HTC Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2014 and 2013 and Independent Auditors’ Review Report

INDEPENDENT AUDITORS' 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, the "Company") as of June 30, 2014 and 2013, and the related consolidated statements of comprehensive income for the three months ended June 30, 2014 and 2013, six months ended June 30, 2014 and 2013, and changes in equity and cash flows for the six months ended June 30, 2014 and 2013. 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 in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

July 31, 2014

<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 auditors' 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 auditors' 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)

	June 30, 2014 (Reviewed)		December 31, 2013 (Audited)		June 30, 2013 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 48,437,642	27	$ 53,298,941	31	$ 48,115,859	23
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	84,055	-	162,297	-	48,502	-
Held-to-maturity financial assets - current (Note 29)	-	-	-	-	100,612	-
Derivative financial assets for hedging - current (Notes 8 and 29)	6,525	-	-	-	-	-
Trade receivables, net (Notes 11 and 30)	36,313,574	20	23,371,172	14	48,203,254	23
Other receivables (Note 11)	2,242,387	1	2,137,653	1	1,845,947	1
Current tax assets	138,498	-	238,085	-	360,743	-
Inventories (Note 12)	25,904,240	15	23,599,558	14	28,052,138	13
Prepayments (Note 13)	6,653,053	4	5,803,744	3	6,569,646	3
Other current financial assets (Notes 10 and 31)	2,528,414	1	2,771,023	2	4,140,566	2
Other current assets	77,862	-	124,808	-	33,547	-
Total current assets	122,386,250	68	111,507,281	65	137,470,814	65
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Note 29)	206	-	239	-	152	-
Financial assets measured at cost - non-current (Notes 9 and 29)	2,786,544	2	4,603,061	2	4,547,521	2
Investments accounted for using equity method (Note 14)	221,675	-	227,504	-	5,551,231	3
Property, plant and equipment (Notes 15 and 30)	24,232,069	14	25,561,399	15	25,908,958	12
Intangible assets (Note 16)	7,956,346	4	8,664,066	5	11,304,591	6
Deferred tax assets	8,331,551	5	8,665,235	5	9,002,443	4
Refundable deposits	268,636	-	352,894	-	175,723	-
Long-term receivables (Note 11)	1,240,724	1	1,182,393	1	4,516,650	2
Prepaid pension cost - non-current	133,942	-	125,715	-	131,469	-
Other non-current assets (Note 13)	11,181,076	6	11,739,400	7	11,307,739	6
Total non-current assets	56,352,769	32	61,121,906	35	72,446,477	35
TOTAL	$ 178,739,019	100	$ 172,629,187	100	$ 209,917,291	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short term borrowings (Note 17)	$ -	-	$ -	-	$ 9,936,630	5
Financial liabilities at fair value through profit or loss - current (Notes 7 and 29)	62,185	-	-	-	-	-
Derivative financial liabilities for hedging - current (Notes 8 and 29)	1,683	-	-	-	-	-
Note and trade payables (Notes 18 and 30)	50,031,814	28	46,275,851	27	65,760,801	31
Other payables (Notes 19 and 30)	39,984,859	22	38,032,999	22	44,723,615	21
Current tax liabilities	236,817	-	1,040,128	1	347,900	-
Provisions - current (Note 20)	8,650,366	5	8,208,885	5	5,601,489	3
Other current liabilities (Note 19)	1,181,390	1	956,127	-	1,633,504	1
Total current liabilities	100,149,114	56	94,513,990	55	128,003,939	61
NON-CURRENT LIABILITIES						
Deferred tax liabilities	149,602	-	151,122	-	670,638	-
Guarantee deposits received	264,111	-	256,415	-	183,014	-
Total non-current liabilities	413,713	-	407,537	-	853,652	-
Total liabilities	100,562,827	56	94,921,527	55	128,857,591	61
EQUITY (Note 22)						
Share capital - common stock	8,403,521	5	8,423,505	5	8,520,521	4
Capital surplus	14,790,977	8	15,360,307	9	16,601,557	8
Retained earnings						
Legal reserve	18,149,350	10	18,149,350	11	18,149,350	9
Special reserve	-	-	854,138	-	854,138	-
Unappropriated earnings	47,606,426	27	47,282,820	27	50,770,725	24
Other equity	552,736	-	557,698	-	228,899	-
Treasury shares	(11,326,818)	(6)	(12,920,158)	(7)	(14,065,490)	(6)
Total equity	78,176,192	44	77,707,660	45	81,059,700	39
TOTAL	$ 178,739,019	100	$ 172,629,187	100	$ 209,917,291	100

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, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUES (Notes 23 and 30)	$ 65,060,395	100	$ 70,666,915	100	$ 98,181,238	100	$ 113,455,432	100
COST OF REVENUES (Notes 12, 24 and 30)	50,596,366	78	54,290,241	77	76,753,544	78	88,396,606	78
GROSS PROFIT	14,464,029	22	16,376,674	23	21,427,694	22	25,058,826	22
OPERATING EXPENSES (Notes 24 and 30)								
Selling and marketing	7,641,960	12	10,268,551	15	12,106,714	13	14,191,385	12
General and administrative	1,338,743	2	1,616,764	2	2,878,635	3	3,164,649	3
Research and development	3,057,495	4	3,441,468	5	6,064,205	6	6,609,543	6
Total operating expenses	12,038,198	18	15,326,783	22	21,049,554	22	23,965,577	21
OPERATING PROFIT	2,425,831	4	1,049,891	1	378,140	-	1,093,249	1
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 24)	205,797	1	251,228	1	312,759	1	509,536	-
Other gains and losses (Note 24)	137,449	-	97,507	-	204,637	-	(145,047)	-
Finance costs	(8,635)	-	(1,825)	-	(13,498)	-	(1,873)	-
Share of the profit or loss of associates and joint ventures (Note 14)	(2,971)	-	128,041	-	(5,830)	-	171,722	-
Total non-operating income and expenses	331,640	1	474,951	1	498,068	1	534,338	-
PROFIT BEFORE INCOME TAX	2,757,471	5	1,524,842	2	876,208	1	1,627,587	1
INCOME TAX (Note 25)	500,054	1	275,331	-	500,054	1	292,950	-
PROFIT FOR THE PERIOD	2,257,417	4	1,249,511	2	376,154	-	1,334,637	1
OTHER COMPREHENSIVE INCOME AND LOSS								
Exchange differences on translating foreign operations	(604,436)	(1)	533,737	1	(9,770)	-	1,320,701	1
Unrealized losses on available-for-sale financial assets	(3)	-	(21)	-	(34)	-	(11,825)	-
Cash flow hedge	4,842	-	-	-	4,842	-	(194,052)	-
Other comprehensive (loss) income for the period, net of income tax	(599,597)	(1)	533,716	1	(4,962)	-	1,114,824	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 1,657,820	3	$ 1,783,227	3	$ 371,192	-	$ 2,449,461	2

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HTC CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:								
Owners of the parent	$ 2,257,417	3	$ 1,249,511	2	$ 376,154	-	$ 1,334,637	1
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the parent	$ 1,657,820	3	$ 1,783,227	3	$ 371,192	-	$ 2,449,461	2
EARNINGS PER SHARE (Note 26)								
Basic	$2.74		$1.50		$0.46		$1.60	
Diluted	$2.74		$1.50		$0.46		$1.60	

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, Note Audited)

	Share Capital		Retained Earnings			Other Equity				
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Cash Flow Hedge	Treasury Shares	Total Equity
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
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)
Net profit for the six months ended June 30, 2013	-	-	-	-	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
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
BALANCE, JANUARY 1, 2014	$ 8,423,505	$ 15,360,307	$ 18,149,350	$ 854,138	$ 47,282,820	$ 559,719	$ (2,021)	$ -	$ (12,920,158)	$ 77,707,660
Appropriation of 2013 earnings										
Special reserve reversed	-	-	-	(854,138)	854,138	-	-	-	-	-
Net profit for the six months ended June 30, 2014	-	-	-	-	376,154	-	-	-	-	376,154
Other comprehensive income and loss for the six months ended June 30, 2014	-	-	-	-	-	(9,770)	(34)	4,842	-	(4,962)
Retirement of treasury stock	(19,984)	(666,670)	-	-	(906,686)	-	-	-	1,593,340	-
Share-based payments	-	97,340	-	-	-	-	-	-	-	97,340
BALANCE, JUNE 30, 2014	$ 8,403,521	$ 14,790,977	$ 18,149,350	$ -	$ 47,606,426	$ 549,949	$ (2,055)	$ 4,842	$ (11,326,818)	$ 78,176,192

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	
	2014	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 876,208	$ 1,627,587
Adjustments for:		
Depreciation expenses	1,560,013	1,408,280
Amortization expenses	925,882	1,002,080
Impairment loss recognized on trade receivables	-	1,009,364
Finance costs	13,498	1,873
Interest income	(195,577)	(347,759)
Dividend income	(6,982)	(13,232)
Compensation cost of employee share options	97,340	-
Share of the profit or loss of associates and joint ventures	5,830	(171,722)
Losses on disposal of property, plant and equipment	747	1,563
Gain on sale of investments	(103,525)	(29,735)
Impairment loss recognized on financial assets measured at cost	66,905	-
Impairment losses on non-financial assets	257,109	1,123,441
Changes in operating assets and liabilities		
Decrease (increase) in financial instruments held for trading	140,427	(41,552)
Decrease in derivative financial instruments for hedging	-	204,519
Increase in trade receivables	(12,942,402)	(7,958,792)
Increase in other receivables	(109,219)	(367,888)
Increase in inventories	(2,561,791)	(4,999,538)
Increase in prepayments	(849,309)	(2,113,542)
Decrease in other current assets	46,946	5,550
Decrease (increase) in other non-current assets	657,150	(1,443,183)
Increase (decrease) in note and trade payables	3,755,963	(7,857,396)
Increase in other payables	2,265,897	4,407,900
Increase (decrease) in provisions	441,481	(3,280,025)
Increase (decrease) in other current liabilities	225,263	(154,602)
Cash used in operations	(5,432,146)	(17,986,809)
Interest received	140,831	393,969
Interest paid	(13,498)	(642)
Income tax paid	(871,614)	(3,247,533)
Net cash used in operating activities	(6,176,427)	(20,841,015)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	-	56,738
Payments to acquire financial assets measured at cost	(426,937)	(120,244)
Proceeds on sale of financial assets measured at cost	2,289,731	-
Payments for property, plant and equipment	(743,795)	(1,672,142)
Proceeds from disposal of property, plant and equipment	10,482	-
Decrease in refundable deposits	84,258	14,419
Decrease in other receivables - related parties	-	6,600,093

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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	
	2014	**2013**
Payments for intangible assets	$ (217,381)	$ (193,761)
Decrease in other current financial assets	242,609	2,420,878
Dividend received	6,982	658,846
Net cash generated from investing activities	1,245,949	7,764,827
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	9,936,630
Increase in guarantee deposits received	7,696	123,015
Net cash generated from financing activities	7,696	10,059,645
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	61,483	166,259
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,861,299)	(2,850,284)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	53,298,941	50,966,143
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 48,437,642	$ 48,115,859

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. HTC and its subsidiaries (the "Company") are engaged in 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 31, 2014.

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

a. The 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in issue but not yet effective.

Rule No. 1030010325 issued by the Financial Supervisory Commission (FSC) on April 3, 2014, stipulated that the Company should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011

(Continued)

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Except for the following, the initial application of the above 2013 IFRSs version has not had any material impact on the Company's accounting policies:

1) IFRS 13 "Fair Value Measurement"

   IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

   The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

2) Amendment to IAS 1 "Presentation of Other Comprehensive Income"

   The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Company will apply the above amendments in presenting the consolidated statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss is the actuarial gain (loss) arising from defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets and cash flow hedges.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Company was continuingly to assess other possible impacts that the application of the 2013 IFRSs version will have on the Company's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by FSC

The Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 "Financial Instruments"	Note 3
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	Note 3
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: IASB tentatively decided that an entity should apply IFRS 9 for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs has not had any material impact on the Company's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are 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 are measured at their fair values at the end of reporting period. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Recognition and measurement of financial liabilities

As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, 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. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Company presents all gains or losses on that liability in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

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.

2) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;

- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuingly assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is complete.

4. SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies of these consolidated financial statements have been followed as were applied in the preparation of the Company's consolidated financial statements for the year ended December 31, 2013, except for those described below.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

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

a. Subsidiary included in consolidated financial statements

The consolidated entities as of June 30, 2014, December 31, 2013 and June 30, 2013 were as follows:

			% of Ownership			
Investor	**Investee**	**Main Businesses**	**June 30, 2014**	**December 31, 2013**	**June 30, 2013**	**Remark**
HTC Corporation	H.T.C. (B.V.I.) Corp.	International holding company	100.00	100.00	100.00	-
	Communication Global Certification Inc.	Import of controlled telecommunications radio-frequency devices and software services	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	-
	HTC Investment Corporation	General investing activities	100.00	100.00	100.00	-
	PT. High Tech Computer Indonesia	Marketing, repair and after-sales service	1.00	1.00	1.00	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership June 30, 2014	% of Ownership December 31, 2013	% of Ownership June 30, 2013	Remark
	HTC I Investment Corporation	General investing activities	100.00	100.00	100.00	-
	HTC Holding Cooperatief U.A.	International holding company	0.01	0.01	0.01	-
	HTC Investment One (BVI) Corporation	Holding S3 Graphics Co., Ltd. and general investing activities	100.00	100.00	100.00	-
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	-
High Tech Computer Asia Pacific Pte. Ltd.	High Tech Computer (H.K.) Limited	Marketing, repair and after-sales service	-	100.00	100.00	1)
	HTC (Australia and New Zealand) Pty. Ltd.	〃	100.00	100.00	100.00	-
	HTC Philippines Corporation	〃	99.99	99.99	99.99	-
	PT. High Tech Computer Indonesia	〃	99.00	99.00	99.00	-
	HTC (Thailand) Limited	〃	100.00	100.00	100.00	-
	HTC India Private Ltd.	〃	99.00	99.00	99.00	-
	HTC Malaysia Sdn. Bhd.	〃	100.00	100.00	100.00	-
	HTC Innovation Limited	〃	100.00	100.00	100.00	-
High Tech Computer Asia Pacific Pte. Ltd.	HTC Communication Co., Ltd.	Manufacture and sale of smart mobile devices and after-sales service	100.00	100.00	100.00	-
	HTC HK, Limited	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	-
	HTC Holding Cooperatief U.A.	International holding company	99.99	99.99	99.00	-
	HTC Communication Technologies (SH)	Design, research and development of application software	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	100.00	-
HTC Investment One (BVI) Corporation	S3 Graphics Co., Ltd.	Design, research and development of graphics technology	100.00	100.00	100.00	-
HTC HK, Limited	HTC Corporation (Shanghai WGQ)	Smart mobile devices examination and after-sale services and technique consultations	100.00	100.00	100.00	-
	HTC Electronics (Shanghai) Co., Ltd.	Manufacture and sale of smart mobile devices	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	-
	HTC India Private Ltd.	Marketing, repair and after-sales services	1.00	1.00	1.00	-
	HTC South Eastern Europe Limited Liability Company	〃	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	-
	HTC BRASIL	Marketing, repair and after-sales services	99.99	99.99	99.99	-
	HTC Belgium BVBA/SPRL	〃	100.00	100.00	100.00	-
	HTC NIPPON Corporation	Sale of smart mobile devices	100.00	100.00	100.00	-
	HTC FRANCE CORPORATION	International holding company; marketing, repair and after-sales services	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	-
	HTC Nordic ApS.	〃	100.00	100.00	100.00	-
	HTC Italia SRL	〃	100.00	100.00	100.00	-
	HTC Germany GmbH	〃	100.00	100.00	100.00	-
	HTC Iberia, S.L.	〃	100.00	100.00	100.00	-
	HTC Poland sp. z.o.o.	〃	100.00	100.00	100.00	-
	Saffron Media Group Ltd.	International holding company	-	-	100.00	2)
	HTC Communication Canada, Ltd.	Marketing, repair and after-sales services	100.00	100.00	100.00	-
	HTC Norway AS	〃	100.00	100.00	100.00	-
	HTC RUS LLC	〃	100.00	100.00	100.00	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership June 30, 2014	December 31, 2013	June 30, 2013	Remark
	HTC Communication Sweden AB	〃	100.00	100.00	100.00	-
	HTC Luxembourg S.a.r.l.	Online/download media services	100.00	100.00	100.00	-
	HTC Middle East FZ-LLC	Marketing, repair and after-sales services	100.00	100.00	100.00	-
HTC EUROPE CO., LTD.	HTC America Holding Inc.	International holding company	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	-
HTC America Holding Inc.	HTC America Inc.	Sale of smart mobile devices	100.00	100.00	100.00	-
	One & Company Design, Inc.	Design, research and development of application software	100.00	100.00	100.00	-
	HTC America Innovation Inc.	〃	100.00	100.00	100.00	-
	HTC America Content Services, Inc.	Online/download media services	100.00	100.00	100.00	-
HTC America Holding Inc.	Dashwire, Inc.	Design and management of cloud synchronization technology	100.00	100.00	100.00	-
	Inquisitive Minds, Inc.	Development and sale of digital education platform	100.00	100.00	100.00	-
ABAXIA SAS	HTC BLR	Design, research and development of application software	100.00	100.00	100.00	-
Saffron Media Group Ltd.	Saffron Digital Ltd.	Design, research and development of application software	-	-	100.00	2)
	Saffron Digital Inc.	〃	-	-	100.00	2)

(Concluded)

Remark:

1) High Tech Computer (H.K.) Limited was dissolved in May 2014.

2) Saffron Media Group Ltd. and its subsidiaries were disposed in September 2013.

b. Subsidiaries excluded from consolidated financial statements: None

Retirement Benefit Costs

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

Income Taxes

Income tax expense is the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income and the tax rate that would be applicable to expected total annual earnings.

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 year ended December 31, 2013.

6. CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013	June 30, 2013
Cash on hand	$ 2,345	$ 2,479	$ 1,868
Checking accounts and demand deposits	36,123,828	28,654,223	27,903,042
Cash equivalents			
Time deposits with original maturities less than three months	12,311,469	24,642,239	20,210,949
	$ 48,437,642	$ 53,298,941	$ 48,115,859

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2014	December 31, 2013	June 30, 2013
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Exchange contracts	$ 84,055	$ 162,297	$ 48,502
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Exchange contracts	$ 62,185	$ -	$ -

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, 2014					
Foreign exchange contracts	Buy	EUR/NTD	2014.07.10-2014.08.13	EUR	25,000
Foreign exchange contracts	Buy	EUR/USD	2014.07.25	EUR	20,000
Foreign exchange contracts	Buy	GBP/USD	2014.07.11-2014.07.30	GBP	84,000
Foreign exchange contracts	Buy	GBP/NTD	2014.07.10-2014.08.27	GBP	46,000

(Continued)

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
Foreign exchange contracts	Buy	USD/NTD	2014.07.07-2014.08.18	USD	181,800
Foreign exchange contracts	Buy	CAD/USD	2014.07.09	CAD	2,655
Foreign exchange contracts	Buy	RMB/USD	2014.07.02-2014.07.09	RMB	246,943
Foreign exchange contracts	Sell	USD/NTD	2014.07.31	USD	10,000
Foreign exchange contracts	Sell	CAD/USD	2014.07.02-2014.08.27	CAD	21,000
Foreign exchange contracts	Sell	RMB/USD	2014.07.02-2014.08.13	RMB	926,203
Foreign exchange contracts	Sell	EUR/USD	2014.07.02-2014.08.13	EUR	127,000
Foreign exchange contracts	Sell	JPY/USD	2014.07.09-2014.10.08	JPY	887,160
December 31, 2013					
Foreign exchange contracts	Sell	EUR/USD	2014.01.02-2014.01.29	EUR	61,000
Foreign exchange contracts	Sell	JPY/USD	2014.03.31	JPY	3,755,090
Foreign exchange contracts	Sell	GBP/USD	2014.01.15-2014.01.22	GBP	12,000
Foreign exchange contracts	Sell	USD/NTD	2014.01.06-2014.02.05	USD	391,700
Foreign exchange contracts	Sell	CAD/USD	2014.01.13-2014.01.29	CAD	5,500
Foreign exchange contracts	Buy	USD/RMB	2014.01.08-2014.01.22	USD	100,600
Foreign exchange contracts	Buy	CAD/USD	2014.01.13	CAD	4,000
Foreign exchange contracts	Buy	RMB/USD	2014.01.08	RMB	11,000
Foreign exchange contracts	Buy	EUR/USD	2014.01.15-2014.01.22	EUR	18,000
Foreign exchange contracts	Buy	GBP/USD	2014.01.15-2014.01.22	GBP	2,000
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
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

(Concluded)

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2014	December 31, 2013	June 30, 2013
Derivative financial assets under hedge accounting			
Cash flow hedges - foreign exchange forward contracts	$ 6,525	$ -	$ -
Derivative financial liabilities under hedge accounting			
Cash flow hedges - foreign exchange forward contracts	$ 1,683	$ -	$ -

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

	Buy/Sell	Currency	Settlement Period/Date	Notional Amount (In Thousands)
June 30, 2014				
Forward exchange contracts	Sell	JPY/USD	2014.08.29-2014.09.30	JPY 6,864,850

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	
	2014	2013	2014	2013
Revenues	$ -	$ -	$ -	$ 258,327
Other gains and losses	-	-	-	151,197
	$ -	$ -	$ -	$ 409,524

9. FINANCIAL ASSETS MEASURED AT COST

	June 30, 2014	December 31, 2013	June 30, 2013
Domestic unlisted equity investment	$ 698,861	$ 698,861	$ 698,861
Overseas unlisted equity investment	1,597,824	1,830,694	1,841,459
Overseas unlisted mutual funds	489,859	2,073,506	2,007,201
	$ 2,786,544	$ 4,603,061	$ 4,547,521
Classified according to financial asset measurement categories			
Available-for-sale financial assets	$ 2,786,544	$ 4,603,061	$ 4,547,521

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.

The Company disposed of the investments in Primavera Capital (Cayman) Fund L.L.P. and Shanghai F-road Commercial Co., Ltd. in May 2014. These two transactions resulted in the recognition of a gain in profit or loss, calculated as follows:

Proceeds of disposal	$ 2,289,731
Less: Carrying amount of investment on the date of disposal	(2,186,206)
Gain recognized	$ 103,525

In June 2014, The Company believed that the investment in SoundHound Inc. could not be recovered and thus an impairment loss of NT$66,905 thousand was recognized at its carrying amount.

10. OTHER CURRENT FINANCIAL ASSETS

	June 30, 2014	December 31, 2013	June 30, 2013
Trust assets for employee benefit	$ 2,364,695	$ 2,359,041	$ 3,651,342
Time deposits with original maturities more than three months	163,719	411,982	489,224
	$ 2,528,414	$ 2,771,023	$ 4,140,566

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.

For details of pledged other current financial assets, please refer to Note 31.

11. TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2014	December 31, 2013	June 30, 2013
Trade receivables			
Trade receivables	$ 39,363,867	$ 26,420,770	$ 51,272,142
Trade receivables - related parties	614	1,309	1,165
Less: Allowance for impairment loss	(3,050,907)	(3,050,907)	(3,070,053)
	$ 36,313,574	$ 23,371,172	$ 48,203,254
Other receivables			
Receivables from disposal of investments	$ 1,181,493	$ 1,182,393	$ 4,516,650
VAT refund receivables	292,806	355,442	293,846
Interest receivables	65,624	10,878	7,925
Others	1,943,188	1,771,333	1,544,176
	$ 3,483,111	$ 3,320,046	$ 6,362,597
Current - other receivables	$ 2,242,387	$ 2,137,653	$ 1,845,947
Non-current - other receivables	1,240,724	1,182,393	4,516,650
	$ 3,483,111	$ 3,320,046	$ 6,362,597

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 impairment loss 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 impairment loss 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.

<u>Age of impaired trade receivables</u>

	June 30, 2014	December 31, 2013	June 30, 2013
1-90 days	$ 3,837,502	$ 3,714,226	$ 3,662,259
91-180 days	133,999	1,468,049	449,483
Over 181 days	729,026	803,422	1,674,954
	$ 4,700,527	$ 5,985,697	$ 5,786,696

The above was shown after deducting the allowance for impairment loss and analyzed on the basis of the past due date.

Movement in the allowance for impairment loss recognized on trade receivables were as follow:

<u>Movement in the allowance for impairment loss</u>

	Six Months Ended June 30	
	2014	2013
Balance, beginning of period	$ 3,050,907	$ 2,086,085
Add: Impairment losses recognized on receivables	-	1,009,364
Less: Amounts written off as uncollectible	-	(13,943)
Translation adjustment	-	(11,453)
Balance, end of period	$ 3,050,907	$ 3,070,053

Other Receivables

Receivable from disposal of investments is derived from sale of shares of Saffron Media Group Ltd. in 2013. According to agreement, the principle and interest will be received in full in September 2018 and cloud be repaid by the buyer in whole or in part, at any time.

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

12. INVENTORIES

	June 30, 2014	December 31, 2013	June 30, 2013
Finished goods	$ 2,908,632	$ 3,487,921	$ 3,059,264
Work in progress	712,251	521,423	582,909
Semi-finished goods	7,637,195	8,244,216	7,956,433
Raw materials	14,503,534	11,074,773	16,188,234
Inventory in transit	142,628	271,225	265,298
	$ 25,904,240	$ 23,599,558	$ 28,052,138

The losses on inventories decline amounting to NT$257,109 thousand and NT$756,777 thousand were recognized as cost of revenues for the six months ended June 30, 2014 and 2013, respectively.

13. PREPAYMENTS

	June 30, 2014	December 31, 2013	June 30, 2013
Royalty	$ 12,650,846	$ 12,007,756	$ 12,201,611
Prepayments to suppliers	2,125,309	2,492,197	2,883,761
Net input VAT	2,021,651	1,918,462	1,977,622
Prepaid equipment	301,253	194,200	207,965
Service	168,463	113,661	143,255
Software and hardware maintenance	139,988	139,958	125,759
Land use right	133,434	138,376	138,959
Molding expenses	44,154	304,411	74,424
Others	249,031	234,123	124,029
	$ 17,834,129	$ 17,543,144	$ 17,877,385
Current	$ 6,653,053	$ 5,803,744	$ 6,569,646
Non-current	11,181,076	11,739,400	11,307,739
	$ 17,834,129	$ 17,543,144	$ 17,877,385

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 34.

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

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2014	December 31, 2013	June 30, 2013
Investment in associates	$ -	$ -	$ 5,316,014
Investment in jointly controlled entities	221,675	227,504	235,217
	$ 221,675	$ 227,504	$ 5,551,231

Investments in Associates

	June 30, 2014	December 31, 2013	June 30, 2013
Unlisted equity investments			
Beats Electronics, LLC	$ -	$ -	$ 5,316,014
SYNCTV Corporation	-	-	-
	$ -	$ -	$ 5,316,014

As the end of the reporting period, the proportion of ownership and voting rights in associates held by the Company were as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Beats Electronics, LLC			
Ownership	-	-	25.14%
Voting right	-	-	25.57%
SYNCTV Corporation	-	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 April 2014, the Company transferred its interest in SYNCTV Corporation to the parent company of such investee, Intertrust Technologies Corporation, without consideration.

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. In October 2013, the Company sold its remaining interest in Beats Electronics, LLC to Beats Electronics, LLC for US$265,000 thousand. This transaction resulted in the recognition of a gain in profit or loss, calculated as follows:

Proceeds of disposal	$ 7,883,326
Less: Carrying amount of investment on the date of disposal	(5,285,537)
Add: Share of other comprehensive income of the associate	39,884
Gain recognized	$ 2,637,673

Except for SYNCTV Corporation, investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have been reviewed. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, as the financial statements of SYNCTV Corporation have not been reviewed.

Investments in Jointly Controlled Entity

	June 30, 2014	December 31, 2013	June 30, 2013
Unlisted equity investments			
Huada Digital Corporation	$ 221,675	$ 227,504	$ 235,217

At the end of the reporting period, the proportion of ownership and voting rights in jointly controlled entities held by the Company were as follows:

Company Name	June 30, 2014	December 31, 2013	June 30, 2013
Huada Digital Corporation	50.00%	50.00%	50.00%

The Company set up a subsidiary Huada, whose main business is software services, in December 2009. In October 2011, Chunghwa Telecom Co., Ltd. invested in Huada. 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.

Investments in jointly controlled entity and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, as the financial statements have not been reviewed.

15. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2014	December 31, 2013	June 30, 2013
Carrying amounts			
Land	$ 7,627,993	$ 7,623,287	$ 7,611,746
Buildings	10,329,009	10,507,548	11,202,804
Property in construction	455	145	6,086
Machinery and equipment	4,878,263	5,761,926	6,070,995
Other equipment	1,396,349	1,668,493	1,017,327
	$ 24,232,069	$ 25,561,399	$ 25,908,958

Movement of property, plant and equipment for the six months ended June 30, 2014 and 2013 were as follows:

2014	Land	Buildings	Property in Construction	Machinery and Equipment	Other Equipment	Total
Cost						
Balance, beginning of period	$ 7,623,287	$ 12,229,591	$ 145	$ 14,480,912	$ 3,564,884	$ 37,898,819
Additions	-	54,596	464	137,056	130,589	322,705
Disposal	-	-	-	-	(58,585)	(58,585)
Reclassification	-	-	(146)	-	146	-
Translation adjustment	4,706	(28,429)	(8)	(96,925)	(39,871)	(160,527)
Balance, end of period	7,627,993	12,255,758	455	14,521,043	3,597,163	38,002,412
Accumulated depreciation						
Balance, beginning of period	-	1,722,043	-	8,718,986	1,896,391	12,337,420
Depreciation expenses	-	207,131	-	977,821	375,061	1,560,013
Disposal	-	-	-	-	(47,356)	(47,356)
Reclassification	-	-	-	-	-	-
Translation adjustment	-	(2,425)	-	(54,027)	(23,282)	(79,734)
Balance, end of period	-	1,926,749	-	9,642,780	2,200,814	13,770,343
Net book value, end of period	$ 7,627,993	$ 10,329,009	$ 455	$ 4,878,263	$ 1,396,349	$ 24,232,069

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

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Building	5-50 years
Machinery and equipment	3-6 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, 2014 and 2013.

16. INTANGIBLE ASSETS

	June 30, 2014	December 31, 2013	June 30, 2013
Carrying amounts			
Patents	$ 6,878,980	$ 7,668,901	$ 8,642,123
Goodwill	174,253	174,253	1,182,400
Other intangible assets	903,113	820,912	1,480,068
	$ 7,956,346	$ 8,664,066	$ 11,304,591

Movements of intangible assets for the six months ended June 30, 2014 and 2013 were as follows:

	2014			
	Patents	Goodwill	Other Intangible Assets	Total
Cost				
Balance, beginning of period	$ 11,496,490	$ 874,784	$ 1,689,432	$ 14,060,706
Additions	-	-	217,381	217,381
Translation adjustment	(6,750)	(2,740)	(4,644)	(14,134)
Balance, end of period	11,489,740	872,044	1,902,169	14,263,953
Accumulated amortization				
Balance, beginning of period	3,716,504	-	705,679	4,422,183
Amortization expenses	791,329	-	134,553	925,882
Translation adjustment	(8,158)	-	(3,895)	(12,053)
Balance, end of period	4,499,675	-	836,337	5,336,012
Accumulated impairment				
Balance, beginning of period	111,085	700,531	162,841	974,457
Translation adjustment	-	(2,740)	(122)	(2,862)
Balance, end of period	111,085	697,791	162,719	971,595
Net book value, end of period	$ 6,878,980	$ 174,253	$ 903,113	$ 7,956,346

	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)

The Company owns patents of graphics technologies. As of June 30, 2014, December 31, 2013 and June 30, 2013, the carrying amounts of such patents were NT$6,075,773 thousand, NT$6,641,606 thousand, and NT$7,245,459 thousand, respectively. The patents will be fully amortized over their remaining economic lives.

17. SHORT TERM BORROWINGS

	June 30, 2014	December 31, 2013	June 30, 2013
Unsecured borrowings			
Line of credit borrowings	$ -	$ -	$ 9,936,630

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

18. NOTE AND TRADE PAYABLES

	June 30, 2014	December 31, 2013	June 30, 2013
Note payables	$ 651	$ 1,355	$ 5,572
Trade payables	50,031,163	46,266,193	65,755,229
Trade payables - related parties	-	8,303	-
	$ 50,031,814	$ 46,275,851	$ 65,760,801

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.

19. OTHER LIABILITIES

	June 30, 2014	December 31, 2013	June 30, 2013
Other payables			
Accrued expenses	$ 39,483,122	$ 36,999,785	$ 41,878,871
Cash dividend payable	-	-	1,662,455
Payables for purchase of equipment	501,737	815,774	872,487
Others	-	217,440	309,802
	$ 39,984,859	$ 38,032,999	$ 44,723,615
Other current liabilities			
Advance receipts	$ 674,348	$ 529,470	$ 526,482
Agency receipts	207,558	259,529	232,572
Others	299,484	167,128	874,450
	$ 1,181,390	$ 956,127	$ 1,633,504

Accrued Expenses

	June 30, 2014	December 31, 2013	June 30, 2013
Marketing	$ 24,883,614	$ 22,592,673	$ 24,887,257
Salaries and bonuses	4,889,280	5,757,389	5,518,719
Bonus to employees	3,290,669	3,278,053	5,781,170
Materials and molding expenses	2,160,193	1,650,934	1,636,136
Services	1,982,027	1,780,205	1,452,845
Import, export and freight	743,394	647,588	762,849
Repairs, maintenance and sundry purchase	213,282	237,463	615,906
Others	1,320,663	1,055,480	1,223,989
	$ 39,483,122	$ 36,999,785	$ 41,878,871

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

20. PROVISIONS

	June 30, 2014	December 31, 2013	June 30, 2013
Warranty provision	$ 7,834,229	$ 7,376,035	$ 4,710,552
Provisions for contingent loss on purchase orders	816,137	832,850	890,937
	$ 8,650,366	$ 8,208,885	$ 5,601,489

Movement of provisions for the six months ended June 30, 2014 and 2013 were as follows:

	2014		
	Warranty Provision	Provisions for Contingent Loss on Purchase Orders	Total
Balance, beginning of period	$ 7,376,035	$ 832,850	$ 8,208,885
Provisions recognized	10,494,186	75,191	10,569,377
Amount utilized during the period	(10,100,871)	(91,904)	(10,192,775)
Translation adjustment	64,879	-	64,879
Balance, end of period	$ 7,834,229	$ 816,137	$ 8,650,366

	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

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.

21. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Company's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2013 and 2012, and recognized in the following line items in their respective periods:

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Operating cost	$ 429	$ 118	$ 859	$ 223
Selling and marketing	$ 136	$ 21	$ 280	$ 42
General and administrative	$ 194	$ 48	$ 397	$ 95
Research and development	$ 940	$ 145	$ 1,878	$ 297

22. EQUITY

Share Capital

a. Common stock

	June 30, 2014	December 31, 2013	June 30, 2013
Authorized shares (in thousands of shares)	1,000,000	1,000,000	1,000,000
Authorized capital	$ 10,000,000	$ 10,000,000	$ 10,000,000
Issued and fully paid shares (in thousands of shares)	840,352	842,351	852,052
Issued capital	$ 8,403,521	$ 8,423,505	$ 8,520,521

In September and November 2013, the Company retired 1,912 thousand treasury shares amounting to NT$19,126 thousand and 7,789 thousand treasury shares amounting to NT$77,890 thousand, respectively. Also, in February 2014, the Company retired 1,999 thousand treasury shares amounting to NT$19,984 thousand. As a result, the amount of the Company's outstanding common stock as of June 30, 2014 decreased to NT$8,403,521 thousand, divided into 840,352 thousand common shares at NT$10 par value. Every common stock carries one vote per share and a right to dividends.

50,000 thousand shares of the Company's shares authorized were reserved for the issuance of employee share options.

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, 2014, there were 8,296.4 thousand units of GDRs redeemed, representing 33,185.6 thousand common shares, and the outstanding GDRs represented 2,874.9 thousand common shares or 0.35 % of HTC's outstanding common shares.

Capital Surplus

	June 30, 2014	December 31, 2013	June 30, 2013
Arising from issuance of common shares	$ 14,606,248	$ 14,640,983	$ 14,809,608
Arising from treasury share transactions	-	631,791	1,730,458
Arising from merger	24,088	24,145	24,423
Arising from employee share options	124,082	26,742	-
Arising from expired stock options	36,559	36,646	37,068
	$ 14,790,977	$ 15,360,307	$ 16,601,557

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares, treasury share 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 share capital (limited to a certain percentage of the Company's capital surplus and once a year).

In September and November 2013, the retirement of treasury shares caused decreases of NT$168,625 thousand in additional paid-in capital - issuance of shares in excess of par, NT$9,727 thousand in capital surplus - treasury shares, NT$278 thousand in capital surplus - merger and NT$422 thousand in capital surplus - expired stock options. The difference the carrying value of treasury shares retired in excess of the sum of its par value and premium from issuance of common share was firstly offset against capital surplus - treasury shares by NT$1,088,940 thousand, and the rest offset against unappropriated earnings amounting to NT$814,170 thousand.

In February 2014, the retirement of treasury shares caused decreases of NT$34,735 thousand in additional paid-in capital - issuance of shares in excess of par, NT$1,499 thousand in capital surplus - treasury shares, NT$57 thousand in capital surplus - merger and NT$87 thousand in capital surplus - expired stock options. The difference the carrying value of treasury shares retired in excess of the sum of its par value and premium from issuance of common share was firstly offset against capital surplus - treasury shares by NT$630,292 thousand, and the rest offset against unappropriated earnings amounting to NT$906,686 thousand.

Retained Earnings and Dividend Policy

Under HTC's Articles of Incorporation, if HTC has earnings after the annual final accounting, it shall be allocated 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 the six months ended June 30, 2014 and 2013 should be appropriated at 5% 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.

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 loss off-setting for 2013 and appropriations of 2012 earnings had been approved in the shareholders' meetings on June 19, 2014 and June 21, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For 2013	**For 2012**	**For 2013**	**For 2012**
Legal reserve	$ -	$ 1,678,096	$ -	$ -
Special reserve (reversal)	(854,138)	854,138	-	-
Cash dividends	-	1,662,455	-	2
Stock dividends	-	-	-	-

No employee bonus was estimated as the Company reported net loss for the year ended December 31, 2013. The bonus to employees for 2012 was approved in the shareholders' meetings on June 21, 2013. The amounts of bonus were as follows:

		Amounts Approved in Board Meetings	Amounts Recognized in Financial Statements
For 2012	Cash	$ 976,327	
	Stock	-	
		$ 976,327	$ 976,327

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

Information on the earnings appropriation proposed by the Company's board of directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

Other Equity

	June 30, 2014	December 31, 2013	June 30, 2013
Exchange differences on translating foreign operations	$ 549,949	$ 559,719	$ 231,008
Unrealized losses on available-for-sale financial assets	(2,055)	(2,021)	(2,109)
Effective portion of gains and losses on hedging instruments in a cash flow hedge	4,842	-	-
	$ 552,736	$ 557,698	$ 228,899

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 hedge

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.

Treasury Shares

On August 2, 2013, the Company's board of directors passed a resolution to buy back 15,000 thousand Company shares from the open market. The repurchase period was between August 5, 2013 and October 4, 2013, and the repurchase price ranged from NT$140 to NT$290 per share. If the Company's share price is lower than this price range, the Company may continue to buy back its shares. The Company had bought back 7,789 thousand shares for NT$1,033,846 thousand during the repurchase period, which retired by the Company's board of directors on November 5, 2013.

The Company had repurchased company shares from the open market for transferring to employees and some of them had not been transferred before the expiry time. The Board of Directors approved the retirement of 1,999 thousand and 1,912 thousand treasury stocks in February 2014 and September 2013, respectively. The related information on the treasury stock transactions was as follows:

(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, 2014				
To transfer shares to the Company's employees	18,913	-	1,999	16,914
Six months ended June 30, 2013				
To transfer shares to the Company's employees	20,825	-	-	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.

23. REVENUE

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Sale of goods	$ 64,557,555	$ 69,854,453	$ 96,452,422	$ 112,106,188
Other operating income	502,840	812,462	1,728,816	1,349,244
	$ 65,060,395	$ 70,666,915	$ 98,181,238	$ 113,455,432

Some sales denominated in foreign currencies were hedged for cash flow risk. Accordingly, the Company transferred NT$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.

24. NET PROFIT FOR THE PERIODS

a. Other income

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Interest income				
Cash in bank	$ 73,236	$ 67,258	$ 135,409	$ 136,165
Other receivables	60,168	-	60,168	-
Held-to-maturity financial assets	-	228	-	455
Loan	-	120,638	-	211,139
	133,404	188,124	195,577	347,759
Dividend income	3,302	3,227	6,982	13,232
Others	69,091	59,877	110,200	148,545
	$ 205,797	$ 251,228	$ 312,759	$ 509,536

b. Other gains and losses

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Gain (losses) on disposal of property, plant and equipment, net	$ 4	$ (5)	$ (747)	$ (1,563)
Gains on disposal of investments	103,525	-	103,525	29,735
Net foreign exchange gains	99,944	109,134	170,318	44,417
Net gains arising on financial assets and liabilities classified as held for trading	21,870	48,502	21,870	48,502
Ineffective portion of cash flow hedge	-	-	-	151,197
Impairment losses	(66,905)	(24,178)	(66,905)	(366,664)
Other losses	(20,989)	(35,946)	(23,424)	(50,671)
	$ 137,449	$ 97,507	$ 204,637	$ (145,047)

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 of foreign currency denominated assets and liabilities.

c. Impairment losses on financial assets

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Financial assets measured at cost (included in other gains and losses)	$ 66,905	$ -	$ 66,905	$ -
Trade receivables (included in operating expense)	-	611,448	-	1,009,364
Other receivables (included in operating expense)	-	(177,900)	-	-
	$ 66,905	$ 433,548	$ 66,905	$1,009,364

d. Depreciation and amortization

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Property, plant and equipment	$ 774,930	$ 713,591	$ 1,560,013	$ 1,408,280
Intangible assets	461,209	508,020	925,882	1,002,080
	$ 1,236,139	$ 1,221,611	$ 2,485,895	$ 2,410,360
Classification of depreciation - by function				
Cost of revenues	$ 419,156	$ 366,956	$ 846,422	$ 723,900
Operating expenses	355,774	346,635	713,591	684,380
	$ 774,930	$ 713,591	$ 1,560,013	$ 1,408,280
Classification of amortization - by function				
Cost of revenues	$ 7,442	$ 4,634	$ 9,849	$ 5,551
Operating expenses	453,767	503,386	916,033	996,529
	$ 461,209	$ 508,020	$ 925,882	$ 1,002,080

e. Employee benefits expense

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Post-employment benefits				
Defined contribution plans	$ 202,648	$ 176,249	$ 383,458	$ 349,998
Defined benefit plans (Note 21)	1,699	332	3,414	657
	204,347	176,581	386,872	350,655
Share-based payments				
Equity-settled share-based payments	48,670	-	97,340	-
Other employee benefits	4,271,193	4,951,278	8,129,948	9,256,534
Total employee benefits expense	$ 4,524,210	$ 5,127,859	$ 8,614,160	$ 9,607,189

(Continued)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Classification - by function				
Cost of revenues	$ 1,742,251	$ 1,902,191	$ 3,181,509	$ 3,362,011
Operating expenses	2,781,959	3,225,668	5,432,651	6,245,178
	$ 4,524,210	$ 5,127,859	$ 8,614,160	$ 9,607,189

(Concluded)

f. Impairment losses on non-financial assets

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Inventories (included in cost of revenues)	$ 176,452	$ 557,111	$ 257,109	$ 756,777
Goodwill (included in other gains and losses)	-	24,178	-	366,664
	$ 176,452	$ 581,289	$ 257,109	$ 1,123,441

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Current tax				
In respect of the current period	$ 111,030	$ 448,496	$ 171,782	$ 575,178
In respect of the prior periods	(2)	(54,281)	80	7,671
	111,028	394,215	171,862	582,849
Deferred tax				
In respect of the current period	389,026	(118,884)	328,192	(289,899)
Income tax recognized in profit or loss	$ 500,054	$ 275,331	$ 500,054	$ 292,950

On April 9, 2014, the Ministry of Finance promulgated the amendments to the Assessment Rules Governing Income Tax Returns of Profit-Seeking Enterprises, the Tax Ruling No. 10304540780, and the amendments apply to the filing of income tax returns for 2013 onwards. The applications of such amendments were not expected to have significant effect on current and deferred tax assets and liabilities for the Company.

b. Integrated income tax

The imputation credit account ("ICA") information as of June 30, 2014, December 31, 2013 and June 30, 2013, were as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Unappropriated earnings generated on and after January 1, 1998	$ 47,606,426	$ 47,282,820	$ 50,770,725
Imputation credits accounts	$ 6,447,032	$ 6,573,169	$ 6,672,527

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of HTC was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of HTC was based on the balance of the ICA as of the date of dividend distribution. Therefore, the expected creditable ratio for the earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

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 Communication Global Certification Inc., HTC Investment Corporation and HTC I Investment Corporation for the years through 2012 have been examined and approved by the tax authorities.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Basic earnings per share	$ 2.74	$ 1.50	$ 0.46	$ 1.60
Diluted earnings per share	$ 2.74	$ 1.50	$ 0.46	$ 1.60

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

Net Profit for the Period

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Profit for the period attributable to owners of the parent	$ 2,257,417	$ 1,249,511	$ 376,154	$ 1,334,637

Shares

Unit: In Thousands of Shares

	Three Months Ended June 30		Six Months Ended June 30	
	2014	**2013**	**2014**	**2013**
Weighted average number of ordinary shares in computation of basic earnings per share	823,438	831,227	823,438	831,227
Effect of dilutive potential ordinary shares:				
Bonus issue to employees	-	313	-	332
Weighted average number of ordinary shares used in the computation of diluted earnings per share	823,438	831,540	823,438	831,559

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 were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

27. SHARE-BASED PAYMENT ARRANGEMENTS

No share options were granted during the six months ended June 30, 2014.

Information on employee share options was as follows:

	Six Months Ended June 30, 2014	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**
Balance, beginning of period	15,000	$149
Options granted	-	
Balance, end of period	15,000	
Options exercisable, end of period	-	
Weighted-average fair value of options granted per unit (NT$)	$ -	

28. CAPITAL MANAGEMENT

The Company manages its capital to ensure its ability to continue as a going concern while maximizing the returns to shareholders. The Company periodically reviews its capital structure by taking into consideration macroeconomic conditions, prevailing interest rate, and adequacy of cash flows generated from operations; as the situation would allow, the Company pays dividends, issues new shares, repurchases shares, issues new debt, and redeems debt.

The Company is not subject to any externally imposed capital requirements.

29. 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, 2014		December 31, 2013		June 30, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets						
Held-to-maturity investments	$ -	$ -	$ -	$ -	$ 100,612	$ 100,680

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, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 84,055	$ -	$ 84,055
Hedging derivative assets				
Derivative financial instruments	$ -	$ 6,525	$ -	$ 6,525
Available-for-sale financial assets				
Domestic listed stocks - equity investments	$ 206	$ -	$ -	$ 206
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 62,185	$ -	$ 62,185
Hedging derivative liabilities				
Derivative financial instruments	$ -	$ 1,683	$ -	$ 1,683

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 162,297	$ -	$ 162,297
Available-for-sale financial assets				
Domestic listed stocks - equity investments	$ 239	$ -	$ -	$ 239

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

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, 2014	December 31, 2013	June 30, 2013
Financial assets			
FVTPL			
Held for trading	$ 84,055	$ 162,297	$ 48,502
Derivative instruments in designated hedge accounting relationships	6,525	-	-
Held-to-maturity investments	-	-	100,612
Loans and receivables (Note 1)	91,031,377	83,114,076	106,997,999
Available-for-sale financial assets (Note 2)	2,786,750	4,603,300	4,547,673
Financial liabilities			
FVTPL			
Held for trading	62,185	-	-
Derivative instruments in designated hedge accounting relationships	1,683	-	-
Amortized cost (Note 3)	90,488,342	84,824,794	120,836,632

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

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, other payables, agency receipts and guarantee deposits received.

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 33.

Sensitivity analysis

The Company was mainly exposed to the Currency United Stated dollars ("USD"), Currency Euro ("EUR"), Currency Renminbi ("RMB") and Currency 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, 2014		
USD	$ 57,158	$ (20,317)
EUR	(18,427)	-
RMB	(50,115)	-
JPY	(6,410)	20,253
Six months ended June 30, 2013		
USD	(14,856)	-
EUR	(2,701)	-
RMB	(70,450)	-
JPY	7,619	-

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, 2014, 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 11.

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, 2014

	Less Than 3 Months	3 to 12 Months	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 20,031,088	$ 30,000,726	$ -
Other payables	15,822,885	24,161,974	-
Other current liabilities	122,549	85,009	-
Guarantee deposits received	-	-	264,111
	35,976,522	54,247,709	264,111
Derivative financial liabilities			
Financial liabilities held for trading	62,185	-	-
Derivative instruments designated hedge accounting relationships	1,683	-	-
	63,868	-	-
	$ 36,040,390	$ 54,247,709	$ 264,111

December 31, 2013

	Less Than 3 Months	3 to 12 Months	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 13,087,630	$ 33,188,221	$ -
Other payables	14,813,806	23,219,193	-
Other current liabilities	74,952	184,577	-
Guarantee deposits received	-	-	256,415
	$ 27,976,388	$ 56,591,991	$ 256,415

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

2) Bank credit limit

	June 30, 2014	December 31, 2013	June 30, 2013
Unsecured bank general credit limit			
Amount used	$ 1,793,330	$ 1,697,088	$ 11,515,507
Amount unused	41,768,835	45,647,802	35,977,178
	$ 43,562,165	$ 47,344,890	$ 47,492,685

30. RELATED-PARTY TRANSACTIONS

Balances transactions, revenue and expenses between HTC and its subsidiaries, which are related parties of HTC, have been eliminated on consolidation and are not disclosed in this note. Except disclosed in other notes, details of transactions between the Company and other related parties are disclosed below.

Operating Sales

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Main management	$ 2,430	$ 2,002	$ 2,430	$ 2,002
Other related parties - Employees' Welfare Committee	342	212	21,741	22,762
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	2,467	3,095	8,456	9,267
	$ 5,239	$ 5,309	$ 32,627	$ 34,031

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

	June 30, 2014	December 31, 2013	June 30, 2013
Other related parties - other related parties' chairperson, also as its significant stockholder, is HTC's chairperson	$ 614	$ 1,309	$ 1,165

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 bad debt expense had been recognized for the six months ended June 30, 2014 and 2013 for the amounts owed by related parties.

Purchase

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	$ -	$ 5,513	$ 4,228	$ 45,777

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

	June 30, 2014	December 31, 2013	June 30, 2013
Other related parties - other related parties' chairperson, also as its significant stockholder, is HTC's chairperson	$ -	$ 8,303	$ -

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

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

The remuneration of directors and other members of key management personnel for the six months ended June 30, 2014 and 2013 were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Short-term benefits	$ 47,634	$ 68,228	$ 123,616	$ 120,938
Post-employment benefits	518	856	1,545	1,910
Share-based payments	10,253	-	20,506	-
	$ 58,405	$ 69,084	$ 145,667	$ 122,848

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

Property, Plant and Equipment Acquired

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Other related parties - other related parties' chairperson, also as its significant stockholder, is HTC's chairperson	$ -	$ -	$ -	$ 3,238

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, the amount of unpaid royalty was NT$153,272 thousand.

b. Other related parties provide business consulting service to the Company. The business consulting service fees were NT$1,400 thousand and NT$2,748 thousand for the six months ended June 30, 2014 and 2013, 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, 2014 and 2013, each.

31. 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$2,364,695 thousand, NT$2,359,041 thousand and NT$3,651,342 thousand of June 30, 2014, December 31, 2013 and June 30, 2013, respectively.

As of June 30, 2014, December 31, 2013 and June 30, 2013 the Company had provided time deposits of NT$1,783 thousand, NT$1,090 thousand, and NT$2,176 thousand had been classified as other current financial assets, respectively, as collateral for rental deposits.

32. COMMITMENTS, CONTINGENCIES AND SIGNIFICANT CONTRACTS

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. As for the third patents-in-suit, the Washington Court has granted a stay on case pending appeal decision. In January 2014, the Court of Appeal for the Federal Circuit affirmed the Washington Court's 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. 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.

33. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	June 30, 2014		December 31, 2013		June 30, 2013	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets						
Monetary items						
USD	$ 2,411,769	29.91	$ 2,109,805	29.93	$ 2,957,413	30.11
EUR	385,918	40.83	301,083	41.27	416,504	39.28
JPY	3,830,394	0.2950	3,089,002	0.2851	14,800,016	0.3047
RMB	1,663,258	4.82	884,849	4.94	1,686,699	4.91

(Continued)

	June 30, 2014			December 31, 2013			June 30, 2013	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Non-monetary items						
USD	$ 69,795	29.91	$ 130,415	29.93	$ 127,806	30.11
Investments accounted for by the equity method						
USD	-	-	-	-	176,545	30.11
Financial liabilities						
Monetary items						
USD	2,197,276	29.91	1,856,825	29.93	2,765,156	30.11
EUR	337,824	40.83	257,486	41.27	404,670	39.28
JPY	9,127,193	0.2950	6,432,408	0.2851	16,846,277	0.3047
RMB	1,912,426	4.82	1,446,364	4.94	2,757,350	4.91

(Concluded)

34. SIGNIFICANT CONTRACTS

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.	Authorization to use CDMA technology to manufacture and sell units; royalty payment based on agreement.
Qualcomm Incorporated.	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.	

(Continued)

Contractor	Contract Term	Description
Nokia Corporation	January 1, 2003 - December 31, 2016	Authorization to use wireless technology, like GSM; royalty payment based on agreement.
	January 1, 2014 - December 31, 2018	Patent and technology collaboration; payment for use of implementation patents 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.
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)

35. SEGMENT INFORMATION

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.