HTC Corporation and Subsidiaries

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
HTC Corporation

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

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "Engagements to Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standard 1 "First-time Adoption of International Financial Reporting Standards" and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

November 5, 2013

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

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

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

HTC CORPORATION AND SUBSIDIARIES

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

ASSETS	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 43,119,840	$ 50,966,143	$ 45,287,862	$ 62,026,758
Financial assets at fair value through profit or loss - current (Notes 7 and 31)	-	6,950	-	256,868
Available-for-sale financial assets - current (Notes 8 and 31)	-	37,902	50,520	736,031
Held-to-maturity financial assets - current (Notes 9 and 31)	100,185	101,459	-	-
Derivative financial assets for hedging - current (Notes 10 and 31)	-	204,519	-	-
Note and trade receivables, net (Notes 13 and 32)	30,933,802	41,253,826	40,798,544	64,719,791
Other receivables (Note 13)	2,167,035	1,524,269	1,657,611	1,947,665
Other receivables - related parties (Notes 13 and 32)	-	6,600,093	6,619,951	966
Current tax assets	391,628	61,532	104,405	263,116
Inventories (Note 14)	26,022,627	23,809,377	21,396,402	28,430,590
Prepayments (Note 15)	6,350,136	4,965,814	5,741,555	6,507,516
Other current financial assets (Notes 6, 12 and 33)	2,805,927	6,561,444	8,878,513	25,543,450
Other current assets	133,524	39,097	3,333	249,644
Total current assets	112,024,704	136,132,425	130,538,696	190,682,395
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 8 and 31)	214	197	183	279
Held-to-maturity financial assets - non-current (Notes 9 and 31)	-	-	202,070	204,597
Financial assets measured at cost - non-current (Notes 11 and 31)	4,520,429	4,304,907	3,962,435	3,408,654
Investments accounted for using equity method (Note 16)	5,477,519	5,892,168	5,663,059	71,732
Property, plant and equipment (Notes 17 and 32)	25,551,795	25,990,766	25,798,488	21,715,633
Intangible assets (Note 18)	9,381,477	11,683,170	12,296,512	22,767,479
Deferred tax assets	8,830,166	8,689,842	8,847,589	6,319,978
Refundable deposits	174,859	190,142	185,409	185,306
Long-term receivables (Notes 13 and 29)	5,645,128	4,369,350	4,397,025	-
Prepaid pension cost - non-current (Note 22)	137,535	119,273	118,632	100,651
Other non-current assets (Note 15)	11,738,813	9,876,752	10,328,832	10,655,126
Total non-current assets	71,457,935	71,116,567	71,800,234	65,429,435
TOTAL	$ 183,482,639	$ 207,248,992	$ 202,338,930	$ 256,111,830

LIABILITIES AND EQUITY	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	19,871	-	137,633	-
Derivative financial liabilities for hedging - current (Notes 10 and 31)	-	-	82,213	-
Note and trade payables (Notes 19 and 32)	54,374,041	73,618,197	64,776,187	78,473,130
Other payables (Notes 20 and 32)	42,473,734	39,267,173	39,687,249	47,595,791
Current tax liabilities	138,292	2,713,373	3,895,103	10,570,682
Provisions - current (Note 21)	6,449,212	8,881,514	11,847,666	15,133,275
Other current liabilities (Note 20)	1,933,535	1,788,106	2,412,944	1,661,140
Total current liabilities	105,388,685	126,268,363	122,838,995	153,434,018
NON-CURRENT LIABILITIES				
Deferred tax liabilities	683,091	647,936	345,148	340,261
Guarantee deposits received	261,320	59,999	122,830	42,946
Total non-current liabilities	944,411	707,935	467,978	383,207
Total liabilities	106,333,096	126,976,298	123,306,973	153,817,225
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 23)				
Share capital - common stock	8,501,395	8,520,521	8,520,521	8,520,521
Capital surplus	15,475,351	16,601,557	16,601,557	16,601,557
Retained earnings				
Legal reserve	18,149,350	16,471,254	16,471,254	10,273,674
Special reserve	854,138	-	-	580,856
Accumulated earnings	47,796,989	53,630,777	52,610,975	75,687,478
Total retained earnings	66,800,477	70,102,031	69,082,229	86,542,008
Other equity	(298,498)	(885,925)	(1,106,860)	2,939
Treasury shares	(13,329,182)	(14,065,490)	(14,065,490)	(10,365,144)
Total equity attributable to owners of the parent	77,149,543	80,272,694	79,031,957	101,301,881
NON-CONTROLLING INTEREST	-	-	-	992,724
Total equity	77,149,543	80,272,694	79,031,957	102,294,605
TOTAL	$ 183,482,639	$ 207,248,992	$ 202,338,930	$ 256,111,830

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

HTC CORPORATION AND SUBSIDIARIES

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
REVENUES (Notes 24 and 32)	$ 47,047,567	$ 70,176,838	$ 160,502,999	$ 229,007,295
COST OF REVENUES (Notes 14, 25 and 32)	37,471,576	52,620,359	125,868,182	169,897,951
GROSS PROFIT	9,575,991	17,556,479	34,634,817	59,109,344
OPERATING EXPENSES (Notes 25 and 32)				
Selling and marketing	7,554,445	7,174,065	21,745,830	23,935,405
General and administrative	2,668,447	1,423,108	5,833,096	4,862,501
Research and development	2,857,192	4,030,309	9,466,735	12,108,699
Total operating expenses	13,080,084	12,627,482	37,045,661	40,906,605
OPERATING (LOSS) PROFIT	(3,504,093)	4,928,997	(2,410,844)	18,202,739
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	447,235	257,915	956,771	846,578
Other gains and losses (Note 25)	113,984	(1,404,224)	(31,063)	(857,368)
Finance costs	(6,520)	(1,056)	(8,393)	(1,555)
Share of the profit or loss of associates and joint ventures (Note 16)	(24,927)	137,725	146,795	125,656
Total non-operating income and expenses	529,772	(1,009,640)	1,064,110	113,311
(LOSS) PROFIT BEFORE INCOME TAX	(2,974,321)	3,919,357	(1,346,734)	18,316,050
INCOME TAX (Note 26)	(585)	(224,715)	292,365	1,718,526
(LOSS) PROFIT FOR THE PERIOD	(2,973,736)	4,144,072	(1,639,099)	16,597,524
OTHER COMPREHENSIVE INCOME AND LOSS				
Exchange differences on translating foreign operations (Note 23)	(527,459)	(499,887)	793,242	(1,040,492)
Unrealized gains (losses) on available-for-sale financial assets (Note 23)	62	(10,373)	(11,763)	19,214
Cash flow hedge (Notes 10 and 23)	-	(70,527)	(194,052)	(88,521)
Other comprehensive income and loss for the period, net of income tax	(527,397)	(580,787)	587,427	(1,109,799)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	$ (3,501,133)	$ 3,563,285	$ (1,051,672)	$ 15,487,725
ALLOCATIONS OF (LOSS) PROFIT FOR THE PERIOD ATTRIBUTABLE TO				
Owners of the parent	$ (2,973,736)	$ 3,941,423	$ (1,639,099)	$ 15,789,306
Non-controlling interest	-	202,649	-	808,218
	$ (2,973,736)	$ 4,144,072	$ (1,639,099)	$ 16,597,524
ALLOCATIONS OF TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD ATTRIBUTABLE TO				
Owners of the parent	$ (3,501,133)	$ 3,360,636	$ (1,051,672)	$ 14,679,507
Non-controlling interest	-	202,649	-	808,218
	$ (3,501,133)	$ 3,563,285	$ (1,051,672)	$ 15,487,725

(Continued)

HTC CORPORATION AND SUBSIDIARIES

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	**2012**	**2013**	**2012**
(LOSS) EARNINGS PER SHARE (Note 27)				
Basic (loss) earnings per share	$(3.58)	$4.74	$(1.97)	$18.97
Diluted (loss) earnings per share	$(3.58)	$4.74	$(1.97)	$18.88

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

HTC CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent											
	Share Capital		Retained Earnings			Other Equity						
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Cash Flow Hedge	Treasury Shares	Total Equity Attributable to Owners of the Parent	Non-controlling Interest	Total Equity
BALANCE, JANUARY 1, 2012	$ 8,520,521	$ 16,601,557	$ 10,273,674	$ 580,856	$ 75,687,478	$ -	$ 2,939	$ -	$ (10,365,144)	$ 101,301,881	$ 992,724	$ 102,294,605
Appropriation of 2011 earnings												
Legal reserve	-	-	6,197,580	-	(6,197,580)	-	-	-	-	-	-	-
Special reserve reversed	-	-	-	(580,856)	580,856	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(33,249,085)	-	-	-	-	(33,249,085)	-	(33,249,085)
Profit for the nine months ended September 30, 2012	-	-	-	-	15,789,306	-	-	-	-	15,789,306	808,218	16,597,524
Other comprehensive income and loss for the nine months ended September 30, 2012	-	-	-	-	-	(1,040,492)	19,214	(88,521)	-	(1,109,799)	-	(1,109,799)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(3,700,346)	(3,700,346)	-	(3,700,346)
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(1,800,942)	(1,800,942)
BALANCE, SEPTEMBER 30, 2012	$ 8,520,521	$ 16,601,557	$ 16,471,254	$ -	$ 52,610,975	$ (1,040,492)	$ 22,153	$ (88,521)	$ (14,065,490)	$ 79,031,957	$ -	$ 79,031,957
BALANCE, JANUARY 1, 2013	$ 8,520,521	$ 16,601,557	$ 16,471,254	$ -	$ 53,630,777	$ (1,089,693)	$ 9,716	$ 194,052	$ (14,065,490)	$ 80,272,694	$ -	$ 80,272,694
Appropriation of 2012 earnings												
Legal reserve	-	-	1,678,096	-	(1,678,096)	-	-	-	-	-	-	-
Special reserve	-	-	-	854,138	(854,138)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,662,455)	-	-	-	-	(1,662,455)	-	(1,662,455)
Loss for the nine months ended September 30, 2013	-	-	-	-	(1,639,099)	-	-	-	-	(1,639,099)	-	(1,639,099)
Other comprehensive income and loss for the nine months ended September 30, 2013	-	-	-	-	-	793,242	(11,763)	(194,052)	-	587,427	-	587,427
Purchase of treasury shares	-	-	-	-	-	-	-	-	(409,024)	(409,024)	-	(409,024)
Retirement of treasury stock	(19,126)	(1,126,206)	-	-	-	-	-	-	1,145,332	-	-	-
BALANCE, SEPTEMBER 30, 2013	$ 8,501,395	$ 15,475,351	$ 18,149,350	$ 854,138	$ 47,796,989	$ (296,451)	$ (2,047)	$ -	$ (13,329,182)	$ 77,149,543	$ -	$ 77,149,543

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)

	Nine Months Ended September 30	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	$ (1,346,734)	$ 18,316,050
Adjustments for:		
Depreciation	2,163,076	1,773,410
Amortization	1,497,393	1,539,792
Impairment loss recognized on trade receivables	1,009,364	507,486
Finance costs	8,393	1,555
Interest income	(409,458)	(449,127)
Dividend income	(16,282)	(19,918)
Share of the profit or loss of associates and joint ventures	(146,795)	(125,656)
Losses on disposal of property, plant and equipment	2,555	1,634
Transfer of property, plant and equipment to expenses	-	8,471
Gains on sale of investments	(29,735)	(49,084)
Impairment loss recognized on financial assets measured at cost	-	1,199,045
Impairment losses on non-financial assets	1,424,478	1,135,243
(Gain) loss on disposal of subsidiaries	(175,436)	214,268
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	26,821	394,501
Decrease in derivative financial instruments for hedging	204,519	82,213
Decrease in note and trade receivables	9,283,985	19,832,814
(Increase) decrease in other receivables	(683,523)	306,843
Decrease in other receivables - related parties	-	966
(Increase) decrease in inventories	(3,109,103)	3,997,736
Increase in prepayments	(1,906,586)	(2,039,166)
Increase in other current assets	(105,440)	(120,168)
(Increase) decrease in other non-current assets	(1,880,323)	267,794
Decrease in note and trade payables	(19,213,479)	(8,773,944)
Increase (decrease) in other payables	3,886,917	(6,522,930)
Decrease in provisions	(2,432,302)	(3,285,609)
Increase in other current liabilities	154,919	927,940
Cash (used in) generated from operations	(11,792,776)	29,122,159
Interest received	452,839	432,211
Interest paid	(8,393)	(1,555)
Income tax paid	(3,302,711)	(10,758,118)
Net cash (used in) generated from operating activities	(14,651,041)	18,794,697
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	56,738	829,071
Payments to acquire financial assets measured at cost	(153,789)	(1,927,162)
Net cash outflow on acquisition of subsidiaries	-	(10,485)
Net cash inflow (outflow) on disposal of subsidiaries	144,266	(647,609)
Payments for property, plant and equipment	(2,116,148)	(5,434,424)

(Continued)

HTC CORPORATION AND SUBSIDIARIES

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

	Nine Months Ended September 30	
	2013	**2012**
Proceeds from disposal of property, plant and equipment	$ 856	$ 36,866
Increase in refundable deposits	-	(8,985)
Decrease in refundable deposits	11,607	-
Increase in other receivables - related parties	-	(6,600,093)
Decrease in other receivables - related parties	6,600,093	-
Payments for intangible assets	(199,017)	(555,474)
Decrease in other current financial assets	3,755,517	16,647,231
Increase in prepayments for equipment in transit	(37,572)	(151,617)
Dividend received	661,896	19,918
Net cash generated from investing activities	8,724,447	2,197,237
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	(1,662,455)	(33,249,085)
Payments for treasury shares	(409,024)	(3,700,346)
Increase in guarantee deposits received	201,321	79,884
Change in non-controlling interest	-	(1,800,942)
Net cash used in financing activities	(1,870,158)	(38,670,489)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(49,551)	939,659
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,846,303)	(16,738,896)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	50,966,143	62,026,758
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 43,119,840	$ 45,287,862

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

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

1. ORGANIZATION AND OPERATIONS

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on November 5, 2013.

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

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

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

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

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

IFRS 9: Financial Instruments

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance

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

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

Basis of Consolidation

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

a. Subsidiaries included in consolidated financial statements

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

			% of Ownership				
Investor	**Investee**	**Main Businesses**	**September 30, 2013**	**December 31, 2012**	**September 30, 2012**	**January 1, 2012**	**Remark**
HTC Corporation	H.T.C. (B.V.I.) Corp.	International holding company	100.00	100.00	100.00	100.00	-
	Communication Global Certification Inc.	Telecom testing and certification services	100.00	100.00	100.00	100.00	-
	High Tech Computer Asia Pacific Pte. Ltd.	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	100.00	-
	HTC Investment Corporation	General investing activities	100.00	100.00	100.00	100.00	-
	PT. High Tech Computer Indonesia	Marketing, repair and after-sales service	1.00	1.00	1.00	1.00	-
	HTC I Investment Corporation	General investing activities	100.00	100.00	100.00	100.00	-
	HTC Holding Cooperatief U.A.	International holding company	1.00	1.00	1.00	1.00	-
	Huada Digital Corporation	Software service	50.00	50.00	50.00	50.00	1)
	HTC Investment One (BVI) Corporation	Holding S3 Graphics Co., Ltd. and general investing activities	100.00	100.00	100.00	100.00	-
	FunStream Corporation	Design, research and development of three-D technology	-	100.00	100.00	-	2)
H.T.C. (B.V.I.) Corp.	High Tech Computer Corp. (Suzhou)	Manufacture and sale of smart mobile devices	100.00	100.00	100.00	100.00	-
	Exedea Inc.	Distribution and sales	-	-	100.00	100.00	3) -
High Tech Computer Asia Pacific Pte. Ltd.	High Tech Computer (H.K.) Limited	Marketing, repair and after-sales service	100.00	100.00	100.00	100.00	-
	HTC (Australia and New Zealand) Pty. Ltd.	〃	100.00	100.00	100.00	100.00	-
	HTC Philippines Corporation	〃	99.99	99.99	99.99	99.99	-
	PT. High Tech Computer Indonesia	〃	99.00	99.00	99.00	99.00	-
	HTC (Thailand) Limited	〃	100.00	100.00	100.00	100.00	-
	HTC India Private Ltd.	〃	99.00	99.00	99.00	99.00	-
	HTC Malaysia Sdn. Bhd.	〃	100.00	100.00	100.00	100.00	-
	HTC Innovation Limited	〃	100.00	100.00	100.00	100.00	-
	HTC Communication Co., Ltd.	Sale of smart mobile devices	100.00	100.00	100.00	100.00	-
	HTC HK, Limited	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	100.00	-
	HTC Holding Cooperatief U.A.	International holding company	99.00	99.00	99.00	99.00	-
	HTC Communication Technologies (SH)	Design, research and development of application software	100.00	100.00	100.00	100.00	-
HTC Investment Corporation	Yoda Co., Ltd.	Operation of restaurant business, parking lot and building cleaning services	100.00	100.00	100.00	-	4)
HTC Investment One (BVI) Corporation	S3 Graphics Co., Ltd.	Design, research and development of graphics technology	100.00	100.00	100.00	100.00	-
HTC HK, Limited	HTC Corporation (Shanghai WGQ)	Repair and after-sales services	100.00	100.00	100.00	100.00	-
	HTC Electronics (Shanghai) Co., Ltd.	Manufacture and sale of smart mobile devices	100.00	100.00	100.00	100.00	-
HTC Holding Cooperatief U.A.	HTC Netherlands B.V.	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	100.00	-
HTC Holding Cooperatief U.A.	HTC India Private Ltd.	Marketing, repair and after-sales services	1.00	1.00	1.00	1.00	-
	HTC South Eastern Europe Limited Liability Company	〃	0.67	0.67	0.67	0.67	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012	Remark
HTC Netherlands B.V.	HTC EUROPE CO., LTD.	International holding company, marketing, repair and after-sales services	100.00	100.00	100.00	100.00	-
	HTC BRASIL	Marketing, repair and after-sales services	99.99	99.99	99.99	99.99	-
	HTC Belgium BVBA/SPRL	〃	100.00	100.00	100.00	100.00	-
	HTC NIPPON Corporation	Sale of smart mobile devices	100.00	100.00	100.00	100.00	-
	HTC FRANCE CORPORATION	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	100.00	-
	HTC South Eastern Europe Limited liability Company	Marketing, repair and after-sales services	99.33	99.33	99.33	99.33	-
	HTC Nordic ApS.	〃	100.00	100.00	100.00	100.00	-
	HTC Italia SRL	〃	100.00	100.00	100.00	100.00	-
	HTC Germany GmbH	〃	100.00	100.00	100.00	100.00	-
	HTC Iberia, S.L.	〃	100.00	100.00	100.00	100.00	-
	HTC Poland sp. z.o.o.	〃	100.00	100.00	100.00	100.00	-
	Saffron Media Group Ltd.	International holding company	-	100.00	100.00	100.00	5)
	HTC Communication Canada, Ltd.	Marketing, repair and after-sales services	100.00	100.00	100.00	100.00	-
	HTC Norway AS	〃	100.00	100.00	100.00	100.00	-
	HTC RUS LLC	〃	100.00	100.00	100.00	100.00	-
	HTC Communication Sweden AB	〃	100.00	100.00	100.00	100.00	-
	HTC Luxembourg S.a.r.l.	Online/download media services	100.00	100.00	100.00	100.00	-
	HTC Middle East FZ-LLC	Marketing, repair and after-sales services	100.00	100.00	-	-	6)
HTC EUROPE CO., LTD.	HTC America Holding Inc.	International holding company	100.00	100.00	100.00	100.00	-
HTC FRANCE CORPORATION	ABAXIA SAS	International holding company, design, research and development of application software	100.00	100.00	100.00	100.00	-
HTC America Holding Inc.	HTC America Inc.	Sale of smart handheld devices	100.00	100.00	100.00	100.00	-
	One & Company Design, Inc.	Design, research and development of application software	100.00	100.00	100.00	100.00	-
	HTC America Innovation Inc.	〃	100.00	100.00	100.00	100.00	-
	HTC America Content Services, Inc.	Online/download media services	100.00	100.00	100.00	100.00	-
	Dashwire, Inc.	Design, research and development of wireless connectivity software	100.00	100.00	100.00	100.00	-
	Beats Electronics, LLC	Design, research and development of audio technology	-	-	25.14	50.14	7)
	Inquisitive Minds, Inc.	Development and sale of digital education platform	100.00	100.00	100.00	100.00	-
ABAXIA SAS	HTC BLR	Design, research and development of application software	100.00	100.00	100.00	100.00	-
Saffron Media Group Ltd.	Saffron Digital Ltd.	Design, research and development of application software	-	100.00	100.00	100.00	5)
	Saffron Digital Inc.	〃	-	100.00	100.00	100.00	5)

(Concluded)

Remark:

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

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

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

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

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

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

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

b. Subsidiaries excluded from consolidated financial statements: None

Other Significant Accounting Policies

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Cash on hand	$ 1,925	$ 15,433	$ 27,615	$ 6,436
Checking accounts	2,997	12,134	10,563	9,709
Demand deposits	25,410,887	36,224,664	36,511,194	28,197,300
Time deposits (with original maturities less than three months)	17,704,031	14,713,912	8,738,490	33,813,313
	$ 43,119,840	$ 50,966,143	$ 45,287,862	$ 62,026,758

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

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Bank deposits	0.33%-0.85%	0.20%-1.05%	0.15%-1.09%	0.15%-1%

As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the carrying amounts of time deposits with original maturities more than three months were NT$449,266 thousand, NT$2,915,624 thousand, NT$5,232,693 thousand, and NT$25,543,450 thousand, respectively, which were classified as other current financial assets. (Please refer to Note 12).

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Financial assets held for trading				
Derivatives (not designated as hedging instruments)				
Exchange contracts	$ -	$ 6,950	$ -	$ 256,868
Financial liabilities held for trading				
Derivatives (not designated as hedging instruments)				
Exchange contracts	$ 19,871	$ -	$ 137,633	$ -

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)	
September 30, 2013					
Foreign exchange contracts	Sell	RMB/USD	2013.10.08-2013.11.29	RMB	904,821
Foreign exchange contracts	Sell	JPY/USD	2013.10.01-2014.03.31	JPY	12,541,828
Foreign exchange contracts	Sell	EUR/USD	2013.10.02-2013.12.18	EUR	89,000
Foreign exchange contracts	Sell	GBP/USD	2013.10.16-2013.12.13	GBP	11,700
Foreign exchange contracts	Sell	USD/NTD	2013.10.03-2013.11.12	USD	254,900
Foreign exchange contracts	Sell	CAD/USD	2013.10.25	CAD	400
Foreign exchange contracts	Buy	USD/NTD	2013.10.01-2013.10.15	USD	78,600
December 31, 2012					
Foreign exchange contracts	Sell	EUR/USD	2013.01.11-2013.03.27	EUR	146,000
Foreign exchange contracts	Sell	GBP/USD	2013.01.09-2013.03.20	GBP	20,700
Foreign exchange contracts	Sell	USD/NTD	2013.01.17-2013.02.20	USD	70,000
Foreign exchange contracts	Sell	USD/RMB	2013.01.09-2013.01.30	USD	78,000
Foreign exchange contracts	Buy	USD/RMB	2013.01.09-2013.01.30	USD	106,000
Foreign exchange contracts	Buy	USD/JPY	2013.01.09-2013.03.08	USD	97,437
Foreign exchange contracts	Buy	USD/CAD	2013.01.09-2013.02.22	USD	22,158
Foreign exchange contracts	Buy	USD/NTD	2013.01.07-2013.02.21	USD	270,000

(Continued)

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
September 30, 2012					
Foreign exchange contracts	Sell	EUR/USD	2012.10.03-2012.11.30	EUR	135,000
Foreign exchange contracts	Sell	GBP/USD	2012.10.03-2012.11.30	GBP	25,300
Foreign exchange contracts	Sell	USD/NTD	2012.10.04-2012.10.30	USD	75,000
Foreign exchange contracts	Buy	USD/RMB	2012.10.17-2012.11.14	USD	185,000
Foreign exchange contracts	Buy	USD/JPY	2012.10.24	USD	31,998
Foreign exchange contracts	Buy	USD/CAD	2012.10.17-2012.11.28	USD	10,832
Foreign exchange contracts	Buy	USD/NTD	2012.10.15-2012.10.31	USD	35,000
January 1, 2012					
Foreign exchange contracts	Buy	USD/CAD	2012.01.11-2012.02.22	USD	28,010
Foreign exchange contracts	Buy	USD/RMB	2012.01.04-2012.01.31	USD	105,000
Foreign exchange contracts	Sell	EUR/USD	2012.01.04-2012.03.30	EUR	339,000
Foreign exchange contracts	Sell	GBP/USD	2012.01.11-2012.02.22	GBP	17,100

(Concluded)

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Domestic investments				
Listed stocks	$ 214	$ 197	$ 183	$ 279
Mutual funds	-	-	-	736,031
	214	197	183	736,310
Foreign investments				
Listed depositary receipts	-	37,902	50,520	-
	$ 214	$ 38,099	$ 50,703	$ 736,310
Current	$ -	$ 37,902	$ 50,520	$ 736,031
Non-current	214	197	183	279
	$ 214	$ 38,099	$ 50,703	$ 736,310

9. HELD-TO-MATURITY FINANCIAL ASSETS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Domestic investment				
Bonds	$ 100,185	$ 101,459	$ 202,070	$ 204,597
Current	$ 100,185	$ 101,459	$ -	$ -
Non-current	-	-	202,070	204,597
	$ 100,185	$ 101,459	$ 202,070	$ 204,597

10. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Hedging derivative assets				
Cash flow hedge - forward exchange contracts	$ -	$ 204,519	$ -	$ -
Hedging derivative liabilities				
Cash flow hedge - forward exchange contracts	$ -	$ -	$ 82,213	$ -

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

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

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

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Revenues	$ 4,321	$ -	$ 262,648	$ -
Other gains and losses	108	4,185	151,305	6,308
	$ 4,429	$ 4,185	$ 413,953	$ 6,308

11. FINANCIAL ASSETS MEASURED AT COST

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Domestic unlisted equity investment	$ 698,861	$ 698,861	$ 698,861	$ 698,861
Overseas unlisted equity investment	1,812,093	1,781,514	1,792,753	2,065,876
Overseas unlisted mutual funds	2,009,475	1,824,532	1,470,821	643,917
	$ 4,520,429	$ 4,304,907	$ 3,962,435	$ 3,408,654
Classified according to financial asset measurement categories				
Available-for-sale financial assets	$ 4,520,429	$ 4,304,907	$ 3,962,435	$ 3,408,654

The Company made a overseas unlisted equity investment in OnLive, Inc. In August 2012, OnLive, Inc. declared to have an asset restructuring due to the lack of operating cash and an inability to raise new capital. The Company assessed that its investment could not be recovered and thus recognized an impairment loss of NT$1,199,045 thousand.

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

12. OTHER CURRENT FINANCIAL ASSETS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Trust assets for employee benefit	$ 2,356,661	$ 3,645,820	$ 3,645,820	$ -
Time deposits with original maturities more than three months	449,266	2,915,624	5,232,693	25,543,450
	$ 2,805,927	$ 6,561,444	$ 8,878,513	$ 25,543,450

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

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Time deposits with original maturities more than three months	1.52%-3.08%	0.39%-3.30%	1.12%-3.30%	0.39%-3.30%

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

13. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Note and trade receivables				
Note receivables	$ -	$ -	$ -	$ 755,450
Trade receivables	33,984,374	43,118,861	42,641,165	65,518,876
Trade receivables - related parties	335	221,050	219,851	473
Less: Allowances for doubtful debts	(3,050,907)	(2,086,085)	(2,062,472)	(1,555,008)
	$ 30,933,802	$ 41,253,826	$ 40,798,544	$ 64,719,791
Other receivables				
Loan receivables - fluctuation rate	$ -	$ 6,554,025	$ 6,595,538	$ -
Receivables from disposal of investments	5,645,128	4,369,350	4,397,025	-
VAT refund receivables	490,466	391,276	570,364	792,364
Interest receivables	10,754	54,135	40,177	23,261
Others	1,665,815	1,124,926	1,071,483	1,133,006
	$ 7,812,163	$ 12,493,712	$ 12,674,587	$ 1,948,631
Current - other receivables	$ 2,167,035	$ 8,124,362	$ 8,277,562	$ 1,948,631
Non-current - other receivables	5,645,128	4,369,350	4,397,025	-
	$ 7,812,163	$ 12,493,712	$ 12,674,587	$ 1,948,631

Trade Receivables

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

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

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

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

Age of impaired trade receivables

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
1-90 days	$ 5,274,599	$ 7,700,143	$ 12,602,747	$ 15,528,464
91-180 days	241,750	1,092,164	1,369,669	1,994,283
Over 181 days	1,786,930	5,651	570,787	74,014
	$ 7,303,279	$ 8,797,958	$ 14,543,203	$ 17,596,761

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

Movement in the allowances for doubtful debts

	Nine Months Ended September 30	
	2013	2012
Balance, beginning of period	$ 2,086,085	$ 1,555,008
Impairment losses recognized on receivables	1,009,364	507,486
Amounts written off during the period	(13,943)	-
Disposal of subsidiary	(32,453)	-
Translation adjustment	1,854	(22)
Balance, end of period	$ 3,050,907	$ 2,062,472

Other Receivables

Loan receivables - fluctuation rate is the short-term loan to Beats Electronics, LLC. For more details, please refer to Note 32.

Receivable from disposal of investments is the amount of sale of shares of Beats Electronics, LLC and Saffron Media Group Ltd. For more details, please refer to Note 29.

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

14. INVENTORIES

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Finished goods	$ 3,280,915	$ 3,310,521	$ 2,946,547	$ 2,189,984
Work-in-process	1,683,872	1,902,733	2,801,199	4,320,763
Semi-finished goods	7,539,006	5,635,374	3,548,691	4,547,374
Raw materials	13,163,288	12,663,961	11,536,159	17,251,140
Inventory in transit	355,546	296,788	563,806	121,329
	$ 26,022,627	$ 23,809,377	$ 21,396,402	$ 28,430,590

The losses on inventories decline amounting to NT$895,853 thousand and NT$1,122,639 thousand were recognized as cost of revenues for the nine months ended September 30, 2013 and 2012, respectively.

15. PREPAYMENTS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Royalty	$ 12,466,554	$ 9,936,609	$ 11,163,406	$ 12,521,985
Prepayments to suppliers	2,621,726	2,976,231	3,186,253	3,256,082
Net input VAT	1,993,076	434,521	174,647	320,544
Prepaid equipment	269,583	232,011	358,678	207,061
Service	122,831	171,440	134,557	55,192
Land use right	133,681	134,074	133,941	139,707
Software and hardware maintenance	136,460	716,695	700,969	311,416
Others	345,038	240,985	217,936	350,655
	$ 18,088,949	$ 14,842,566	$ 16,070,387	$ 17,162,642
Current	$ 6,350,136	$ 4,965,814	$ 5,741,555	$ 6,507,516
Non-current	11,738,813	9,876,752	10,328,832	10,655,126
	$ 18,088,949	$ 14,842,566	$ 16,070,387	$ 17,162,642

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

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

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Investment in associates	$ 5,245,176	$ 5,650,859	$ 5,417,845	$ 71,732
Investment in jointly controlled entities	232,343	241,309	245,214	-
	$ 5,477,519	$ 5,892,168	$ 5,663,059	$ 71,732

Investments in Associates

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unlisted equity investments				
Beats Electronics, LLC	$ 5,245,176	$ 5,650,859	$ 5,360,755	$ -
SYNCTV Corporation	-	-	57,090	71,732
	$ 5,245,176	$ 5,650,859	$ 5,417,845	$ 71,732

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Beats Electronics, LLC				
Ownership	24.84%	25.14%	25.14%	50.14%
Voting right	26.20%	25.57%	25.57%	51.00%
SYNCTV Corporation	20.00%	20.00%	20.00%	20.00%

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

In October 2011, the Company acquired 50.14% equity interest in Beats Electronics, LLC for US$300,000 thousand. In July 2012, the Company sold back 25% of Beats Electronics, LLC shares to the founding members of Beats Electronics, LLC for US$150,000 thousand. For details of transaction, please refer to Note 29. After the transaction, the Company remained 25.14% of the shareholdings in Beats Electronics, LLC and accounted for this investment by the equity method.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Unrecognized share of losses of associates				
For the period	$ 2,036	$ -	$ 6,564	$ -
Accumulated			$ 10,170	$ -

Investments accounted for using the equity method and the share of net income or loss and other comprehensive income from investments are accounted for based on the reviewed financial statements except for SYNCTV Corporation. For the nine months ended September 30, 2013 and 2012, the Company recognizes the share of the net income of Beats Electronics, LLC for NT$155,761 thousand and NT$143,629 thousand, respectively. For the nine months ended September 30, 2012, the Company recognizes the share of the net loss of SYNCTV Corporation for NT$12,498 thousand. The Company's management considers the use of unreviewed financial statements of the investee did not have material impact on its consolidated financial statements.

Investments in Jointly Controlled Entity

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unlisted equity investments				
Huada Digital Corporation	$ 232,343	$ 241,309	$ 245,214	$ -

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

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

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

The investments accounted for using the equity method and the share of net income and other comprehensive income from investments are accounted for based on unreviewed financial statements. For the nine months ended September 30, 2013 and 2012, the Company recognizes the share of the net losses of Huada for NT$8,966 thousand and NT$5,475 thousand, respectively. The Company's management considers the use of unreviewed financial statements of Huada did not have material impact on its consolidated financial statements.

17. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Carrying amounts				
Land	$ 7,617,880	$ 7,615,546	$ 7,617,206	$ 7,614,167
Buildings	10,450,038	10,542,019	10,554,815	5,029,932
Property in construction	6,143	-	-	1,923,876
Machinery and equipment	5,835,491	6,327,723	6,094,075	5,907,321
Other equipment	1,642,243	1,505,478	1,532,392	1,240,337
	$ 25,551,795	$ 25,990,766	$ 25,798,488	$ 21,715,633

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

	2013					
	Land	Buildings	Property in Construction	Machinery and Equipment	Other Equipment	Total
Cost						
Balance, beginning of period	$ 7,615,546	$ 11,851,900	$ -	$ 13,310,647	$ 2,787,808	$ 35,565,901
Additions	-	167,647	6,136	717,758	695,014	1,586,555
Disposal	-	(5,995)	-	(59,968)	(75,600)	(141,563)
Translation adjustment	2,334	69,584	7	141,110	48,133	261,168
Disposal of subsidiaries	-	-	-	-	(91,527)	(91,527)
Balance, end of period	7,617,880	12,083,136	6,143	14,109,547	3,363,828	37,180,534

(Continued)

	2013					
	Land	Buildings	Property in Construction	Machinery and Equipment	Other Equipment	Total
Accumulated depreciation						
Balance, beginning of period	$ -	$ 1,309,881	$ -	$ 6,982,924	$ 1,282,330	$ 9,575,135
Depreciation expenses	-	325,156	-	1,302,555	535,365	2,163,076
Disposal	-	(5,995)	-	(58,044)	(74,113)	(138,152)
Translation adjustment	-	4,056	-	46,621	17,237	67,914
Disposal of subsidiaries	-	-	-	-	(39,234)	(39,234)
Balance, end of period	-	1,633,098	-	8,274,056	1,721,585	11,628,739
Net book value, end of period	$ 7,617,880	$ 10,450,038	$ 6,143	$ 5,835,491	$ 1,642,243	$ 25,551,795

(Concluded)

	2012					
	Land	Buildings	Property in Construction	Machinery and Equipment	Other Equipment	Total
Cost						
Balance, beginning of period	$ 7,614,167	$ 6,047,519	$ 1,923,876	$ 11,470,702	$ 2,040,507	$ 29,096,771
Additions	208	151,187	3,910,718	1,462,734	892,498	6,417,345
Disposal	-	(460)	-	(202,012)	(50,208)	(252,680)
Reclassification	-	5,615,958	(5,834,594)	-	-	(218,636)
Transfer to expense	-	-	-	(2,052)	(6,419)	(8,471)
Translation adjustment	2,831	(35,688)	-	(95,039)	(30,162)	(158,058)
Disposal of subsidiaries	-	-	-	-	(180,236)	(180,236)
Balance, end of period	7,617,206	11,778,516	-	12,634,333	2,665,980	34,696,035
Accumulated depreciation						
Balance, beginning of period	-	1,017,587	-	5,563,381	800,170	7,381,138
Depreciation expenses	-	208,246	-	1,173,486	391,678	1,773,410
Disposal	-	(440)	-	(172,934)	(40,806)	(214,180)
Translation adjustment	-	(1692)	-	(23,675)	(6746)	(32,113)
Disposal of subsidiaries	-	-	-	-	(10,708)	(10,708)
Balance, end of period	-	1,223,701	-	6,540,258	1,133,588	8,897,547
Net book value, end of period	$ 7,617,206	$ 10,554,815	$ -	$ 6,094,075	$ 1,532,392	$ 25,798,488

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

Building	5-50 years
Machinery and equipment	3-6 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 nine months ended September 30, 2013 and 2012.

18. INTANGIBLE ASSETS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Carrying amounts				
Patents	$ 8,122,848	$ 9,180,674	$ 9,661,596	$ 11,152,098
Goodwill	394,342	1,534,366	1,594,872	10,812,564
Other intangible assets	864,287	968,130	1,040,044	802,817
	$ 9,381,477	$ 11,683,170	$ 12,296,512	$ 22,767,479

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

	2013			
	Patents	Goodwill	Other Intangible Assets	Total
Cost				
Balance, beginning of period	$ 11,239,554	$ 1,681,561	$ 1,603,108	$ 14,524,223
Additions				
Acquisition	22,213	-	176,804	199,017
Transfer from prepayment	-	-	509,710	509,710
Disposal	-	(785,338)	(630,859)	(1,416,197)
Adjustment in acquisition of a subsidiary	-	(67,795)	(40,028)	(107,823)
Translation adjustment	150,300	34,578	34,864	219,742
Balance, end of period	11,412,067	863,006	1,653,599	13,928,672
Accumulated amortization				
Balance, beginning of period	2,058,880	-	634,978	2,693,858
Amortization expenses	1,214,831	-	282,562	1,497,393
Disposal	-	-	(305,827)	(305,827)
Translation adjustment	15,508	-	16,412	31,920
Balance, end of period	3,289,219	-	628,125	3,917,344
Accumulated impairment				
Balance, beginning of period	-	147,195	-	147,195
Impairment losses	-	366,664	161,961	528,625
Disposal	-	(45,017)	-	(45,017)
Translation adjustment	-	(178)	(774)	(952)
Balance, end of period	-	468,664	161,187	629,851
Net book value, end of period	$ 8,122,848	$ 394,342	$ 864,287	$ 9,381,477

	2012			
	Patents	**Goodwill**	**Other Intangible Assets**	**Total**
Cost				
Balance, beginning of period	$ 11,608,540	$ 10,905,878	$ 1,203,368	$ 23,717,786
Additions				
Acquisition	11,464	-	544,010	555,474
Difference between the cost of investments and the Company's share in investees' net assets	-	45,017	-	45,017
Reclassification	-	(5,717,960)	5,717,960	-
Disposal	(35,323)	(3,485,380)	(5,737,208)	(9,257,911)
Translation adjustment	(289,777)	(49,858)	(92,521)	(432,156)
Balance, end of period	11,294,904	1,697,697	1,635,609	14,628,210
Accumulated amortization				
Balance, beginning of period	456,442	-	400,551	856,993
Amortization expenses	1,192,735	-	347,057	1,539,792
Disposal	(1,893)	-	(139,155)	(141,048)
Translation adjustment	(13,976)	-	(12,888)	(26,864)
Balance, end of period	1,633,308	-	595,565	2,228,873
Accumulated impairment				
Balance, beginning of period	-	93,314	-	93,314
Impairment losses	-	12,604	-	12,604
Translation adjustment	-	(3,093)	-	(3,093)
Balance, end of period	-	102,825	-	102,825
Net book value, end of period	$ 9,661,596	$ 1,594,872	$ 1,040,044	$ 12,296,512

The Company owns patents of graphics technologies. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the carrying amounts of such patents were NT$6,851,937 thousand, NT$7,555,334 thousand, NT$7,912,355 thousand and NT$9,008,002 thousand, respectively. The patents will be fully amortized over their remaining economic lives.

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

19. NOTE AND TRADE PAYABLES

	September 30, 2013	**December 31, 2012**	**September 30, 2012**	**January 1, 2012**
Note payables	$ 1,215	$ 294	$ 730	$ 3,779
Trade payables	54,372,316	73,598,634	64,770,533	78,469,351
Trade payables - related parties	510	19,269	4,924	-
	$ 54,374,041	$ 73,618,197	$ 64,776,187	$ 78,473,130

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

20. OTHER LIABILITIES

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Other payables				
Accrued expenses	$ 41,314,358	$ 37,469,944	$ 37,385,434	$ 46,270,611
Payables for purchase of equipment	941,936	1,471,529	1,795,161	812,240
Others	217,440	325,700	506,654	512,940
	$ 42,473,734	$ 39,267,173	$ 39,687,249	$ 47,595,791
Other current liabilities				
Advance receipts	$ 822,211	$ 637,657	$ 1,092,767	$ 574,596
Agency receipts	239,919	301,868	447,504	440,862
Others	871,405	848,581	872,673	645,682
	$ 1,933,535	$ 1,788,106	$ 2,412,944	$ 1,661,140

Accrued Expenses

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Marketing	$ 26,000,928	$ 20,872,536	$ 20,006,782	$ 29,104,665
Bonus to employees	3,280,250	5,712,075	5,699,212	7,238,637
Salaries and bonuses	4,935,240	5,712,741	5,397,042	3,532,970
Services	2,075,685	1,020,609	1,989,216	1,324,631
Materials and molding expenses	2,662,425	1,904,181	1,801,352	1,854,932
Import, export and freight	678,289	644,432	808,912	1,397,747
Repairs, maintenance and sundry purchase	577,457	573,355	543,073	466,135
Others	1,104,084	1,030,015	1,139,845	1,350,894
	$ 41,314,358	$ 37,469,944	$ 37,385,434	$ 46,270,611

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

Other Payables - Others

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

21. PROVISIONS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Warranty provision	$ 5,871,838	$ 8,058,509	$ 10,831,718	$ 13,080,394
Provisions for contingent loss on purchase orders	577,374	823,005	1,015,948	2,052,881
	$ 6,449,212	$ 8,881,514	$ 11,847,666	$ 15,133,275

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

	2013		
	Warranty Provision	Provisions for Contingent Loss on Purchase Orders	Total
Balance, beginning of period	$ 8,058,509	$ 823,005	$ 8,881,514
Provisions recognized	8,296,405	90,589	8,386,994
Amount utilized during the period	(10,616,289)	(336,220)	(10,952,509)
Translation adjustment	133,213	-	133,213
Balance, end of period	$ 5,871,838	$ 577,374	$ 6,449,212

	2012		
	Warranty Provision	Provisions for Contingent Loss on Purchase Orders	Total
Balance, beginning of period	$ 13,080,394	$ 2,052,881	$ 15,133,275
Provisions recognized	8,637,946	-	8,637,946
Reversing un-usage balances	-	(748,951)	(748,951)
Amount utilized during the period	(10,663,908)	(287,982)	(10,951,890)
Translation adjustment	(222,714)	-	(222,714)
Balance, end of period	$ 10,831,718	$ 1,015,948	$ 11,847,666

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.

22. RETIREMENT BENEFIT PLANS

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Cost of revenues	$ 162	$ 138	$ 385	$ 486
Selling and marketing	$ 22	$ 45	$ 64	$ 132
General and administrative	$ 48	$ 95	$ 143	$ 208
Research and development	$ 151	$ 313	$ 448	$ 948

23. EQUITY

Share Capital

a. Common stock

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Authorized shares (in thousands of shares)	1,000,000	1,000,000	1,000,000	1,000,000
Authorized capital	$ 10,000,000	$ 10,000,000	$ 10,000,000	$ 10,000,000
Issued and fully paid shares (in thousands of shares)	850,140	852,052	852,052	852,052
Issued capital	$ 8,501,395	$ 8,520,521	$ 8,520,521	$ 8,520,521

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

16,000 thousand shares of the Company’s shares authorized were reserved for the issuance of employee share options, respectively.

b. Global depositary receipts

In November 2003, HTC issued 14,400 thousand common shares corresponding to 3,600 thousand units of Global Depositary Receipts (“GDRs”). For this GDR issuance, HTC’s stockholders, including Via Technologies, Inc., also issued 12,878.4 thousand common shares, corresponding to 3,219.6 thousand GDR units. Thus, the entire offering consisted of 6,819.6 thousand GDR units. Taking into account the effect of stock dividends, the GDRs increased to 8,782.1 thousand units (36,060.5 thousand shares). The holders of these GDRs requested HTC to redeem the GDRs to get HTC’s common shares. As of September 30, 2013, there were 8,505.4 thousand units of GDRs redeemed, representing 34,021.8 thousand common shares, and the outstanding GDRs represented 2,038.7 thousand common shares or 0.25% of HTC’s common shares.

Capital Surplus

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Additional paid-in capital - issuance of shares in excess of par	$ 14,776,364	$ 14,809,608	$ 14,809,608	$ 14,809,608
Treasury shares	637,634	1,730,458	1,730,458	1,730,458
Merger	24,368	24,423	24,423	24,423
Expired stock options	36,985	37,068	37,068	37,068
	$ 15,475,351	$ 16,601,557	$ 16,601,557	$ 16,601,557

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

In September 2013, the retirement of treasury shares caused decreases of NT$33,244 thousand in additional paid-in capital - issuance of shares in excess of par, NT$3,884 thousand in capital surplus - treasury shares, NT$55 thousand in capital surplus - merger and NT$83 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 NT$1,088,940 thousand, which offset against capital surplus - treasury shares.

Retained Earnings and Dividend Policy

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

a. To pay taxes.

b. To cover accumulated losses, if any.

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

d. To recognize or reverse special reserve return earnings.

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

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

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

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

No employee bonus was estimated as the Company reported net loss for the nine months ended September 30, 2013. The employee bonus for 2012 should be appropriated at 8.4% of net income before deducting employee bonus expenses. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

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

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

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

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

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

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

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

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

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

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

Other Equity

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Exchange differences on translating foreign operations	$ (296,451)	$ (1,089,693)	$ (1,040,492)	$ -
Unrealized (loss) gains on available-for-sale financial assets	(2,047)	9,716	22,153	2,939
Cash flow hedge	-	194,052	(88,521)	-
	$ (298,498)	$ (885,925)	$ (1,106,860)	$ 2,939

a. Exchange differences on translating foreign operations

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

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

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

c. Cash flow hedging

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

Non-controlling Interest

	Nine Months Ended September 30	
	2013	2012
Balance, beginning of period	$ -	$ 992,724
Share of profit attributable to non-controlling interests	-	808,218
Decrease in non-controlling interest due to losing control of subsidiary	-	(1,648,909)
Non-controlling interest relating to outstanding vested share options held by the employees of subsidiaries	-	(152,033)
Balance, end of period	$ -	$ -

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. For the nine months ended September 30, 2013, the Company had bought back 3,100 thousand shares for NT$409,024 thousand.

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 1,912 thousand treasury stocks on September 27, 2013. 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
Nine months ended September 30, 2013				
To transfer shares to the Company's employees	20,825	-	1,912	18,913
To maintain the Company's credibility and stockholders' interest	-	3,100	-	3,100
	20,825	3,100	1,912	22,013

(Continued)

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

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

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

24. REVENUE

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Sale of goods	$ 46,289,209	$ 67,922,000	$ 158,395,397	$ 223,253,457
Other operating income	758,358	2,254,838	2,107,602	5,753,838
	$ 47,047,567	$ 70,176,838	$ 160,502,999	$ 229,007,295

Some sales denominated in foreign currencies were hedged for cash flow risk. Accordingly, the Company transferred $262,648 thousand of the gain on the hedging instrument that was determined to be the effective portion of the hedge to sales of goods for the nine months ended September 30, 2013.

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

25. NET PROFIT FOR THE PERIODS

The details of profit for the period were as follows:

a. Other income

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Interest income				
Cash in bank	$ 61,469	$ 96,758	$ 197,634	$ 423,336
Held-to-maturity financial assets	230	464	685	1,377
Loan	-	24,414	211,139	24,414
	61,699	121,636	409,458	449,127
Dividend income	3,050	18,491	16,282	19,918
Others	382,486	117,788	531,031	377,533
	$ 447,235	$ 257,915	$ 956,771	$ 846,578

b. Other gains and losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Losses on disposal of property, plant and equipment	$ (992)	$ (1,514)	$ (2,555)	$ (1,634)
Gain (loss) on disposal of investments	175,436	(204,840)	205,171	(165,184)
Net foreign exchange gains	155,478	183,538	248,397	743,824

(Continued)

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Valuation loss on financial liabilities classified as held for trading	$ (19,871)	$ (137,633)	$ (19,871)	$ (137,633)
Hedge ineffective portion on cash flow hedges	108	4,185	151,305	6,308
Impairment loss	(161,961)	(1,211,649)	(528,625)	(1,211,649)
Other losses	(34,214)	(36,311)	(84,885)	(91,400)
	$ 113,984	$(1,404,224)	$ (31,063)	$ (857,368)

(Concluded)

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

c. Impairment losses on financial assets

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Trade receivables (included in operating expense)	$ -	$ 45	$ 1,009,364	$ 507,486
Financial assets measured at cost (included in other gains and losses)	-	1,199,045	-	1,199,045
	$ -	$ 1,199,090	$ 1,009,364	$ 1,706,531

d. Depreciation and amortization

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Property, plant and equipment	$ 754,796	$ 656,071	$ 2,163,076	$ 1,773,410
Intangible assets	495,313	526,790	1,497,393	1,539,792
	$ 1,250,109	$ 1,182,861	$ 3,660,469	$ 3,313,202
Classification of depreciation - by function				
Cost of revenues	$ 382,101	$ 338,602	$ 1,106,001	$ 963,816
Operating expenses	372,695	317,469	1,057,075	809,594
	$ 754,796	$ 656,071	$ 2,163,076	$ 1,773,410

(Continued)

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Classification of amortization - by function				
Cost of revenues	$ 930	$ 125,718	$ 6,481	$ 376,492
Operating expenses	494,383	401,072	1,490,912	1,163,300
	$ 495,313	$ 526,790	$ 1,497,393	$ 1,539,792

(Concluded)

e. Employee benefits expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Post-employment benefits (Note 23)				
Defined contribution plans	$ 189,317	$ 173,303	$ 539,315	$ 509,995
Defined benefit plans	383	591	1,040	1,774
	189,700	173,894	540,355	511,769
Other employee benefits	4,393,006	5,067,881	13,649,540	16,928,882
Total employee benefits expense	$ 4,582,706	$ 5,241,775	$ 14,189,895	$ 17,440,651
Classification - by function				
Cost of revenues	$ 1,484,060	$ 1,562,175	$ 4,846,071	$ 4,723,283
Operating expenses	3,098,646	3,679,600	9,343,824	12,717,368
	$ 4,582,706	$ 5,241,775	$ 14,189,895	$ 17,440,651

f. Impairment losses on non-financial assets

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Inventories (included in cost of revenues)	$ 139,076	$ 835,965	$ 895,853	$ 1,122,639
Goodwill (included in other gains and losses)	-	12,604	366,664	12,604
Other intangible assets (included in other gains and losses)	161,961	-	161,961	-
	$ 301,037	$ 848,569	$ 1,424,478	$ 1,135,243

26. INCOME TAX

a. Income tax recognized in profit or loss

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Current tax				
In respect of the current period	$ (164,390)	$ 2,319,612	$ 410,788	$ 4,291,242
In respect of the prior periods	(20,925)	(38,078)	(13,254)	(49,992)
	(185,315)	2,281,534	397,534	4,241,250
Deferred tax				
In respect of the current period	184,730	(1,205,823)	(105,169)	(1,222,298)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(1,300,426)	-	(1,300,426)
	184,730	(2,506,249)	(105,169)	(2,522,724)
Income tax recognized in profit or loss	$ (585)	$ (224,715)	$ 292,365	$ 1,718,526

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

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

	Nine Months Ended September 30, 2012
Profit before income tax	$ 18,316,050
Income tax calculated at 17%	3,113,729
Effect of expenses that were not deductible in determining taxable profit	399,176
Effect of temporary differences	(1,676,254)
Effect of investment tax credits	(1,296,698)
Effect of loss carryforward	(3,186)
Effect of income that is exempt from taxation	(351,843)
Additional income tax under the Alternative Minimum Tax Act	114,529
Additional 10% income tax on unappropriated earnings	2,315,062
Effect of Alternative Minimum Tax rate changes from 10% to 12% on deferred income tax (effective in 2013)	(1,300,426)
Effect of different tax rates of subsidiaries operating in other jurisdictions	454,429
Adjustments for prior years' tax	(49,992)
Income tax recognized in profit or loss	$ 1,718,526

b. Integrated income tax

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unappropriated earnings generated on and after January 1, 1998	$ 47,796,989	$ 53,630,777	$ 52,610,975	$ 75,687,478
Balance of ICA	$ 6,661,663	$ 5,966,033	$ 5,958,011	$ 2,523,575

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

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

c. Income tax assessments

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

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

27. (LOSS) EARNINGS PER SHARE

Unit: NT$ Per Share

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Basic (loss) earnings per share	$ (3.58)	$ 4.74	$ (1.97)	$ 18.97
Diluted (loss) earnings per share	$ (3.58)	$ 4.74	$ (1.97)	$ 18.88

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

Net (Loss) Profit for the Periods

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
(Loss) profit for the period attributable to owners of the parent	$ (2,973,736)	$ 3,941,423	$ (1,639,099)	$ 15,789,306

Shares

Unit: In Thousands of Shares

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	**2012**	**2013**	**2012**
Weighted average number of ordinary shares used in computation of basic (loss) earnings per share	830,403	831,227	830,949	832,233
Effect of dilutive potential ordinary shares:				
Bonus issue to employees	-	937	-	3,912
Weighted average number of ordinary shares used in the computation of diluted (loss) earnings per share	830,403	832,164	830,949	836,145

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

28. BUSINESS COMBINATIONS

Subsidiaries Acquired

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

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

Assets Acquired and Liabilities Assumed at the Date of Acquisition

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

Goodwill Arising on Acquisition

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

Net Cash Outflow on Acquisition of Subsidiaries

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

Impact of Acquisitions on the Results of the Company

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

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Revenue		
FunStream Corporation	$ -	$ -
Net loss		
FunStream Corporation	$ -	$ (50)

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

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Revenue		
FunStream Corporation	$ -	$ -
Net loss		
FunStream Corporation	$ -	$ (50)

29. DISPOSAL OF SUBSIDIARIES

In September 2013, the Company sold its 100% stake in Saffron Media Group Ltd. for US$47,000 thousand to CDMG Holdings UK Limited. Saffron Media Group Ltd is a provider of digital multimedia delivery services.

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

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

Consideration Received

	Saffron Media Group Ltd.	Huada Digital Corporation	Beats Electronics, LLC
Cash and cash equivalents	$ 223,970	$ -	$ -
Long-term receivables	1,179,573	-	4,498,923
	$ 1,403,543	$ -	$ 4,498,923

At the completion of sales of Saffron Media Group Ltd., CDMG Holdings UK Limited paid HTC US$7,500 thousand in cash plus a purchaser note (the "Note") with five years term and 6% interest rate per annum, which was classified as "long-term receivable", in the amount of US$39,500 thousand. The Note and interest payment will be made on due date. The Note and accrued interest were secured by pledge of the shares obtained by the buying party in this transaction.

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

Analysis of Asset and Liabilities Over Which Control Was Lost

	Saffron Media Group Ltd.	Huada Digital Corporation	Beats Electronics, LLC
Current assets			
Cash and cash equivalents	$ 79,704	$ 501,425	$ 146,184
Other current assets	105,670	123	5,928,728
Non-current assets	1,120,421	-	9,966,683
Current liabilities	(86,324)	(170)	(4,437,874)
Net assets disposed of	$ 1,219,471	$ 501,378	$ 11,603,721

Gain (Loss) on Disposal of Subsidiary

	Saffron Media Group Ltd.	Huada Digital Corporation	Beats Electronics, LLC
Consideration received	$ 1,403,543	$ -	$ 4,498,923
Net assets disposed of	(1,219,471)	(501,378)	(11,603,721)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiary	(8,636)	-	-
Non-controlling interests	-	250,689	1,550,253
Remaining investment measured at fair value	-	250,689	5,340,277
Gain (loss) on disposal	$ 175,436	$ -	$ (214,268)

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

Net Cash Inflow (Outflow) on Disposal of Subsidiary

	Nine Months Ended September 30	
	2013	2012
Consideration received in cash and cash equivalents	$ 223,970	$ -
Less: Cash and cash equivalent balances disposed of	(79,704)	(647,609)
	$ 144,266	$ (647,609)

30. CAPITAL RISK MANAGEMENT

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

31. 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.

	September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets								
Held-to-maturity investments	$ 100,185	$ 100,207	$ 101,459	$ 101,436	$ 202,070	$ 202,040	$ 204,597	$ 203,783

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

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

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

September 30, 2013

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed stocks - equity investments	$ 214	$ -	$ -	$ 214
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 19,871	$ -	$ 19,871

December 31, 2012

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

September 30, 2012

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed stocks - equity investments	$ 183	$ -	$ -	$ 183
Foreign listed stocks - equity investments	50,520	-	-	50,520
	$ 50,703	$ -	$ -	$ 50,703
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 137,633	$ -	$ 137,633
Hedging derivative liabilities				
Derivative financial instruments	$ -	$ 82,213	$ -	$ 82,213

January 1, 2012

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

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

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

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

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

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

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

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

Categories of Financial Instruments

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Financial assets				
FVTPL				
Held for trading	$ -	$ 6,950	$ -	$ 256,868
Derivative instruments in designated hedge accounting relationships	-	204,519	-	-
Held-to-maturity investments	100,185	101,459	202,070	204,597
Loans and receivables (Note 1)	84,671,732	111,275,125	107,639,506	154,238,630
Available-for-sale financial assets (Note 2)	4,520,643	4,343,006	4,013,138	4,144,964
Financial liabilities				
FVTPL				
Held for trading	19,871	-	137,633	-
Derivative instruments in designated hedge accounting relationships	-	-	82,213	-
Amortized cost (Note 3)	96,847,775	112,885,370	104,463,436	126,068,921

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

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

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

Financial Risk Management Objectives and Policies

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

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

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

a. Market risk

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

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

Foreign currency risk

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

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

Sensitivity analysis

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

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

	Profit or Loss (1)	**Equity (2)**
Nine months ended September 30, 2013		
USD	$ (5,567)	$ -
EUR	(2,909)	-
RMB	(62,638)	-
JPY	30,620	-
Nine months ended September 30, 2012		
USD	209,841	(27,952)
EUR	7,841	-
RMB	22,118	-
JPY	(3,578)	28,720

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 September 30, 2013, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and the carrying amount of financial assets reported on consolidated balance sheet. The Company does not issue any financial guarantee involving credit risk.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit risk information of trade receivables are disclosed in the Note 13.

c. Liquidity risk

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

1) Liquidity risk tables

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

September 30, 2013

	Less Than 3 Months	3 to 12 Months	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 18,495,575	$ 35,878,466	$ -
Other payables	19,418,989	23,054,745	-
Other current liabilities	65,751	174,168	-
Guarantee deposits received	-	-	261,320
	37,980,315	59,107,379	261,320
Derivative financial liabilities			
Forward exchange contracts	19,871	-	-
	$ 38,000,186	$ 59,107,379	$ 261,320

December 31, 2012

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

September 30, 2012

	Less Than 3 Months	3 to 12 Months	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 18,354,660	$ 46,421,527	$ -
Other payables	16,692,652	22,994,597	-
Other current liabilities	296,500	151,004	-
Guarantee deposits received	-	-	122,830
	35,343,812	69,567,128	122,830
Derivative financial liabilities			
Forward exchange contracts	137,633	82,213	-
	$ 35,481,445	$ 69,649,341	$ 122,830

January 1, 2012

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

2) Bank credit limit

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unsecured bank general credit limit				
Amount used	$ 1,620,834	$ 1,572,461	$ 2,022,219	$ 1,892,407
Amount unused	45,470,216	45,104,312	10,837,996	10,899,663
	$ 47,091,050	$ 46,676,773	$ 12,860,215	$ 12,792,070

32. RELATED-PARTY TRANSACTIONS

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

Sales

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	**2012**	**2013**	**2012**
Key management personnel	$ -	$ -	$ 2,002	$ -
Other related parties - Employees' Welfare Committee	373	118	23,135	219,853
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	1,232	1,233	10,499	2,240,455
	$ 1,605	$ 1,351	$ 35,636	$ 2,460,308

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	$ 335	$ 221,050	$ 219,851	$ 473

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

Purchase

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	**2012**	**2013**	**2012**
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	$ 1,041	$ 4,961	$ 46,818	$ 4,961

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Other related parties - other related parties' chairperson, also as its significant stockholder, is HTC's chairperson	$ 510	$ 19,269	$ 4,924	$ -

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Associates				
Principal	$ -	$ 6,554,025	$ 6,595,538	$ -
Interest receivables	-	46,068	24,413	-
	$ -	$ 6,600,093	$ 6,619,951	$ -

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 and NT$24,413 thousand for the nine months ended September 30, 2013 and 2012, respectively.

Compensation of Key Management Personnel

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Short-term benefits	$ 396,995	$ 429,865	$ 517,933	$ 554,978
Post-employment benefits	574	898	2,484	8,907
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	$ 397,569	$ 430,763	$ 520,417	$ 563,885

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

Other Related-party Transactions

a. To enhance product diversity, the Company entered into a trademark and technology license agreement with associates and other related parties. The royalty expense was NT$197,125 and NT$193,492 thousand for the nine months ended September 30, 2013 and 2012, respectively. As of September 30, 2013, December 31, 2012 and September 30, 2012 the amounts of unpaid royalty were NT$144,022 thousand, NT$130,960 thousand and NT$41,568 thousand, respectively.

b. Other related parties provide business consulting service to the Company. The business consulting service fees were NT$2,748 thousand and NT$8,646 thousand for the nine months ended September 30, 2013 and 2012, respectively. As of December 31, 2012, September 30, 2012 and January 1, 2012, the unpaid business consulting service fees were NT$3,398 thousand, NT$7,845 thousand and NT$210 thousand, respectively.

c. The Company leased staff dormitory owned by a related party under an operating lease agreement. The term of the lease agreement is from April 2012 to March 2015 and the rental payment is determined at the prevailing rates in the surrounding area. The Company recognized and paid rental expenses amounting to NT$3,906 thousand for the nine months ended September 30, 2013 and 2012, each.

d. The Company purchased auxiliary facilities of a building from other related parties. The price were NT$3,238 thousand and NT$55,891 thousand for the nine months ended September 30, 2013 and 2012, respectively. As of December 31, 2012, the unpaid amount were NT$2,127 thousand.

33. 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$2,356,661 thousand, NT$3,645,820 thousand and NT$3,645,820 thousand as of September 30, 2013, December 31, 2012 and September 30, 2012 respectively.

As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 the Company had provided time deposits of NT$1,057 thousand, NT$3,700 thousand, NT$4,507 thousand and NT$68,700 thousand had been classified as other current financial assets, respectively, as collateral for rental deposits and as part of the requirements for the Company to get a certificate from the National Tax Administration of the Northern Taiwan Province stating that it had no pending income tax.

34. COMMITMENTS, CONTINGENCIES AND SIGNIFICANT CONTRACTS

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

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

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

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

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

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

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

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

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

   In May 2013, Nokia filed a second lawsuit against the Company in the District Court of Southern California, concurrently with the ITC, alleging that the Company infringed its patents. Nokia requested ITC to prevent the Company from exporting to and selling in United States devices made using Nokia's patents and requested Southern California District court to grant damage compensation upon Nokia. There are 7 asserted patents with the ITC and 3 asserted patents with the District court.

   In June 2013, the ITC hearing was held. Nokia originally asserted 9 patents in May 2012, in its complaint and withdrew 6 patents. Thus, there were only 3 patents bought to trial during the hearing. In September 2013, the Initial Determination was granted that favors Nokia on two of the three patents in suit. But, one of the asserted patent was not infringed by the Company. The final determination will be granted in January 2014. The Company has also worked on alternative solution for all future products to ensure no business disruption in the US market.

In September 2013, the district court of Munich hold a hearing for the German part of its patent EP 1 246 071 (the ‘071 patent) entitled “Method of configuring electronic devices”. The decision would be handed down in November 2013. In October 2013, the district court of Munich successively hold hearings for the German part of its patent EP 0 804 046 (the ‘046 patent) entitled “Method and apparatus for updating the software of a mobile terminal using the air interface” and its EP 1 148 681 (the ‘681 patent) entitled “Method for transferring resource information”. The decisions would be handed down in December 2013 and January 2014.

On October 30, 2013, the London High Court handed down a judgment that the Company had infringed the United Kingdom part of its patent EP 0 998 024 (the ‘024 patent) entitled “Modulator structure for a transmitter and a mobile station”. The judgment covers three handsets (Wildfire S, One and One SV). The Company will be seeking to appeal the finding immediately.

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.

c. In March 2008, Flashpoint Technology, Inc., a U.S. entity, sued the Company with 10 patents in the District Court of Delaware alleging the Company infringed its patents and seeking damage compensation. The Company filed re-exams and the district court case was stayed pending the result of the re-examination from U.S. Patent and Trademark Office in November 2009, and is still stayed.

   In May 2010, Flashpoint filed the first ITC investigation against the Company with ITC alleging that the Company infringed its patents and requested ITC to prevent the Company from importing to and selling devices in the United States. In November 2011, the ITC Committee issued its Final Determination and ruled that the Company does not infringe patents owned by Flashpoint.

   In May 2012, Flashpoint filed another ITC investigation against the Company with ITC alleging that the Company infringed its patents and requested ITC to prevent the Company from importing to and selling devices in the United States. In September 2013, the ITC Administrative Law Judge made an Initial Determination that favors HTC on two of the three patents in suit. On the matter of the third patent, only two End-of-Life HTC device models are potentially impacted. The Company believes the Committee will made a Final Determination that favors HTC. Meanwhile, the Company has also worked on design around solution for all future products to ensure no business disruption in the US market.

d. 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.

35. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On September 27, 2013, the Company’s board of directors passed a resolution, expecting to sell back its remaining interest on Beats Electronics, LLC to Beats Electronics, LLC for US$265,000 thousand in fourth quarter of 2013. In conjunction with this transaction, the Company will also receive the repayment of US$150,000 thousand promissory note plus accrued interests which was issued by the founder of Beats Electronics, LLC in July 2012 (please refer to the Note 29 for details). The above transaction has completed and related consideration has been received on November 1, 2013.

The scheduled period for the buyback plan of treasury stock ranged from August 5, 2013 to October 4, 2013. At the date of expiry of the repurchase period, cumulative shares held by the Company were 7,789 thousand shares at the cost of NT$1,033,846 thousand. The total repurchase amount of treasury stock by the Company before September 30, 2013, under the latest plan was NT$409,024 thousand.

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

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

	September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets								
Monetary items								
USD	$ 2,525,500	29.63	$ 2,967,669	29.13	$ 2,799,164	29.31	$ 3,143,462	30.28
EUR	303,100	40.00	317,011	38.42	267,441	37.91	498,383	39.19
JPY	4,743,145	0.3027	10,626,742	0.3383	3,537,594	0.3779	373,750	0.3906
RMB	682,420	4.84	2,142,619	4.68	2,635,908	4.65	1,344,825	4.77
Non-monetary items								
USD	128,965	29.63	123,781	29.13	113,045	29.31	89,493	30.28
Investments accounted for by the equity method								
USD	177,003	29.63	193,639	29.13	184,824	29.31	2,500	30.28
Financial liabilities								
Monetary items								
USD	2,350,365	29.63	3,107,166	29.13	2,890,746	29.31	3,372,400	30.28
EUR	292,360	40.00	297,681	38.42	275,176	37.91	583,741	39.19
JPY	16,230,925	0.3027	17,276,121	0.3383	10,586,571	0.3779	678,211	0.3906
RMB	2,111,091	4.84	2,310,079	4.68	2,856,400	4.65	1,463,205	4.77

37. SIGNIFICANT CONTRACTS

Patent Agreement

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

Contractor	Contract Term	Description
Apple, Inc.	November 11, 2012 - November 10, 2022	The scope of this license agreement covers both the current and future patents held by the parties as agreed upon and specifically set forth in the agreement, with royalty payable as prescribed.
Microsoft	February 1, 2009 - March 31, 2015	Authorization to use embedded operating system; royalty payment based on agreement.
Qualcomm Incorporated.	December 20, 2000 to the following dates: a. If the Company materially breaches any agreement terms and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents.	Authorization to use CDMA technology to manufacture and sell units; royalty payment based on agreement.

(Continued)

Contractor	Contract Term	Description
	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.	
Telefonaktiebolaget LM Ericsson	December 15, 2008 - December 14, 2013	Authorization to use the platform patent license; royalty payment based on agreement.
Nokia Corporation	January 1, 2003 - December 31, 2016	Authorization to use wireless technology, like GSM; royalty payment based on agreement.
InterDigital Technology Corporation	December 31, 2003 to the expiry dates of these patents stated in the agreement.	Authorization to use TDMA and CDMA technologies; royalty payment based on agreement.
KONINKLIJKE PHILIPS ELECTRONICS N.V.	January 5, 2004 to the expiry dates of these patents stated in the agreement.	GSM/DCS 1800/1900 patent license; royalty payment based on agreement.
MOTOROLA, Inc.	December 23, 2003 to the latest of the following dates: a. Expiry dates of patents stated in the agreement. b. Any time when the Company is not using any of Motorola's intellectual properties.	TDMA, NARROWBAND CDMA, WIDEBAND CDMA or TD/CDMA standards patent license or technology; royalty payment based on agreement.
Siemens Aktiengesellschaft	July 2004 to the expiry dates of these patents stated in the agreement.	Authorization to use GSM, GPRS or EDGE patent license or technology; royalty payment based on agreement.
IV International Licensing Netherlands, B.V.	November 2010 - June 2020	Authorization to use wireless technology; royalty payment based on agreement.

(Concluded)

38. SEGMENT INFORMATION

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

Operating segment financial information is as follows:

Geographical Areas

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Taiwan	$ 32,095,237	$ 30,004,905	$ 30,238,240	$ 26,579,662
Country Y	4,886,328	5,077,921	5,239,652	5,236,960
Country Z	441,215	1,249,807	1,300,836	10,271,855
Others	9,249,305	11,218,055	11,645,104	13,049,545
	$ 46,672,085	$ 47,550,688	$ 48,423,832	$ 55,138,295

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

	Nine Months Ended September 30	
	2013	2012
Taiwan	$ 16,549,481	$ 17,705,051
Country Y	27,943,443	39,466,512
Country Z	40,851,070	51,932,187
Others	75,159,005	119,903,545
	$ 160,502,999	$ 229,007,295

Major Customers

The Company did not have transactions with single external customers where revenues amount to 10 percent or more of the Company's total revenues for the nine months ended September 30, 2013 and 2012.

39. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

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

b. Effect of the transition from ROC GAAP to IFRSs

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

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

ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		
Item	Amount	Measurement or Recognition Difference	Presentation Difference	Amount	Item	Note
Assets					Assets	
Current assets					Current assets	
Cash and cash equivalents	$ 50,516,048	$ -	$ (5,228,186)	$ 45,287,862	Cash and cash equivalents	a)
Available-for-sale financial assets - current	50,520	-	-	50,520	Available-for-sale financial assets - current	
Restricted assets - current	3,650,327	-	5,228,186	8,878,513	Other financial assets - current	a)
Accounts receivable, net	40,798,544	-	-	40,798,544	Accounts receivable, net	
Other financial assets - current	1,657,611	-	-	1,657,611	Other receivables	
Other receivables - related parties	6,619,951	-	-	6,619,951	Other receivables - related parties	
Income tax receivables	104,405	-	-	104,405	Current tax assets	
Inventories	21,396,402	-	-	21,396,402	Inventories	
Prepayments	5,741,555	-	-	5,741,555	Prepayments	
Deferred income tax assets - current	4,080,578	-	(4,080,578)	-	-	b)
Other current assets	3,333	-	-	3,333	Other current assets	
Total current assets	134,619,274	-	(4,080,578)	130,538,696	Total current assets	
Non-current assets					Non-current assets	
Available-for-sale financial assets - non-current	183	-	-	183	Available-for-sale financial assets - non-current	
Held-to-maturity financial assets - non-current	202,070	-	-	202,070	Held-to-maturity financial assets - non-current	
Financial assets measured at cost - non-current	3,962,435	-	-	3,962,435	Financial assets measured at cost - non-current	
Investments accounted for using equity method	5,663,059	-	-	5,663,059	Investments accounted for using equity method	
Properties	25,541,331	-	257,157	25,798,488	Property, plant and equipment	g), h)
Intangible assets	12,118,932	(342)	177,922	12,296,512	Intangible assets	d), g)
Refundable deposits	185,409	-	-	185,409	Refundable deposits	
Deferred charges	960,736	-	(960,736)	-	-	g)
Deferred income tax assets - non-current	4,335,863	86,000	4,425,726	8,847,589	Deferred tax assets	b), c)
Long - term receivable	4,397,025	-	-	4,397,025		
Prepaid pension cost - non-current	200,318	(81,686)	-	118,632	Prepaid pension cost - non-current	d)
Other non-current assets	9,803,175	-	525,657	10,328,832	Other non-current assets	g), h)
Total non-current assets	67,370,536	3,972	4,425,726	71,800,234	Total non-current assets	
Total	$ 201,989,810	$ 3,972	$ 345,148	$ 202,338,930	Total	
Liabilities and stockholders' equity					Liabilities and stockholders' equity	
Current liabilities					Current liabilities	
Financial liabilities at fair value through profit or loss - current	$ 137,633	$ -	$ -	$ 137,633	Financial liabilities at fair value through profit or loss - current	
Hedging derivative liabilities - current	82,213	-	-	82,213	Hedging derivative liabilities - current	
Notes and accounts payable	64,776,187	-	-	64,776,187	Notes and accounts payable	
Other payables	39,576,302	110,947	-	39,687,249	Other payables	f)
Income tax payable	3,895,103	-	-	3,895,103	Current tax liabilities	
-	-	-	11,847,666	11,847,666	Provisions - current	e)
Other current liabilities	14,260,610	-	(11,847,666)	2,412,944	Other current liabilities	e)
Total current liabilities	122,728,048	110,947	-	122,838,995	Total current liabilities	
Non-current liabilities					Non-current liabilities	
-	-	-	345,148	345,148	Deferred tax liabilities	b)
Guarantee deposits received	122,830	-	-	122,830	Guarantee deposits received	
Total non-current liabilities	122,830	-	345,148	467,978	Total non-current liabilities	
Total liabilities	122,850,878	110,947	345,148	123,306,973	Total liabilities	

(Continued)

ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		
Item	Amount	Measurement or Recognition Difference	Presentation Difference	Amount	Item	Note
Stockholders' equity					Equity attributable to owners of the parent	
Common stock	$ 8,520,521	$ -	$ -	$ 8,520,521	Common stock	
Capital surplus	16,619,594	(18,037)	-	16,601,557	Capital surplus	i)
Retained earnings	69,139,326	(57,097)	-	69,082,229	Retained earnings	c), d), f), i), j)
Other equity					Other equity	
Cumulative translation adjustments	(1,008,358)	(32,134)	-	(1,040,492)	Exchange differences on translating foreign operation	j)
Net losses not recognized as pension cost	(293)	293	-	-	-	d)
Unrealized gain on available-for-sale financial assets	22,153	-	-	22,153	Unrealized gain on available-for-sale financial assets	
Cash flow hedge	(88,521)	-	-	(88,521)	Cash flow hedge	
Treasury shares	(14,065,490)	-	-	(14,065,490)	Treasury shares	
Total equity attributable to stockholders of the parent	79,138,932	(106,975)	-	79,031,957	Total equity attributable to owners of the parent	
Total	$ 201,989,810	$ 3,972	$ 345,148	$ 202,338,930	Total	

(Concluded)

2) Reconciliation of consolidated statement of comprehensive income for the nine months ended September 30, 2012

ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		
Item	Amount	Measurement or Recognition Difference	Presentation Difference	Amount	Item	Note
Revenues	$ 229,007,295	$ -	$ -	$ 229,007,295	Revenues	
Cost of revenues	169,899,456	(1,505)	-	169,897,951	Cost of revenues	d), f)
Gross profit	59,107,839	1,505	-	59,109,344	Gross profit	
Operating expenses					Operating expenses	
Selling and marketing	23,934,412	993	-	23,935,405	Selling and marketing	d), f)
General and administrative	4,860,906	1,595	-	4,862,501	General and administrative	d), f)
Research and development	12,099,522	9,177	-	12,108,699	Research and development	d), f)
Total operating expenses	40,894,840	11,765	-	40,906,605	Total operating expenses	
Operating profit	18,212,999	(10,260)	-	18,202,739	Operating profit	
Non-operating income and expenses	113,311	-	-	113,311	Non-operating income and expenses	
Profit before income tax	18,326,310	(10,260)	-	18,316,050	Profit before income tax	
Income tax	(1,746,526)	28,000	-	(1,718,526)	Income tax	c)
Profit for the period	$ 16,579,784	$ 17,740	$ -	16,597,524	Profit for the period	
				(1,040,492)	Exchange differences on translating foreign operation	
				19,214	Unrealized gain on available-for-sale financial assets	
				(88,521)	Cash flow hedge	
				(1,109,799)	Other comprehensive income and loss for the period, net of income tax	
				$ 15,487,725	Total comprehensive income	

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

ROC GAAP		Effect of the Transition from ROC GAAP to IFRSs		IFRSs		
Item	Amount	Measurement or Recognition Difference	Presentation Difference	Amount	Item	Note
Revenues	$ 70,176,838	$ -	$ -	$ 70,176,838	Revenues	
Cost of revenues	52,626,384	(6,025)	-	52,620,359	Cost of revenues	d), f)
Gross profit	17,550,454	6,025	-	17,556,479	Gross profit	
Operating expenses					Operating expenses	
Selling and marketing	7,174,926	(861)	-	7,174,065	Selling and marketing	d), f)
General and administrative	1,424,393	(1,285)	-	1,423,108	General and administrative	d), f)
Research and development	4,038,258	(7,949)	-	4,030,309	Research and development	d), f)
Total operating expenses	12,637,577	(10,095)	-	12,627,482	Total operating expenses	
Operating profit	4,912,877	16,120	-	4,928,997	Operating profit	
Non-operating income and expenses	(1,009,640)	-	-	(1,009,640)	Non-operating income and expenses	
Profit before income tax	3,903,237	16,120	-	3,919,357	Profit before income tax	
Income tax	201,715	23,000	-	224,715	Income tax	c)
Profit for the period	$ 4,104,952	$ 39,120	$ -	4,144,072	Profit for the period	
				(499,887)	Exchange differences on translating foreign operation	
				(10,373)	Unrealized loss on available-for-sale financial assets	
				(70,527)	Cash flow hedge	
				(580,787)	Other comprehensive income and loss for the period, net of income tax	
				$ 3,563,285	Total comprehensive income	

4) Optional exemptions from IFRS 1

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

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

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

a) Under ROC GAAP, the term “cash” used in the financial statements includes cash on hand, demand deposits, check deposits, time deposits that are cancellable but without any loss of principal and negotiable certificates of deposit that are readily salable without any loss of principal. However, under IFRSs, cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Some certificates of deposit the Company held had maturity of more than 3 months from the date of investment. Thus, as of September 30, 2012, the reclassification adjustment resulted in decreases of NT$5,228,186 thousand in “cash and cash equivalents” and increases by the same amounts in “other current financial assets.”

b) Under ROC GAAP, a deferred income tax asset or liability should be classified as current or noncurrent in accordance with the classification of the related asset or liability for financial reporting. However, a deferred income tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent on the basis of the expected length of time before it is realized or settled. By contrast, under IFRSs, a deferred income tax asset or liability is always classified as noncurrent. Thus, as of September 30, 2012, the reclassification adjustment resulted in decreases of NT$4,080,578 thousand in "deferred income tax asset - current" and increases by the same amounts in "deferred income tax assets - non-current."

   Under ROC GAAP, deferred tax assets are recognized in full but are reduced by a valuation allowance account if there is evidence showing that a portion of or all the deferred tax assets will not be realized. However, under IFRSs, an entity recognizes only to the extent that it is highly probable that taxable profits will be available against which the deferred tax assets can be used; thus, a valuation allowance account is not used. Thus, as of September 30, 2012, the reclassification adjustment resulted in decreases of NT$6,886,502 thousand in "deferred income tax assets" and in the valuation allowance account. Also, as of September 30, 2012, the reclassification adjustment resulted in increases of NT$345,148 thousand in "deferred income tax assets" and "deferred income tax liabilities".

c) Under ROC GAAP, deferred income tax assets or liabilities from intergroup sales are recognized for the change in tax basis using the tax rate of ROC. However, under IFRSs, the buyer's tax rates are used instead. Thus, the IFRS adjustment as of September 30, 2012 resulted in increases of NT$86,000 thousand in "deferred income tax assets" and in "accumulated earnings" and a decrease in "income tax" by NT$28,000 thousand.

d) Under IFRS 1, the Company elected to recognize all cumulative actuarial gains and losses relating to employee benefits at the date of transition to IFRSs. Thus, as of September 30, 2012, the IFRS adjustment resulted in a decrease in "accumulated earnings" by NT$82,321 thousand due to decreases in "deferred pension cost" by NT$342 thousand, "defined benefit assets" by NT$81,686 thousand and "net loss not recognized as pension cost" by NT$293 thousand. In addition, this adjustment resulted in decreases in "cost of revenues" by NT$374 thousand, "Selling and marketing expenses" by NT$101 thousand, "general and administrative expenses" by NT$161 thousand and "research and developing expenses" by NT$730 thousand.

e) Under ROC GAAP, if an obligation is probable (i.e., likely to occur) and the amount could be reasonably estimated, it is a contingent liability and should be accrued for, but under which account is not clearly defined. However, under IFRSs, it defines "provisions" as obligations that are probable (i.e., more likely than not) and the amount could be reasonably estimated. Thus, as of September 30, 2012, the reclassification adjustment resulted in decreases of NT$11,847,666 thousand in "other current liabilities" and increases by the same amounts in "provisions - current."

f) Accumulated compensated absences are not addressed in existing ROC GAAP; thus, the Company has not recognized the expected cost of employee benefits in the form of accumulated compensated absences at the end of reporting periods. However, under IFRSs, when the employees render services that increase their entitlement to future compensated absences, an entity should recognize the expected cost of employee benefits at the end of reporting periods. Thus, as of September 30, 2012 resulted in (a) a decrease in "accumulated earnings" by NT$110,947 thousand due to an increase of "accrued expenses"; (b) a decrease in "cost of revenues" by NT$1,131 thousand, (c) increases in "selling and marketing expenses" by NT$1,094 thousand, "general and administrative expenses" by NT$1,756 thousand and "research and developing expenses" by NT$9,907 thousand.

g) Under ROC GAAP, deferred charges are classified under other assets. Transition to IFRSs, deferred charges are classified under “property, plant and equipment”, “other intangible assets” and “other assets - other” according to the nature. Thus, as of September 30, 2012, the Company reclassified NT$615,834 thousand of “deferred charges” to “property, plant and equipment”; and reclassified NT$177,922 thousand of “deferred charges” to “other intangible assets” and reclassified NT$166,980 thousand of “deferred charges” to “other assets - other”.

h) The Company purchased fixed assets and made prepayments, pursuant to the “Rules Governing the Preparation of Financial Statements by Securities Issuers.” Such prepayments are presented as “properties”. Transition to IFRSs, the prepayments are classified under “other assets - other”. Thus, as of September 30, 2012, the Company reclassified NT$358,677 thousand of “property, plant and equipment” to “other assets - other”.

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

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