities	213,640	202,977	-
Guarantee deposits received	-	-	98,879
	73,377,678	86,426,055	98,879
Derivative financial liabilities			
Forward exchange contracts	-	15,871	-
	$ 73,377,678	$ 86,441,926	$ 98,879

January 1, 2012

	Less Than 3 Months	3 to 12 Months	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 33,234,316	$ 45,238,814	$ -
Other payables	15,945,336	31,650,455	-
Other current liabilities	274,995	165,867	-
Guarantee deposits received	-	-	42,946
	$ 49,454,647	$ 77,055,136	$ 42,946

2) Bank credit limit

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Unsecured bank general credit limit				
Amount used	$ 11,515,507	$ 1,572,461	$ 2,072,927	$ 1,892,407
Amount unused	35,977,178	45,104,312	10,787,288	10,899,663
	$ 47,492,685	$ 46,676,773	$ 12,860,215	$ 12,792,070

33. RELATED-PARTY TRANSACTIONS

Transactions, account balances and revenue and expense between the Company and its subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties were as follows:

Sales

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Other related parties - Employees' Welfare Committee	$ 212	$ 118	$ 22,762	$ 219,735
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	3,095	661	9,267	2,239,222
	$ 3,307	$ 779	$ 32,029	$ 2,458,957

The following balances of trade receivables from related parties were outstanding at the end of the reporting period:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	$ 1,165	$ 221,050	$ 224,287	$ 473

The selling prices for products sold to related parties were lower than those sold to third parties, except some related parties have no comparison with those sold to third parties. No guarantees had been given or received for trade receivables from related parties. No expense had been recognized for the six months ended June 30, 2013 and 2012 for bad or doubtful debts in respect of the amounts owed by related parties.

Purchase

	Three Months Ended June 30		Six Months Ended June 30	
	2013	**2012**	**2013**	**2012**
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	$ 5,513	$ -	$ 45,777	$ -

The following balances of trade payables from related parties were outstanding at the end of the reporting period:

	June 30, 2013	**December 31, 2012**	**June 30, 2012**	**January 1, 2012**
Other related parties - other related parties' chairperson, also as its significant stockholder, is HTC's chairperson	$ -	$ 19,269	$ -	$ -

Purchase prices for related parties and third parties were similar. The outstanding of trade payables to related parties are unsecured and will be settled in cash.

Loans to Related Parties

	June 30, 2013	**December 31, 2012**	**June 30, 2012**	**January 1, 2012**
Associates				
Principal	$ -	$ 6,554,025	$ -	$ -
Interest receivables	-	46,068	-	-
	$ -	$ 6,600,093	$ -	$ -

On July 19, 2012, the Company's board of directors passed a resolution to offer US$225,000 thousand short-term loan to Beats Electronics, LLC to support the transition of Beats Electronics, LLC into a product company. This loan was secured by all the assets of Beats Electronics, LLC. Term loan must be repaid in full no later than one year from signing date of loan agreement and the repayment can be made in full at any time during the term of the loan or at the repayment date. The calculation of interest is based on LIBOR plus 1.5%, 3.5%, 5.5% and 7.5% for the first quarter to the fourth quarter, respectively. The principal and interest were received in full in June 2013. The interest income amounted to NT$211,139 thousand for the six months ended June 30, 2013.

Compensation of Key Management Personnel

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Short-term benefits	$ 68,228	$ 75,749	$ 120,938	$ 125,113
Post-employment benefits	856	3,599	1,910	8,009
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	$ 69,084	$ 79,348	$ 122,848	$ 133,122

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

Other Related-party Transactions

a. To enhance product diversity, the Company entered into a trademark and technology license agreement with associates and other related parties. The royalty expense was NT$153,365 thousand for the six months ended June 30, 2013. As of June 30, 2013 and December 31, 2012, the amounts of unpaid royalty were NT$153,272 thousand and NT$130,960 thousand, respectively.

b. Other related parties provide business consulting service to the Company. The business consulting service fees were NT$2,748 thousand and NT$1,200 thousand for the six months ended June 30, 2013 and 2012, respectively. As of December 31, 2012, June 30, 2012 and January 1, 2012, the unpaid business consulting service fees were NT$3,398 thousand, NT$610 thousand and NT$210 thousand, respectively.

c. The Company leased staff dormitory owned by a related party under an operating lease agreement. The term of the lease agreement is from April 2012 to March 2015 and the rental payment is determined at the prevailing rates in the surrounding area. The Company recognized and paid rental expenses amounting to NT$2,604 thousand for the six months ended June 30, 2013 and 2012, each.

d. The Company purchased auxiliary facilities of a building from other related parties. The price were NT$3,238 thousand and NT$48,803 thousand for the six months ended June 30, 2013 and 2012, respectively. As of December 31, 2012 and June 30, 2012, the unpaid amount were NT$2,127 thousand and NT$17,719 thousand, respectively.

34. PLEDGED ASSETS

To protect the rights and interests of its employees, In September 2012, the Company deposited unpaid employee bonus in a new trust account. The trust account, which is under other current financial assets, had amounted to NT$3,651,342 thousand and NT$3,645,820 thousand as of June 30, 2013 and December 31, 2012, respectively.

As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 the Company had provided time deposits of NT$2,176 thousand, NT$3,700 thousand, NT$402,850 thousand and NT$68,700 thousand had been classified as other current financial assets, respectively, as collateral for outsourcing agreement, rental deposits and as part of the requirements for the Company to get a certificate from the National Tax Administration of the Northern Taiwan Province stating that it had no pending income tax.

35. COMMITMENTS, CONTINGENCIES AND SIGNIFICANT CONTRACTS

As of June 30, 2013, unused letters of credit amounted to US$52 thousand.

Lawsuit

a. In April 2008, IPCom GMBH & CO., KG ("IPCom") filed a multi-claim lawsuit against the Company with the District Court of Mannheim, Germany, alleging that the Company infringed IPCom's patents. In November 2008, the Company filed declaratory judgment action for non-infringement and invalidity against three of IPCom's patents with the Washington Court, District of Columbia.

   In October 2010, IPCom filed a new complaint against the Company alleging patent infringement of patent owned by IPCom in District Court of Dusseldorf, Germany.

   In June 2011, IPCom filed a new complaint against the Company alleging patent infringement of patent owned by IPCom with the High Court in London, the United Kingdom. In September 2011, the Company filed declaratory judgment action for non-infringement and invalidity in Milan, Italy. Legal proceedings in above-mentioned courts in Germany and the United Kingdom are still ongoing. The Company evaluated the lawsuits and considered the risk of patents-in-suits are low. Also, preliminary injunction and summary judgment against the Company are very unlikely.

   In March 2012, Washington Court granted on the Company's summary judgment motion and ruled on non-infringement of two of patents-in-suit, IPCom has filed motion for reconsideration on the two patents with the Appeal court. In December 2012, the district court has granted a stay on case currently in the US pending appeal decision.

   As of the date that the board of directors approved and authorized for issuing consolidated financial statements, there had been no critical hearing nor had a court decision been made, except for the above.

b. From March 2010 onwards, Apple Inc. ("Apple") and the Company have filed patent infringement actions against the other respectively in the U.S. International Trade Commission ("ITC"), U.S. District Court for the District of Delaware, German district courts, and English High Court. On November 11, 2012, the two companies have reached a global settlement that includes the dismissal of all current lawsuits and a ten-year license agreement. The scope of this license agreement covers both the current and future patents held by the parties as agreed upon and specifically set forth in the agreement, with royalty payable as prescribed.

c. In January 2012, Eastman Kodak ("Kodak") filed a lawsuit against the Company concurrently with the ITC and U.S. District Court of Western District of New York ("New York court"), alleging that the Company infringed its patents. Kodak requested ITC and New York court to prevent the Company from exporting to and selling in United States devices made using Kodak's patents and damage compensation, respectively. In January 2013, a U.S. bankruptcy judge presently approved the sale of 1,100 Kodak digital image patents including the patents-in-suit to a third party. All litigation procedures involving the Company have been stayed.

d. In May 2012, Nokia Corporation ("Nokia") filed a lawsuit against the Company, concurrently with the ITC, Delaware court and the District Courts of Mannheim, Munich and Dusseldorf in Germany ("German courts"), alleging that the Company infringed its patents. Nokia requested ITC to prevent the Company from exporting to and selling in United States devices made using Nokia's patents and requested Delaware court and German courts to grant damage compensation upon Nokia. The Company subsequently filed revocation actions against Nokia's asserted patents in London High Court. The Company evaluated that there is no direct relation between the associated technology used in the Company's devices and patents claimed by Nokia.

On March 8, 2013, the District Court of Mannheim dismissed Nokia's infringement complaint against the Company, including the German part of its EP0812120 (the '120 patent) and EP1312974 (the '974 patent). The Company also believes that both '120 and '947 patent is invalid, and will continue with invalidity actions pending in the English Patents Court and German Federal Patents Court. The Company fully expects the patent to be revoked before any Nokia appeal proceedings take place.

On March 18, 2013, the District Court of Mannheim handed down a judgment that the Company had infringed the German part of its EP 0673175 (the '175 patent) entitled "Reduction of Power Consumption in a Mobile Station". However, the judgment only covers three handsets that the Company no longer imports into Germany (the Wildfire S, Desire S and Rhyme). The Company will be appealing the present decision but also believes that this patent is invalid and so will be continuing with the invalidity actions in the German Federal Patents Court and the English Patents Court. The Company's German business will not be affected by it.

On April 23, 2013, the District Court of Mannheim dismissed a complaint by Nokia that the Company had infringed the German part of patent EP 1 581 016 (the '016 patent) entitled "A Communication Network Terminal for Accessing Internet", and awarded the Company its legal costs. The Company believes that this patent is invalid and will be continuing with the invalidity actions in the German Federal Patents Court and the English Patents Court.

In May 2013, Nokia filed a second lawsuit against the Company in the District Court of Southern California, concurrently with the ITC, alleging that the Company infringed its patents. Nokia requested ITC to prevent the Company from exporting to and selling in United States devices made using Nokia's patents and requested Southern California District court to grant damage compensation upon Nokia.

In June 2013, the ITC hearing was held. Nokia originally asserted 9 patents in May 2012, in its complaint and withdrew 6 patents. Thus, there were only 3 patents bought to trial during the hearing. The Initial Determination will be granted in September and the final determination will be granted in January 2014.

As of the date that the board of directors approved and authorized for issuing consolidated financial statements, there had been no critical hearing nor had a court decision been made, except for the above.

e. On the basis of its past experience and consultations with its legal counsel, the Company has measured the possible effects of the contingent lawsuits on its business and financial condition.

36. EXCHANGE RATES OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets								
Monetary items								
USD	$ 2,957,413	30.11	$ 2,967,669	29.13	$ 3,321,974	29.89	$ 3,143,462	30.28
EUR	416,504	39.28	317,011	38.42	516,456	37.56	498,383	39.19
JPY	14,800,016	0.3047	10,626,742	0.3383	8,725,523	0.3754	373,750	0.3906
RMB	1,686,699	4.91	2,142,619	4.68	2,426,599	4.6941	1,344,825	4.77
Non-monetary items								
USD	127,806	30.11	123,781	29.13	101,965	29.89	89,493	30.28
Investments accounted for by the equity method								
USD	176,545	30.11	193,639	29.13	2,052	29.89	2,500	30.28
Financial liabilities								
Monetary items								
USD	2,765,156	30.11	3,107,166	29.13	3,348,736	29.89	3,372,400	30.28
EUR	404,670	39.28	297,681	38.42	557,819	37.56	583,741	39.19
JPY	16,846,277	0.3047	17,276,121	0.3383	18,047,324	0.3754	678,211	0.3906
RMB	2,757,350	4.91	2,310,079	4.68	3,276,862	4.6941	1,463,205	4.77

37. SIGNIFICANT CONTRACTS

Patent Agreement

The Company specializes in the research, design, manufacture and sale of smart mobile devices. To enhance the quality of its products and manufacturing technologies, the Company has patent agreements, as follows:

Contractor	Contract Term	Description
Apple, Inc.	November 11, 2012 - November 10, 2022	The scope of this license agreement covers both the current and future patents held by the parties as agreed upon and specifically set forth in the agreement, with royalty payable as prescribed.
Microsoft	February 1, 2009 - March 31, 2015	Authorization to use embedded operating system; royalty payment based on agreement.
Qualcomm Incorporated.	December 20, 2000 to the following dates: a. If the Company materially breaches any agreement terms and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents. b. Any time when the Company is not using any of Qualcomm's intellectual property, the Company may terminate this agreement upon 60 days' prior written notice to Qualcomm.	Authorization to use CDMA technology to manufacture and sell units; royalty payment based on agreement.
Telefonaktiebolaget LM Ericsson	December 15, 2008 - December 14, 2013	Authorization to use the platform patent license; royalty payment based on agreement.
Nokia Corporation	January 1, 2003 - December 31, 2016	Authorization to use wireless technology, like GSM; royalty payment based on agreement.
InterDigital Technology Corporation	December 31, 2003 to the expiry dates of these patents stated in the agreement.	Authorization to use TDMA and CDMA technologies; royalty payment based on agreement.
KONINKLIJKE PHILIPS ELECTRONICS N.V.	January 5, 2004 to the expiry dates of these patents stated in the agreement.	GSM/DCS 1800/1900 patent license; royalty payment based on agreement.

(Continued)

Contractor	Contract Term	Description
MOTOROLA, Inc.	December 23, 2003 to the latest of the following dates: a. Expiry dates of patents stated in the agreement. b. Any time when the Company is not using any of Motorola's intellectual properties.	TDMA, NARROWBAND CDMA, WIDEBAND CDMA or TD/CDMA standards patent license or technology; royalty payment based on agreement.
Siemens Aktiengesellschaft	July 2004 to the expiry dates of these patents stated in the agreement.	Authorization to use GSM, GPRS or EDGE patent license or technology; royalty payment based on agreement.
IV International Licensing Netherlands, B.V.	November 2010 - June 2020	Authorization to use wireless technology; royalty payment based on agreement.

(Concluded)

38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Under IFRS 8 - "Operating Segments," the Company is organized and managed as a single reportable business segment. The Company's operations are mainly in the research, design, manufacture and sale of smart mobile devices, and the operating revenue is more than 90 percent of the total revenue.

Operating segment financial information is as follows:

Geographical Areas

The Company's non-current assets (other than financial instruments, deferred tax assets and post-employment benefit assets) located in Taiwan and in single foreign country as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Taiwan	$ 31,908,711	$ 30,004,905	$ 29,373,114	$ 26,579,662
Country Y	5,077,954	5,077,921	5,240,006	5,236,960
Country Z	756,410	1,249,807	10,425,473	10,271,855
Others	10,778,213	11,218,055	12,160,631	13,049,761
	$ 48,521,288	$ 47,550,688	$ 57,199,224	$ 55,138,238

The Company's revenues from Taiwan and from single foreign country that were 10 percent or more of consolidated total revenues for the six months ended June 30, 2013 and 2012 were as follows:

	Six Months Ended June 30	
	2013	2012
Taiwan	$ 11,552,539	$ 13,279,926
Country Y	23,040,162	18,624,898
Country Z	28,433,748	30,956,650
Others	50,428,983	95,968,983
	$ 113,455,432	$ 158,830,457

Major Customers

Revenues for the six months ended June 30, 2013 and 2012, from transactions with a single external customer that were 10 percent or more were as follows:

	Six Months Ended June 30	
Customer	**2013**	**2012**
A	$ 4,396,657	$ 15,134,100

39. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

The Company's consolidated financial statements for the six months ended June 30, 2013 not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Effect of the transition from ROC GAAP to IFRSs

Except for the following additional information on the impact on the transition to IFRSs, please refer to Note 38 to the consolidated financial statements as of March 31, 2013 for the impact on the Company's consolidated balance sheets and consolidated statements of comprehensive income after transition to IFRSs.

1) Reconciliation of consolidated balance sheet as of June 30, 2012

ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		
Item	Amount	Measurement or Recognition Difference	Presentation Difference	Amount	Item	Note
Assets					Assets	
Current assets					Current assets	
Cash and cash equivalents	$ 81,246,878	$ -	$ (25,725,760)	$ 55,521,118	Cash and cash equivalents	a)
Financial assets at fair value through profit or loss - current	181,288	-	-	181,288	Financial assets at fair value through profit or loss - current	
Available-for-sale financial assets - current	794,213	-	-	794,213	Available-for-sale financial assets - current	
Restricted assets - current	402,850	-	25,725,760	26,128,610	Other financial assets - current	a)
Accounts receivable, net	66,125,253	-	-	66,125,253	Accounts receivable, net	
Other financial assets - current	1,959,611	-	-	1,959,611	Other receivables	
Income tax receivables	142,484	-	-	142,484	Current tax assets	

(Continued)

ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		
Item	Amount	Measurement or Recognition Difference	Presentation Difference	Amount	Item	Note
Inventories	$ 26,658,855	$ -	$ -	$ 26,658,855	Inventories	
Prepayments	9,442,543	-	-	9,442,543	Prepayments	
Deferred income tax assets - current	2,561,478	-	(2,561,478)	-	-	b)
Other current assets	53,235	-	-	53,235	Other current assets	
Total current assets	189,568,688	-	(2,561,478)	187,007,210	Total current assets	
Non-current assets					Non-current assets	
Held-to-maturity financial assets - non-current	202,922	-	-	202,922	Held-to-maturity financial assets - non-current	
Available-for-sale financial assets - non-current	189	-	-	189	Available-for-sale financial assets - non-current	
Financial assets measured at cost - non-current	3,690,929	-	-	3,690,929	Financial assets measured at cost - non-current	
Investments accounted for using equity method	309,374	-	-	309,374	Investments accounted for using equity method	
Properties	25,539,585	-	145,770	25,685,355	Property, plant and equipment	g), h)
Intangible assets	21,692,377	(342)	186,594	21,878,629	Intangible assets	d), g)
Refundable deposits	186,988	-	-	186,988	Refundable deposits	
Deferred charges	921,121	-	(921,121)	-	-	g)
Deferred income tax assets - non-current	3,371,714	63,000	3,024,953	6,459,667	Deferred tax assets	b), c)
Prepaid pension cost - non-current	194,440	(82,142)	-	112,298	Prepaid pension cost - non-current	d)
Other non-current assets	9,046,483	-	588,757	9,635,240	Other non-current assets	g), h)
Total non-current assets	65,156,122	(19,484)	3,024,953	68,161,591	Total non-current assets	
Total	$ 254,724,810	$ (19,484)	$ 463,475	$ 255,168,801	Total	
Liabilities and stockholders' equity					Liabilities and stockholders' equity	
Current liabilities					Current liabilities	
Hedging derivative liabilities - current	$ 15,871	$ -	$ -	$ 15,871	Hedging derivative liabilities - current	
Notes and accounts payable	79,222,932	-	-	79,222,932	Notes and accounts payable	
Other payables	80,037,573	126,611	-	80,164,184	Other payables	f)
Income tax payable	2,056,643	-	-	2,056,643	Current tax liabilities	
-	-	-	14,310,954	14,310,954	Provisions - current	e)
Other current liabilities	16,279,925	-	(14,310,954)	1,968,971	Other current liabilities	e)
Total current liabilities	177,612,944	126,611	-	177,739,555	Total current liabilities	
Non-current liabilities					Non-current liabilities	
-	-	-	463,475	463,475	Deferred tax liabilities	b)
Guarantee deposits received	98,879	-	-	98,879	Guarantee deposits received	
Total non-current liabilities	98,879	-	463,475	562,354	Total non-current liabilities	
Total liabilities	177,711,823	126,611	463,475	178,301,909	Total liabilities	
Stockholders' equity					Equity attributable to owners of the parent	
Common stock	8,520,521	-	-	8,520,521	Common stock	
Capital surplus	16,619,594	(18,037)	-	16,601,557	Capital surplus	i)
Retained earnings	65,237,023	(96,217)	-	65,140,806	Retained earnings	c), d), f), i), j)
Other equity					Other equity	
Cumulative translation adjustments	(508,471)	(32,134)	-	(540,605)	Exchange differences on translating foreign operation	j)
Net losses not recognized as pension cost	(293)	293	-	-	-	d)
Unrealized gain on available-for-sale financial assets	32,526	-	-	32,526	Unrealized gain on available-for-sale financial assets	
Cash flow hedge	(17,994)	-	-	(17,994)	Cash flow hedge	
Treasury shares	(14,065,490)	-	-	(14,065,490)	Treasury shares	
Total equity attributable to stockholders of the parent	75,817,416	(146,095)	-	75,671,321	Total equity attributable to owners of the parent	
Minority interest	1,195,571	-	-	1,195,571	Non-controlling interests	
Total stockholders' equity	77,012,987	(146,095)	-	76,866,892	Total equity	
Total	$ 254,724,810	$ (19,484)	$ 463,475	$ 255,168,801	Total	

(Concluded)

2) Reconciliation of consolidated statement of comprehensive income for the six months ended June 30, 2012

ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		
Item	Amount	Measurement or Recognition Difference	Presentation Difference	Amount	Item	Note
Revenues	$ 158,830,457	$ -	$ -	$ 158,830,457	Revenues	
Cost of revenues	117,273,072	4,520	-	117,277,592	Cost of revenues	d), f)
Gross profit	41,557,385	(4,520)	-	41,552,865	Gross profit	
Operating expenses					Operating expenses	
Selling and marketing	16,759,486	1,854	-	16,761,340	Selling and marketing	d), f)
General and administrative	3,436,513	2,880	-	3,439,393	General and administrative	d), f)
Research and development	8,061,264	17,126	-	8,078,390	Research and development	d), f)
Total operating expenses	28,257,263	21,860	-	28,279,123	Total operating expenses	
Operating profit	13,300,122	(26,380)	-	13,273,742	Operating profit	
Non-operating income and expenses	1,122,951	-	-	1,122,951	Non-operating income and expenses	
Profit before income tax	14,423,073	(26,380)	-	14,396,693	Profit before income tax	
Income tax	(1,948,241)	5,000	-	(1,943,241)	Income tax	c)
Profit for the period	$ 12,474,832	$ (21,380)	$ -	12,453,452	Profit for the period	
				(540,605)	Exchange differences on translating foreign operation	
				29,587	Unrealized gain on available-for-sale financial assets	
				(17,994)	Cash flow hedge	
				(529,012)	Other comprehensive income and loss for the period, net of income tax	
				$ 11,924,440	Total comprehensive income	

3) Reconciliation of consolidated statement of comprehensive income for the three months ended June 30, 2012

ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		
Item	Amount	Measurement or Recognition Difference	Presentation Difference	Amount	Item	Note
Revenues	$ 91,040,876	$ -	$ -	$ 91,040,876	Revenues	
Cost of revenues	66,453,666	13,541	-	66,467,207	Cost of revenues	d), f)
Gross profit	24,587,210	(13,541)	-	24,573,669	Gross profit	
Operating expenses					Operating expenses	
Selling and marketing	10,035,449	3,643	-	10,039,092	Selling and marketing	d), f)
General and administrative	1,721,696	3,624	-	1,725,320	General and administrative	d), f)
Research and development	4,634,486	21,595	-	4,656,081	Research and development	d), f)
Total operating expenses	16,391,631	28,862	-	16,420,493	Total operating expenses	
Operating profit	8,195,579	(42,403)	-	8,153,176	Operating profit	
Non-operating income and expenses	671,163	-	-	671,163	Non-operating income and expenses	
Profit before income tax	8,866,742	(42,403)	-	8,824,339	Profit before income tax	
Income tax	(1,196,884)	22,000	-	(1,174,884)	Income tax	c)
Profit for the period	$ 7,669,858	$ (20,403)	$ -	7,649,455	Profit for the period	
				155,659	Exchange differences on translating foreign operation	
				(84,565)	Unrealized gain on available-for-sale financial assets	
				(17,994)	Cash flow hedge	
				53,100	Other comprehensive income and loss for the period, net of income tax	
				$ 7,702,555	Total comprehensive income	

4) Optional exemptions from IFRS 1

The major optional exemptions the Company adopted in January 1, 2012 is same with the description in Consolidated Financial Statements for the three months ended March 31, 2013. For more information, please refer to Note 38 of Consolidated Financial Statements for the three months ended March 31, 2013.

5) Explanations of significant reconciling items in the transition to IFRSs

Material differences between the accounting policies under ROC GAAP and the accounting policies adopted under IFRSs were as follows:

a) Under ROC GAAP, the term "cash" used in the financial statements includes cash on hand, demand deposits, check deposits, time deposits that are cancellable but without any loss of principal and negotiable certificates of deposit that are readily salable without any loss of principal. However, under IFRSs, cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Some certificates of deposit the Company held had maturity of more than 3 months from the date of investment. Thus, as of June 30, 2012, the reclassification adjustment resulted in decreases of NT$25,725,760 thousand in "cash and cash equivalents" and increases by the same amounts in "other current financial assets."

b) Under ROC GAAP, a deferred income tax asset or liability should be classified as current or noncurrent in accordance with the classification of the related asset or liability for financial reporting. However, a deferred income tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent on the basis of the expected length of time before it is realized or settled. By contrast, under IFRSs, a deferred income tax asset or liability is always classified as noncurrent. Thus, as of June 30, 2012, the reclassification adjustment resulted in decreases of NT$2,561,478 thousand in "deferred income tax asset - current" and increases by the same amounts in "deferred income tax assets - non-current."

   Under ROC GAAP, deferred tax assets are recognized in full but are reduced by a valuation allowance account if there is evidence showing that a portion of or all the deferred tax assets will not be realized. However, under IFRSs, an entity recognizes only to the extent that it is highly probable that taxable profits will be available against which the deferred tax assets can be used; thus, a valuation allowance account is not used. Thus, as of June 30, 2012, the reclassification adjustment resulted in decreases of NT$10,148,930 thousand in "deferred income tax assets" and in the valuation allowance account. Also, as of June 30, 2012, the reclassification adjustment resulted in increases of NT$463,475 thousand in "deferred income tax assets" and "deferred income tax liabilities".

c) Under ROC GAAP, deferred income tax assets or liabilities from intergroup sales are recognized for the change in tax basis using the tax rate of ROC. However, under IFRSs, the buyer's tax rates are used instead. Thus, the IFRS adjustment as of June 30, 2012 resulted in increases of NT$63,000 thousand in "deferred income tax assets" and in "accumulated earnings" and an increase in "income tax" by NT$5,000 thousand.

d) Under IFRS 1, the Company elected to recognize all cumulative actuarial gains and losses relating to employee benefits at the date of transition to IFRSs. Thus, as of June 30, 2012, the IFRS adjustment resulted in a decrease in “accumulated earnings” by NT$82,777 thousand due to decreases in “deferred pension cost” by NT$342 thousand, “defined benefit assets” by NT$82,142 thousand and “net loss not recognized as pension cost” by NT$293 thousand. In addition, this adjustment resulted in decreases in “cost of revenues” by NT$267 thousand, “selling and marketing expenses” by NT$68 thousand, “general and administrative expenses” by NT$87 thousand and “research and developing expenses” by NT$488 thousand.

e) Under ROC GAAP, if an obligation is probable (i.e., likely to occur) and the amount could be reasonably estimated, it is a contingent liability and should be accrued for, but under which account is not clearly defined. However, under IFRSs, it defines “provisions” as obligations that are probable (i.e., more likely than not) and the amount could be reasonably estimated. Thus, as of June 30, 2012, the reclassification adjustment resulted in decreases of NT$14,310,954 thousand in “other current liabilities” and increases by the same amounts in “provisions - current.”

f) Accumulated compensated absences are not addressed in existing ROC GAAP; thus, the Company has not recognized the expected cost of employee benefits in the form of accumulated compensated absences at the end of reporting periods. However, under IFRSs, when the employees render services that increase their entitlement to future compensated absences, an entity should recognize the expected cost of employee benefits at the end of reporting periods. Thus, as of June 30, 2012 resulted in (a) a decrease in “accumulated earnings” by NT$126,611 thousand due to an increase of “accrued expenses”; (b) increases in “cost of revenues” by NT$4,787 thousand, “selling and marketing expenses” by NT$1,922 thousand, “general and administrative expenses” by NT$2,967 thousand and “research and developing expenses” by NT$17,614 thousand.

g) Under ROC GAAP, deferred charges are classified under other assets. Transition to IFRSs, deferred charges are classified under “property, plant and equipment”, “other intangible assets” and “other assets - other” according to the nature. Thus, as of June 30, 2012, the Company reclassified NT534,261 thousand of “deferred charges” to “property, plant and equipment”; and reclassified NT$186,594 thousand of “deferred charges” to “other intangible assets” and reclassified NT$200,266 thousand of “deferred charges” to “other assets - other”.

h) The Company purchased fixed assets and made prepayments, pursuant to the “Rules Governing the Preparation of Financial Statements by Securities Issuers.” Such prepayments are presented as “properties”. Transition to IFRSs, the prepayments are classified under “other assets - other”. Thus, as of June 30, 2012, the Company reclassified NT$388,491 thousand of “property, plant and equipment” to “other assets - other”.

i) Under ROC GAAP, if an investee issues new shares and an investor does not purchase new shares proportionately, capital surplus and the long-term equity investment accounts should be adjusted for the change in the investor’s holding percentage and interest in the investee’s net assets. By contrast, under IFRSs, a reduction of investor’s ownership interest that results in loss of significant influence on or control over an investee would be treated as a deemed disposal, with the related gain or loss recognized in profit or loss. An entity may elect not to adjust the difference retrospectively, and the Company elected to use the exemption from retrospective application. The IFRS adjustment resulted in a decrease of capital surplus - long-term equity investments of NT$18,037 thousand and a corresponding increase of accumulated earnings by related rules.

j) The Company elected to reset the accumulated balances of exchange differences resulting from translating foreign operation to zero at the date of transition to IFRSs, and the reversal has been used to adjust accumulated earnings as of January 1, 2012. The gain or loss on any subsequent disposals of any foreign operations should exclude accumulated balances of exchange differences resulting from translating foreign operation that arose before the date of transition to IFRSs. Therefore, the IFRS adjustment resulted in a decrease in accumulated balances of exchange differences resulting from translating foreign operation and an increase in accumulated earnings by NT$32,134 thousand each.