(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

(With Independent Accountants' Review Report Thereon)

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(English Translation of Financial Report Originally Issued in Chinese)

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of

Pegatron Corporation

We have reviewed the accompanying consolidated balance sheets of Pegatron Corporation and its subsidiaries (the "Group") as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2013 and 2012, and changes in equity and cash flows for the six months ended June 30, 2013 and 2012. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express the review report based on our reviews. We did not review the financial statements of certain consolidated subsidiaries with total assets of NT$50,784,504 thousand, representing 14.50% and net sales of NT$9,179,657 thousand and NT$18,267,586 thousand, representing 4.33% and 4.25% of the related consolidated total as of and for the three months ended June 30, 2013 and for the six months ended June 30, 2013. Those statements were reviewed by other auditors whose reports have been furnished to us, insofar as it relates to the amounts for certain subsidiaries, were based solely on the reports of other auditors.

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

The consolidated financial statements of certain subsidiaries were consolidated based on their financial statements as of and for the periods ended June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012 not reviewed by independent accountants. The total assets of these subsidiaries amounted to NT$53,976,355 thousand, NT$121,659,378 thousand, NT$99,215,699 thousand and NT$108,101,230 thousand, representing 15.41%, 31.07%, 28.01% and 36.09% of the related consolidated total assets and the total liabilities amounted to NT$12,854,160 thousand, NT$32,727,718 thousand, NT$36,473,534 thousand and NT$32,848,226 thousand, representing 5.96%, 12.40%, 15.73% and 18.09% of the related consolidated liabilities as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, respectively. The comprehensive income of these subsidiaries amounted to NT$584,588 thousand, NT$639,026 thousand, NT$1,124,195 thousand, and NT$1,538,662 thousand, representing 14.96%, 19.54%, 11.66%, and 56.10% of the related consolidated comprehensive income for the three months and the six months ended June 30, 2013 and 2012, respectively.

As disclosed in Note 6(5) to the consolidated financial statements, the financial statements of certain equity-accounted investees were not reviewed by independent accountants. Long-term investments in these companies amounted to NT$1,579,248 thousand, NT$1,607,697 thousand, NT$2,417,514 thousand and NT$2,703,438 thousand as of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, respectively, and the related investment income (loss) amounted to NT$(8,543) thousand, NT$29,337 thousand, NT$(36,386) thousand, and NT$ 45,891 thousand for the three months and the six months ended June 30, 2013 and 2012, respectively.

Based on our reviews and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of some consolidated subsidiaries and some equity-accounted investees been reviewed as described in the preceding paragraphs, we are not aware of any material modifications that should be made to the consolidated financial statements referred to the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and guidelines of International Financial Reporting Standards No. 1 “First-time Adoption of International Financial Reporting Statements” and International Accounting Standards No. 34 “Interim Financial Reporting” which are endorsed by the Financial Supervisory Commission in the Republic of China (R.O.C.).

CPA: Ulyos Maa
Securities and Futures Commission,
Ministry of Finance, R.O.C. regulation
(88) Tai-Tsai-Jung (6) No. 18311

August 12, 2013

Notes to Readers

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

For the convenience of readers, the accountants’ 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 accountants’ report and financial statements shall prevail. Also, please refer to the original Chinese version for certain disclosures not translated into English as they are not required under generally accepted accounting principles in the Republic of China.

(English Translation of Financial Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards.
PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2013, DECEMBER 31, 2012, JUNE 30, 2012 AND JANUARY 1, 2012
(All Amounts Expressed in Thousands of New Taiwan Dollars)

	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
	Amount	%	**Amount**	%	**Amount**	%	**Amount**	%
ASSETS								
Current Assets:								
Cash and cash equivalents (Note 6(1))	$ 62,823,663	18	59,940,764	15	53,262,901	15	50,090,761	17
Financial assets at fair value through profit or loss－current (Note 6(2))	6,221,351	2	7,534,036	2	6,652,232	2	6,417,685	2
Available-for-sale financial assets－current (Note 6(2))	427,955	-	505,919	-	611,084	-	414,737	-
Notes and accounts receivable, net (Note 6(3))	81,660,121	23	116,957,480	30	112,078,154	32	74,522,214	25
Accounts receivable, net－Related parties (Note 7)	422	-	5,766,184	1	7,356,458	2	9,702,080	3
Other receivables, net (Notes 6(3) and 7)	8,497,237	3	13,330,329	4	3,279,429	1	2,184,857	1
Inventories (Note 6(4))	88,805,208	25	92,678,084	24	77,478,005	22	65,591,611	22
Other financial assets－current (Notes 6(9) and 8)	2,382,026	1	330,184	-	183,225	-	342,108	-
Other current assets (Note 6(9))	8,591,256	2	7,572,968	2	7,408,284	2	5,405,734	2
	259,409,239	74	304,615,948	78	268,309,772	76	214,671,787	72
Non-current assets:								
Available-for-sale financial assets－noncurrent (Note 6(2))	1,375,598	-	1,283,328	-	708,957	-	711,094	-
Financial assets carried at cost－noncurrent (Note 6(2))	490,340	-	498,134	-	460,998	-	491,905	-
Equity-accounted investees (Note 6(5))	1,579,248	1	1,607,697	-	2,417,514	1	2,703,438	1
Property, plant and equipment (Notes 6(6) and 7)	75,396,194	22	72,994,019	19	71,893,468	20	67,046,058	23
Investment property, net (Note 6(7))	664,321	-	669,511	-	675,176	-	681,219	-
Intangible assets (Note 6(8))	2,561,191	1	2,770,545	1	2,953,231	1	3,278,425	1
Deferred tax assets	3,110,803	1	2,379,076	1	1,445,362	-	1,488,046	-
Prepayments on purchase of equipment	1,458,542	-	931,901	-	1,882,804	1	5,407,783	2
Other financial assets－noncurrent (Notes 6(9) and 8)	474,262	-	306,996	-	300,800	-	297,065	-
Long-term prepaid rents (Note 6(15))	3,510,106	1	3,385,492	1	2,977,477	1	2,673,871	1
Other non-current assets (Note 6(9))	141,368	-	98,952	-	246,312	-	99,558	-
	90,761,973	26	86,925,651	22	85,962,099	24	84,878,462	28
TOTAL ASSETS	**$ 350,171,212**	**100**	**391,541,599**	**100**	**354,271,871**	**100**	**299,550,249**	**100**

The accompanying notes are an integral part of the consolidated financial statments.
(With KPMG review report dated August 12, 2013.)

(English Translation of Financial Report Originally Issued in Chinese)

Reviewed only, not audited in accordance with generally accepted auditing standards.

PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONT'D)

JUNE 30, 2013, DECEMBER 31, 2012, JUNE 30, 2012 AND JANUARY 1, 2012

(All Amounts Expressed in Thousands of New Taiwan Dollars)

	June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%	Amount	%
LIABILITIES AND EQUITY								
Current Liabilities:								
Short-term loans (Note 6(10))	$ 27,328,555	8	19,613,159	5	30,712,934	9	22,773,366	8
Short-term notes and bills payable (Note 6(11))	99,951	-	99,993	-	179,845	-	219,936	-
Financial liabilities at fair value through profit or loss－current (Notes 6(2) and	4,608	-	69,084	-	73,142	-	102,583	-
Notes and accounts payable	111,604,657	32	171,833,654	44	126,876,992	36	97,586,150	33
Accounts payable－Related parties (Note 7)	467,207	-	546,850	-	2,293,343	1	2,296,908	1
Accrued expenses (Notes 6(16) and 7)	16,586,659	5	16,680,325	5	13,204,638	4	12,888,138	4
Dividend payable (Note 6(18))	5,737,293	2	-	-	2,175,410	1	-	-
Other payables (Note 7)	6,058,602	2	5,202,976	1	5,384,187	2	7,793,539	3
Current income tax liabilities	2,302,456	1	3,672,048	1	1,787,744	1	1,862,250	1
Provisions－current (Note 6(14))	245,129	-	267,181	-	264,786	-	264,982	-
Deferred revenue	3,722,534	1	2,636,838	1	1,327,907	-	1,284,033	-
Long-term loans payable－current portion (Notes 6(12) and 6(13))	7,516,911	2	8,850,852	2	3,874,077	1	913,849	-
Other current liabilities (Note 7)	10,244,900	3	4,817,019	1	7,983,274	2	3,603,104	1
	191,919,462	56	234,289,979	60	196,138,279	57	151,588,838	51
Non-current liabilities:								
Financial liabilities at fair value through profit or loss－noncurrent (Notes 6(2) and 6(13))	1,770,300	-	759,815	-	1,304,056	-	-	-
Bonds payable (Note 6(13))	8,038,099	2	7,656,181	2	7,750,630	2	1,404,707	1
Long-term loans (Note 6(12))	11,416,584	3	18,988,171	5	25,235,383	7	27,353,419	9
Deferred tax liabilities	1,883,672	1	1,497,039	-	811,711	-	664,479	-
Other noncurrent liabilities (Note 6(16))	808,846	-	712,833	-	676,729	-	608,010	-
	23,917,501	6	29,614,039	7	35,778,509	9	30,030,615	10
Total Liabilities	215,836,963	62	263,904,018	67	231,916,788	66	181,619,453	61
EQUITY (Note 6(18))								
Share capital	22,901,399	6	22,903,049	6	22,563,669	6	22,563,669	8
Capital surplus:								
Capital surplus, premium on capital stock	60,393,247	17	60,393,247	16	60,393,247	17	60,393,247	19
Capital surplus, others	2,117,679	1	1,329,863	-	819,587	-	609,828	-
	62,510,926	18	61,723,110	16	61,212,834	17	61,003,075	19
Retained earnings:								
Legal reserve	2,458,117	1	1,847,737	1	1,847,737	1	1,836,601	1
Special reserve	3,280,485	1	734,859	-	734,859	-	4,327,629	1
Unappropriated retained earnings	9,529,733	2	12,422,970	3	8,029,252	2	2,458,391	1
	15,268,335	4	15,005,566	4	10,611,848	3	8,622,621	3
Other equity interest:								
Exchange differences on translation of foreign financial statements	(215,303)	-	(3,398,256)	(1)	(1,835,688)	(1)	(784,234)	-
Unrealized gains (losses) on available-for-sale financial assets (Note 6(23))	62,601	-	88,302	-	180,937	-	37,951	-
Deferred compensation cost arising from issuance of restricted stock (Note 6(19))	(302,425)	-	(497,698)	-	-	-	-	-
	(455,127)	-	(3,807,652)	(1)	(1,654,751)	(1)	(746,283)	-
Treasury stock	(29,495)	-	(18,794)	-	(18,794)	-	(18,794)	-
Equity attributable to owners of the Company	100,196,038	28	95,805,279	25	92,714,806	25	91,424,288	30
Non-controlling interests	34,138,211	10	31,832,302	8	29,640,277	9	26,506,508	9
Total Equity	134,334,249	38	127,637,581	33	122,355,083	34	117,930,796	39
Total LIABILITIES AND EQUITY	**$ 350,171,212**	**100**	**391,541,599**	**100**	**354,271,871**	**100**	**299,550,249**	**100**

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

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PEGATRON CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(All Amounts Expressed in Thousands of New Taiwan Dollars, Except for Share Data)

	For the Three Months ended June 30				For the Six Months ended June 30			
	2013		2012		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%
Operating revenues (Note 7)	$ 212,716,032	100	220,157,496	100	431,019,049	100	392,649,245	100
Less: Sales returns and allowances	489,091	-	849,501	-	1,203,706	-	1,380,670	-
Net sales	212,226,941	100	219,307,995	100	429,815,343	100	391,268,575	100
Cost of sales (Notes 6(4) and 7)	202,774,431	96	209,726,323	96	408,358,580	95	374,315,464	96
Gross profit	9,452,510	4	9,581,672	4	21,456,763	5	16,953,111	4
Operating expenses (Note 7)								
Selling expenses	1,758,240	1	1,410,486	1	3,714,333	1	2,622,010	1
Administrative expenses	2,235,146	1	1,963,247	1	4,673,604	1	3,808,712	1
Research and development expenses	2,802,571	1	2,922,824	1	5,522,488	1	5,576,538	1
	6,795,957	3	6,296,557	3	13,910,425	3	12,007,260	3
Results from operating activities	2,656,553	1	3,285,115	1	7,546,338	2	4,945,851	1
Non-operating income and expenses								
Other income (Notes 6(22) and 7)	704,404	-	458,746	-	1,118,770	-	877,863	-
Other gains and losses (Notes 6(13) and 6(22))	443,909	-	439,025	-	218,600	-	(136,366)	-
Financial costs (Notes 6(13) and 6(22))	(300,798)	-	(313,176)	-	(578,232)	-	(627,745)	-
Investment income (loss) from equity-accounted investees (Note 6(5))	(8,543)	-	29,337	-	(36,386)	-	45,891	-
Other losses	(66,212)	-	(31,477)	-	(154,429)	-	(60,603)	-
	772,760	-	582,455	-	568,323	-	99,040	-
Profit before tax	3,429,313	1	3,867,570	1	8,114,661	2	5,044,891	1
Income tax expense (Note 6(17))	916,636	-	987,366	-	2,148,992	-	1,359,630	-
Profit for the period	**2,512,677**	**1**	**2,880,204**	**1**	**5,965,669**	**2**	**3,685,261**	**1**
Other comprehensive income (Notes 6(18) and 6(23))								
Foreign currency translation differences－foreign operations	1,340,199	1	537,536	-	3,743,171	1	(1,146,323)	-
Net change in fair value of available-for-sale financial assets	53,995	-	(146,696)	-	(70,217)	-	203,811	-
Defined benefit plan actuarial gain	645	-	-	-	-	-	-	-
Other comprehensive income for the period, net of tax	**1,394,839**	**1**	**390,840**	**-**	**3,672,954**	**1**	**(942,512)**	**-**
Total comprehensive income for the period	**$ 3,907,516**	**2**	**3,271,044**	**1**	**9,638,623**	**3**	**2,742,749**	**1**
Profit attributable to								
Owners of the Company	$ 1,392,576	-	1,925,065	1	3,698,226	1	1,989,227	1
Non-controlling interests	1,120,101	1	955,139	-	2,267,443	1	1,696,034	-
	$ 2,512,677	**1**	**2,880,204**	**1**	**5,965,669**	**2**	**3,685,261**	**1**
Comprehensive income attributable to								
Owners of the Company	$ 2,517,731	1	2,264,992	1	6,855,478	2	1,080,759	-
Non-controlling interests	1,389,785	1	1,006,052	-	2,783,145	1	1,661,990	1
	$ 3,907,516	**2**	**3,271,044**	**1**	**9,638,623**	**3**	**2,742,749**	**1**
Earnings per share, net of tax(Notes 6(21))								
Basic earnings per share	**$**	**0.61**		**0.85**		**1.62**		**0.88**
Diluted earnings per share	**$**	**0.60**		**0.85**		**1.60**		**0.88**

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

(With KPMG review report dated August 12, 2013.)

(English Translations of Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards.

PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to Owners of the Company													
							Other adjustments to equity							
			Retained earnings				Foreign currency translation differences	Unrealized gains (losses) on available-for-sale financial assets				Total equity attributable to owners of the Company	Non-controlling interests	
	Common stock	Capital surplus	Legal reserve	Special reserve	Retained earnings	Total			Others	Total	Treasury stock			Total equity
Balance, January 1, 2012	$ 22,563,669	61,003,075	1,836,601	4,327,629	2,458,391	8,622,621	(784,234)	37,951	-	(746,283)	(18,794)	91,424,288	26,506,508	117,930,796
Appropriation and distribution of retained earnings														
Legal reserve	-	-	11,136	-	(11,136)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(3,592,770)	3,592,770	-	-	-	-	-	-	-	-	-
Other changes in capital surplus														
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	153,136	-	-	-	-	-	-	-	-	-	153,136	(153,136)	-
Profit for the period	-	-	-	-	1,989,227	1,989,227	-	-	-	-	-	1,989,227	1,696,034	3,685,261
Other comprehensive income for the period	-	-	-	-	-	-	(1,051,454)	142,986	-	(908,468)	-	(908,468)	(34,044)	(942,512)
Total comprehensive income for the period	-	-	-	-	1,989,227	1,989,227	(1,051,454)	142,986	-	(908,468)	-	1,080,759	1,661,990	2,742,749
Compensation cost arising from employee stock options	-	56,623	-	-	-	-	-	-	-	-	-	56,623	-	56,623
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,624,915	1,624,915
Balance, June 30, 2012	**$ 22,563,669**	**61,212,834**	**1,847,737**	**734,859**	**8,029,252**	**10,611,848**	**(1,835,688)**	**180,937**	**-**	**(1,654,751)**	**(18,794)**	**92,714,806**	**29,640,277**	**122,355,083**
						-				-				
Balance, January 1, 2013	$ 22,903,049	61,723,110	1,847,737	734,859	12,422,970	15,005,566	(3,398,256)	88,302	(497,698)	(3,807,652)	(18,794)	95,805,279	31,832,302	127,637,581
Appropriation and distribution of retained earnings														
Legal reserve	-	-	610,380	-	(610,380)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	2,545,626	(2,545,626)	-	-	-	-	-	-	-	-	-
Common stock dividends	-	-	-	-	(3,435,457)	(3,435,457)	-	-	-	-	-	(3,435,457)	-	(3,435,457)
Other changes in capital surplus														
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	716,456	-	-	-	-	-	-	-	-	-	716,456	(599,030)	117,426
Profit for the period	-	-	-	-	3,698,226	3,698,226	-	-	-	-	-	3,698,226	2,267,443	5,965,669
Other comprehensive income for the period	-	-	-	-	-	-	3,182,953	(25,701)	-	3,157,252	-	3,157,252	515,702	3,672,954
Total comprehensive income for the period	-	-	-	-	3,698,226	3,698,226	3,182,953	(25,701)	-	3,157,252	-	6,855,478	2,783,145	9,638,623
Compensation cost arising from employee stock options	-	59,009	-	-	-	-	-	-	-	-	-	59,009	-	59,009
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	121,794	121,794
Expiration of restricted shares of stock issued to employees	(1,650)	12,351	-	-	-	-	-	-	-	-	(10,701)	-	-	-
Issuance of restricted employee shares of stock	-	-	-	-	-	-	-	-	195,273	195,273	-	195,273	-	195,273
Balance, June 30, 2013	**$ 22,901,399**	**62,510,926**	**2,458,117**	**3,280,485**	**9,529,733**	**15,268,335**	**(215,303)**	**62,601**	**(302,425)**	**(455,127)**	**(29,495)**	**100,196,038**	**34,138,211**	**134,334,249**

The accompanying notes are an integral part of the consolidated financial statments.
(With KPMG review report dated August 12, 2013.)

(English Translation of Financial Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards.
PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(All Amount Expressed in Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2013	**2012**
Cash flows from operating activities:		
Profit from continuing operations before tax	$ 8,114,661	5,044,891
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	6,569,199	5,803,772
Amortization	306,318	351,414
Allowance for uncollectable accounts	336,000	261,804
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	988,271	(39,766)
Interest expense	391,014	538,971
Compensation cost arising from employee stock options	279,215	86,878
Loss on foreign currency exchange of bonds payable	287,145	86,487
Amortization of discount on bonds payable	88,861	88,774
Amortization of issuance costs on bonds payable	6,393	5,144
Investment (income) loss from equity-accounted investees	36,386	(45,891)
Loss on disposal of property, plant and equipment	149,673	155,120
Property, plant and equipment charged to expenses	82,189	6,785
Gain on disposal of investments	(42,101)	(59,709)
(Reversal gain) impairment loss on property, plant and equipment	(145,455)	74,120
Loss on redemption of bonds payable	6,065	-
Loss (gain) on foreign currency exchange on long-term loans	843,168	(406,755)
Amortization of difference between cost and net equity	-	1,114
	10,182,341	6,908,262
Changes in operating assets and liabilities		
Changes in operating assets		
Decrease (increase) in financial assets reported at fair value through profit or loss	1,309,037	(181,748)
Decrease (increase) in notes and accounts receivable	40,726,400	(35,300,652)
Decrease (increase) in other accounts receivable	4,833,814	(1,200,419)
Decrease (increase) in inventories	3,872,876	(11,939,500)
Decrease (increase) in other financial assets	(2,270,317)	167,185
Increase in other current assets	(998,616)	(2,337,645)
Total changes in operating assets	47,473,194	(50,792,779)
Changes in operating liabilities		
Increase (decrease) in financial liabilities reported at fair value through profit or loss	4,510	(1,318)
Increase (decrease) in notes and accounts payable	(60,308,640)	29,149,110
Increase in deferred revenue	1,098,488	43,874
Increase (decrease) in accrued expenses	(93,666)	395,362
Increase in other accounts payable	792,673	1,377,493
Increase (decrease) in other noncurrent liabilities	1,558	(2,532)
Decrease in provisions － current	(22,052)	(196)
Increase in other current liabilities	5,427,881	4,333,284
Total changes in operating liabilities	(53,099,248)	35,295,077
Net changes in operating assets and liabilities	(5,626,054)	(15,497,702)
Total changes in operating assets and liabilities	4,556,287	(8,589,440)
Cash provided by (used in) operating activities	12,670,948	(3,544,549)
Dividend received	50,033	7,371
Interest paid	(334,716)	(481,909)
Income taxes paid	(3,779,423)	(950,151)
Net cash provided by (used in) operating activities	8,606,842	(4,969,238)

The accompanying notes are an integral part of the consolidated financial statments.
(With KPMG review report dated August 12, 2013.)

(English Translation of Financial Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards.

PEGATRON CORPORATION AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(All Amount Expressed in Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2013	**2012**
Cash flows from investing activities		
Acquisition of available-for-sale financial assets	(146,450)	-
Proceeds from disposal of available-for-sale financial assets	132,629	17,536
Proceeds from disposal of subsidiaries	300,208	303,572
Proceeds from capital reduction of equity-accounted investees	8,330	-
Acquisition of property, plant and equipment	(8,038,582)	(7,532,758)
Proceeds from disposal of property, plant and equipment	2,436,984	268,448
Acquisition of intangible assets	(35,732)	(58,473)
Proceeds from disposal of intangible assets	27	737
Decrease (increase) in other financial assets	51,209	(12,038)
Increase in prepayments for business facilities	(1,110,847)	(4,594,186)
Increase in other noncurrent assets	(232,344)	(471,100)
Net cash used in investing activities	**(6,634,568)**	**(12,078,262)**
Cash flows from financing activities		
Increase in short-term loans	7,715,396	7,939,568
Decrease in short-term notes and bills payable	(41)	(40,090)
Proceeds from issuance (redemption) of bonds payable	(1,513,281)	8,835,640
Proceeds from long-term debt	-	623,448
Repayments of long-term debt	(8,313,082)	(759,237)
Increase in other noncurrent liabilities	81,662	72,664
Employee stock option	1,570	1,391
Change in non-controlling interests	2,223,828	3,745,354
Net cash provided by financing activities	**196,052**	**20,418,738**
Effect of exchange rate fluctuations on cash held	714,573	(199,098)
Net increase in cash and cash equivalents	2,882,899	3,172,140
Cash and cash equivalents, beginning of period	59,940,764	50,090,761
Cash and cash equivalents, end of period	**$ 62,823,663**	**53,262,901**

The accompanying notes are an integral part of the consolidated financial statments.
(With KPMG review report dated August 12, 2013.)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 AND 2012

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Per Share Information and Unless Otherwise Stated)

1. COMPANY HISTORY

Pegatron Corporation (the "Company") was established on June 27, 2007. The Company's registered office address is located at 5F., No.76, Ligong St., Beitou District, Taipei City 112, Taiwan. In order to enhance competitiveness and boost productivity, the Company resolved to absorb the OEM business from ASUSTek Computer Inc. on January 1, 2008 as part of the Company's business restructuring. On April 1, 2008, ASUSALPHA Computer Inc. was merged with the Company. The main activities of the Company are to produce, design and sell OEM business. In January 2010, pursuant to the resolutions of the respective board of directors, the Company merged with Pegatron International Investment Co., Ltd., effective June 10, 2010. As the surviving entity from this merger, the Company applied for initial public offering (IPO) to TSEC. The Company's shares were listed on TSEC on June 24, 2010.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on August 12, 2013.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The new accounting standards and interpretations issued by the IASB but are not yet endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") have not yet been adopted by the Company and its subsidiaries (together referred to as the "group" and individually as "Group entity") and may impact the accompanying consolidated financial statements. Such new accounting standards and interpretations are the same as those disclosed in the consolidated financial statements for the three months ended March 31, 2013, except for the following:

Issue date	New standards and amendments	Description	Effective date per IASB
May 29, 2013	‧ IAS 36 Impairment of Assets	‧ The amendments effective on January 1, 2013 require the disclosure of recoverable amounts of cash generating units if the carrying amount of goodwill or intangible assets with indefinite useful life is significant. Also, the standard has been amended requiring the disclosure of impairment loss recognized (reversed) if an individual impairment loss (reversal) is material.	January 1, 2014 or earlier

Issue date	New standards and amendments	Description	Effective date per IASB
		· Also, if recoverable amount is fair value less costs of disposal, the valuation techniques used to measure fair value less costs of disposal and the key assumptions used in the measurement of fair value are categorized within "Level 2" or "Level 3" of the fair value hierarchy.	

As the new accounting standards and amendments discussed above and disclosed in the consolidated financial statements for the three months ended March 31, 2013 have not been endorsed by the FSC, the Company is still assessing the impact thereof to the consolidated financial statements if and when they are adopted.

4. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements, and to the consolidated balance sheet as of January 1, 2012 in accordance with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC).

(1) Statement of compliance

The accompanying consolidated interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and guidelines of IAS 34 Interim Financial Reporting which are endorsed by FSC. Such consolidated interim financial statements, however, do not include all of the information required for full annual financial statements by IFRS endorsed by the FSC.

These are the Group's first consolidated interim financial statements prepared under IFRS (endorsed by the FSC) for annual financial statements, and IFRS 1 First-time Adoption of International Financial Reporting Standards. An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Group is provided in note 15.

(2) Basis of preparation

A. Basis of measurement

The consolidated financial (quarterly) statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

(a) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments) ;

(b) Available-for-sale financial assets are measured at fair value;

(c) Liabilities for cash-settled share-based payment arrangements are measured at fair value; and

(d) The defined benefit asset is recognized as plan assets, plus unrecognized past service cost, less the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The Group consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(3) Basis of consolidation

A. Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.
Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B. Acquisition of non-controlling interests

Acquisition of non-controlling interests is accounted for as an equity transaction with owners. Under the aforesaid transaction, goodwill is not recognized.

C. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

D. Business combination under common control

A business combination under common control is a transaction in which all of the combining entities are ultimately controlled by the same party, both before and after the combination, and the control is not transitory. These combinations often occur in re-organize group activities in which the direct ownership of subsidiaries changes but the ultimate parent remains the same. Business combinations under common control are accounted for in the consolidated accounts prospectively from the date the group obtains the ownership interest. Assets and liabilities are recognized upon consolidation at their carrying amount in the consolidated financial statements of owners of the Company. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognized directly in equity.

E. Losing control

When the Group loses control of a subsidiary it derecognizes the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost.

F. List of subsidiaries included in the consolidated financial statements

Investor	Subsidiary	Nature of business	Shareholding ratio				Notes
			2013.06.30	2012.12.31	2012.06.30	2012.01.01	
The Company	UNIHAN CORPORATION (UNIHAN)	Designing, manufacturing, maintaining and selling computer peripherals and audio-video products	100.00%	100.00%	100.00%	100.00%	
UNIHAN AND ASUSPOWER INVESTMENT	ABILITY ENTERPRISE CO., LTD. (Ability(TW))	Selling computer peripherals, office automation equipment, digital cameras, retailing and wholesaling, of food products and leasing	12.30%	12.31%	12.35%	12.36%	Note A
Ability (TW)	ABILITY ENTERPRISE (BVI) CO., LTD. (ABILITY)	Investing activities	100.00%	100.00%	100.00%	100.00%	Note A
Ability (TW)	ACTION PIONEER INTERNATIONAL LTD.	Trading activities	100.00%	100.00%	100.00%	100.00%	Note A
Ability (TW)	VIEWQUEST TECHNOLOGIES INTERNATIONAL INC.	Selling computer peripherals, digital cameras and electronic components	100.00%	100.00%	100.00%	100.00%	Note A
Ability (TW)	ASSOCIATION INTERNATIONAL LTD.	Investing activities	-	-	100.00%	100.00%	Note A

Investor	Subsidiary	Nature of business	Shareholding ratio				Notes
			2013.06.30	2012.12.31	2012.06.30	2012.01.01	
Ability (TW)	VIEWQUEST TECHNOLOGIES (BVI) INC. (VQ(BVI))	Manufacturing and trading computer peripherals, digital cameras and electronic components	100.00%	100.00%	100.00%	100.00%	Note A
Ability (TW)	Ability International Investment Co., Ltd.(ABILITY INVESTMENT)	Investing activities	100.00%	100.00%	100.00%	100.00%	Note A
Ability (TW)	E-PIN OPTICAL INDUSTRY CO., LTD.(E-PIN)	Selling electronic components of optical products	53.01%	53.01%	53.01%	53.01%	Note A
ABILITY	Ability Technology (Dongguan) Co., Ltd	Manufacturing and selling digital cameras	100.00%	100.00%	100.00%	100.00%	Note A
ABILITY	Jiujiang Viewquest Electronics Inc.	Manufacturing and selling digital cameras	100.00%	100.00%	100.00%	100.00%	Note A
VQ(BVI)	VIEWQUEST TECHNOLOGIES (DONGGUAN) CO., LTD.	Manufacturing and selling digital cameras	100.00%	100.00%	100.00%	100.00%	Note A
E-PIN	E-PIN INTERNATIONAL TECH CO., LTD.	Manufacturing optical instruments	-	-	65.10%	65.10%	Note A
E-PIN	E-PIN OPTICAL INDUSTRY CO., LTD.	Trading activities	100.00%	100.00%	100.00%	100.00%	Note A
E-PIN	E-PIN OPTICAL INDUSTRY (M.) SDN. BHD.	Manufacturing precision lenses	100.00%	100.00%	100.00%	100.00%	Note A
E-PIN	ALL VISION TECHNOLOGY SDN. BHD.	Manufacturing precision lenses	100.00%	100.00%	100.00%	100.00%	Note A
E-PIN	ALL VISION HOLDING LTD. (AV)	Investing activities	100.00%	100.00%	100.00%	100.00%	Note A
AV	EVERLIGHT DEVELOPMENT CORPORATION (ED)	Investing activities	100.00%	100.00%	100.00%	100.00%	Note A
AV	E-SKY HOLDING LTD. (ES)	Investing activities	73.04%	73.04%	73.04%	73.04%	Note A
ED	WEIHAI E-SKY OPTICAL-ELECTRICAL CO., LTD.	Manufacturing and developing precision optical lenses	-	-	100.00%	100.00%	Note A
ED	NANJING CHANGMING PHOTOELECTRIC TECHNOLOGY CO., LTD.	Manufacturing and developing precision optical lenses	55.45%	55.45%	55.45%	55.45%	Note A
ES	ZHONGSHAN SANXIN PRECISION INDUSTRY CO., LTD.	Manufacturing and developing precision optical lenses	100.00%	100.00%	100.00%	100.00%	Note A
ES	NANJING E-PIN OPTOTECH CO., LTD.	Manufacturing and developing precision optical lenses	72.22%	72.22%	72.22%	72.22%	Note A
UNIHAN	UNIHAN HOLDING LTD. (UNIHAN HOLDING)	Investing activities	100.00%	100.00%	100.00%	100.00%	

Investor	Subsidiary	Nature of business	Shareholding ratio				Notes
			2013.06.30	2012.12.31	2012.06.30	2012.01.01	
UNIHAN HOLDING	CASETEK HOLDINGS LIMITED (CASETEK HOLDING)	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
CASETEK HOLDING	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
CASETEK HOLDING	CASETEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00%	100.00%	100.00%	100.00%	
CASETEK HOLDING	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDING)	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
KAEDAR HOLDING	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Tooling molds of stainless steel computer cases	100.00%	100.00%	100.00%	100.00%	
CASETEK HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Trading activities	-	100.00%	100.00%	100.00%	
CASETEK HOLDING	KAEDAR TRADING LTD.	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
CASETEK HOLDING	CORE-TEK (SHANGHAI) LIMITED	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00%	100.00%	100.00%	100.00%	
UNIHAN, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZURE WAVE TECHNOLOGIES, INC. (AZURE WAVE)	Manufacturing office machinery, electronic parts and computer peripherals and selling precision equipment, and digital cameras	38.08%	38.08%	38.08%	38.65%	Note A
AZURE WAVE	EMINENT STAR CO., LTD. (EMINENT)	Investing activities	100.00%	100.00%	100.00%	100.00%	Note A
EMINENT	HANNEX INTERNATIONAL LIMITED (HANNEX)	Investing activities	100.00%	100.00%	100.00%	100.00%	Note A
HANNEX	SCIENTEK. NANJING CO., LTD.	Designing, manufacturing and selling computer products	100.00%	100.00%	100.00%	100.00%	Note A
EMINENT	JADE TECHNOLOGIES LIMITED (JADE)	Investing activities	100.00%	100.00%	100.00%	100.00%	Note A
EMINENT、JADE	AZUREWAVE TECHNOLOGY (SHENZHEN) CO., LTD.	Designing, researching and selling computer products	100.00%	100.00%	100.00%	100.00%	Note A
AZURE WAVE	EZWAVE TECHNOLOGIES, INC.	Manufacturing office machinery, electronic parts and computer peripherals	100.00%	100.00%	100.00%	100.00%	Note A
AZURE WAVE	AZWAVE HOLDING (SAMOA) INC. (AZWAVE SAMOA)	Investing activities	100.00%	100.00%	100.00%	100.00%	Note A

Investor	Subsidiary	Nature of business	Shareholding ratio				Notes
			2013.06.30	2012.12.31	2012.06.30	2012.01.01	
AZWAVE SAMOA	AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	Designing, manufacturing and selling computer products	100.00%	100.00%	100.00%	100.00%	Note A
AZWAVE SAMOA	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	Manufacturing and selling LED and relevant lighting products	100.00%	100.00%	100.00%	100.00%	Note A
AZWAVE SAMOA	AIGALE CORPORATION (SHANGHAI)	Designing and selling communication equipment and electronic products	100.00%	100.00%	100.00%	100.00%	Note A
AZURE WAVE	AZURE LIGHTING TECHNOLOGIES, INC.	Selling electronic parts	100.00%	100.00%	100.00%	100.00%	Note A
UNIHAN	AMA PRECISION INC.(AMA PRECISION)	Designing and developing computer parts	100.00%	100.00%	100.00%	100.00%	
AMA PRECISION	AMA TECHNOLOGY CORPORATION	Trading computer peripherals	-	100.00%	100.00%	100.00%	
AMA PRECISION	AMA HOLDINGS LIMITED (AMA)	Investing activities	100.00%	100.00%	100.00%	100.00%	
AMA	METAL TRADINGS LTD.(METAL)	Trading activities	100.00%	100.00%	100.00%	100.00%	
METAL	FENGSHUO TRADING (TONGZHOU) CO., LTD.	Trading activities	100.00%	100.00%	100.00%	100.00%	
AMA	EXTECH LTD.	Trading electronic parts	90.51%	90.51%	90.51%	90.51%	
EXTECH LTD.	GRANDTECH PRECISION (TONGZHOU) CO., LTD.	Manufacturing, developing and selling electronic parts	100.00%	100.00%	100.00%	100.00%	
AMA	TOPTEK PRECISION INDUSTRY(SUZHOU) CO., LTD	Manufacturing and selling new electronic parts and premium hardware	100.00%	100.00%	100.00%	100.00%	
THE COMPANY	PEGATRON HOLLAND HOLDING B.V.(PHH) (previously known as ASUS HOLLAND HOLDING B.V.)	Investing activities	100.00%	100.00%	100.00%	100.00%	
PHH	PEGATRON CZECH S.R.O.	Installing, repairing and selling electronic products	100.00%	100.00%	100.00%	100.00%	
THE COMPANY	PEGATRON HOLDING LTD. (PEGATRON HOLDING)	Investing activities	100.00%	100.00%	100.00%	100.00%	
PEGATRON HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
POWTEK	POWTEK (SHANGHAI) CO., LTD.	Selling main boards, computer peripherals, note books, servers and software, and providing after-sales service	100.00%	100.00%	100.00%	100.00%	

Investor	Subsidiary	Nature of business	Shareholding ratio				Notes
			2013.06.30	2012.12.31	2012.06.30	2012.01.01	
PEGATRON HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00%	100.00%	100.00%	100.00%	
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK HOLDING)	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
PIOTEK HOLDING	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00%	100.00%	100.00%	100.00%	
PIOTEK HOLDING	PIOTEK (H.K) TRADING LIMITED	Trading activities	100.00%	100.00%	100.00%	100.00%	
PEGATRON HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Trading activities	100.00%	-	-	-	Note B
PEGATRON HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
ASLINK	ASLINK (H.K.) PRECISION CO., LIMITED	Investing and trading activities	-	-	100.00%	100.00%	
PEGATRON HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
DIGITEK	DIGITEK (CHONGQING) LTD.	Manufacturing, developing, and selling GPS, computer electronic devices, and after-sales services	100.00%	100.00%	100.00%	100.00%	
PEGATRON HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards, and computer peripherals, and providing after-sales service	100.00%	100.00%	100.00%	100.00%	
PEGATRON HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
PROTEK	PROTEK (SHANGHAI) LIMITED	Developing, manufacturing and selling GPS, new electronic components, circuit boards and relevant products, and providing after-sales service	100.00%	100.00%	100.00%	100.00%	

Investor	Subsidiary	Nature of business	Shareholding ratio				Notes
			2013.06.30	2012.12.31	2012.06.30	2012.01.01	
PEGATRON HOLDING	COTEK HOLDINGS LIMITED (COTEK)	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00%	100.00%	100.00%	100.00%	
PEGATRON HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	100.00%	100.00%	100.00%	100.00%	
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD.	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	100.00%	100.00%	100.00%	100.00%	
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	100.00%	100.00%	
THE COMPANY	ASUS INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	100.00%	100.00%	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	100.00%	100.00%	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	58.65%	58.65%	58.65%	58.65%	
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Manufacturing and selling database storage and processing equipments	100.00%	100.00%	100.00%	100.00%	
ASIAROCK	ASROCK EUROPE B.V.	Manufacturing and selling database service and trading electronic components	100.00%	100.00%	100.00%	100.00%	
ASIAROCK	CalRock Holdings, LLC.	Office building leasing	100.00%	100.00%	100.00%	100.00%	
ASROCK	Leader Insight Holdings Ltd. (Leader)	Investing and holding activities	100.00%	100.00%	100.00%	100.00%	
Leader	Firstplace International Ltd. (Firstplace)	Investing and holding activities	100.00%	100.00%	100.00%	100.00%	
Firstplace	ASROCK America., Inc.	Database service and trading electronic components	100.00%	100.00%	100.00%	100.00%	

Investor	Subsidiary	Nature of business	Shareholding ratio				Notes
			2013.06.30	2012.12.31	2012.06.30	2012.01.01	
ASROCK	ASRock Rack Incorporation	Manufacturing and selling computer and related peripherals	70.63%	-	-	-	
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Sales and repair service center in Mexico	100.00%	100.00%	100.00%	100.00%	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, wholeselling and retailing electronic components, and providing business management consultant service	39.00%	39.00%	39.00%	39.00%	Note A
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00%	100.00%	100.00%	100.00%	Note A
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION	Manufacturing medical appliances	68.75%	68.75%	84.45%	84.45%	Note A
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION (PEGAVISION)	Investing activities	100.00%	100.00%	100.00%	-	Note A
PEGAVISION	PEGAVISION (SHANGHAI) LIMITED	Manufacturing medical appliances	100.00%	100.00%	-	-	Note A
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	100.00%	100.00%	100.00%	100.00%	Note A
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00%	100.00%	100.00%	100.00%	Note A
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00%	100.00%	100.00%	100.00%	Note A
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards	100.00%	100.00%	100.00%	100.00%	Note A
KINSUS CAYMAN	KINSUS TRADING (SUZHOU) CORP.	Manufacturing and selling circuit boards related products and materials	100.00%	-	-	-	Note A
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION (STARLINK)	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00%	100.00%	100.00%	100.00%	

Investor	Subsidiary	Nature of business	Shareholding ratio				Notes
			2013.06.30	2012.12.31	2012.06.30	2012.01.01	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED (CAYMAN) (CASETEK CAYMAN)	Investing activities	68.18%	74.39%	75.95%	100.00%	
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00%	100.00%	100.00%	100.00%	
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI-TENG)	Manufacturing and selling electronic components	100.00%	100.00%	100.00%	100.00%	
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Manufacturing and selling electronic components	100.00%	100.00%	100.00%	100.00%	
RIH LI	RI-MING (SHANGHAI) CO., LTD.	Manufacturing and selling electronic components	100.00%	100.00%	100.00%	100.00%	
RIH LI	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Manufacturing and selling electronic components	100.00%	100.00%	100.00%	100.00%	
CASETEK CAYMAN	RIH KUAN METAL CORPORATION (RIH KUAN)	Selling iron and aluminum products	100.00%	100.00%	100.00%	100.00%	
CASETEK CAYMAN	APLUS PRECISION LIMITED (APLUS)	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
APLUS	UNITED NEW LIMITED (UNITED)	Investing and trading activities	100.00%	100.00%	100.00%	100.00%	
UNITED	AVY PRECISION ELECTROPLATING (SUZHOU) CO., LTD.	Manufacturing and selling electronic and camera components, and accessories	100.00%	100.00%	100.00%	100.00%	
CASETEK CAYMAN	MEGA MERIT LIMITED	Trading activities	100.00%	100.00%	100.00%	100.00%	
ASUS INVESTMENT	ASFLY TRAVEL SERVICE LIMITED	Travel agency	100.00%	100.00%	100.00%	100.00%	
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00%	100.00%	100.00%	100.00%	
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA.(PCBR)	Maintenance service	100.00%	100.00%	100.00%	100.00%	
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00%	100.00%	100.00%	100.00%	

Investor	Subsidiary	Nature of business	Shareholding ratio				Notes
			2013.06.30	2012.12.31	2012.06.30	2012.01.01	
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00%	100.00%	100.00%	100.00%	
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.	Sales and logistics center in North America	100.00%	100.00%	100.00%	100.00%	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens Optics)	Developing, manufacturing and selling computer data projectors and related peripherals	56.52%	56.52%	56.52%	56.52%	
Lumens Optics	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00%	100.00%	100.00%	100.00%	
Lumens Optics	Lumens Digital Image Inc.(SAMOA) (Lumens)	Investing activities	100.00%	100.00%	100.00%	100.00%	
Lumens	Lumens (Suzhou) Digital Image Inc.	Developing, manufacturing and selling projectors, projection screens and related products, and providing after-sales service	100.00%	100.00%	100.00%	100.00%	
Lumens Optics	Lumens Europe BVBA	Selling computer communication products and peripherals	-	-	100.00%	100.00%	
Lumens Optics	Jie Xin Inc.	Manufacturing and wholesaling electronic parts	-	-	94.00%	94.00%	
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00%	100.00%	100.00%	100.00%	
The Company	ADVANSUS CORP.	Manufacturing computer peripherals	-	-	-	50.00%	
The Company	PEGATRON USA, INC.	Sales and repair service center in North America	100.00%	100.00%	100.00%	100.00%	

Note A: As of June 30, 2013, AZURE WAVE TECHNOLOGY CORP., ABILITY ENTERPRISE CO., LTD. and KINSUS INTERCONNECT TECHNOLOGY CORP., were included in the consolidated financial statements even if the Group hold 38.08%, 12.30% and 39.00%, respectively, or less than 50% of their total issued shares because the Group has acquired more than 50% of voting shares of each of these entities and has the ability to excise control over their respective board of directors.

Note B: For the six months ended June 30, 2013, in order to restructure the Group's foreign investment structure, GRAND UPRIGHT TECHNOLOGY LIMITED's holding company has been changed from CASETEK HOLDINGS LIMITED to PEGATRON HOLDING LTD.

G. Subsidiaries excluded from consolidation: None.

(4) Foreign currency

A. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and are presented in the exchange differences on translation of foreign financial statements in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planed nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current when:

A. It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle;

B. It is held primarily for the purpose of trading;

C. It is expected to be realized within twelve months after the reporting period; or

D. The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. It is expected to be settled during the in its normal operating cycle;

B. It is held primarily for the purpose of trading;

C. The liability is due to be settled within twelve months after the reporting period; or

D. It does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(7) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

A. Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

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

A financial asset is classified in this category if it is held-for-trading or is designated as such on initial recognition. Financial assets classified as held-for-trading if it is acquired principally for the purpose of selling in the short term. The Group designates financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- Performance of the financial asset is evaluated on a fair value basis.
- Hybrid instrument contains one or more embedded derivatives.

At initial recognition, financial assets classified under this category are measured at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

(b) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and unrealized gains (losses) on available-for-sale financial assets in equity. When an available-for-sale investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, under other income. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income of profit or loss.

Interest income from investment in bond security is recognized in profit or loss, under other income.

(c) Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, such financial assets are classified as held-to-maturity. At initial recognition, held-to-maturity financial assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Interest income is recognized into profit or loss, under "other income". A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

(d) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. At initial recognition, these assets are recognized at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, under other income.

In accordance with Statement of International Accounting Standards No. 39 Financial instruments ("IAS 39") Accounting for Transfers of Financial Assets and Extinguishments of Liabilities," a transfer of financial assets or a portion of a financial asset in which the transferor surrenders control over those financial assets is regarded as a sale to the extent that consideration in the transferred assets is received in exchange. The rights to accounts receivable are derecognized after deducting the estimated charges or losses in commercial dispute when all of the following conditions are met.

i. The rights to accounts receivable have been isolated from the transferor as they are put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership.

ii. Each transferee has the right to pledge or exchange the rights to the accounts receivable, and no condition prevents the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.

iii. The transferor does not maintain effective control over the rights to the accounts receivable claims through either:

- An agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity, or
- The ability to unilaterally cause the holder to return specific rights to the accounts receivable.

The Group's accounts receivable which are assigned but no cash advances are received yet are accounted for as other accounts receivable.

(e) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than the one suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate.

Such impairment loss is not reversible in subsequent periods.

The carrying amount of a financial asset is reduced for an impairment loss, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off against the allowance account. Any subsequent recovery from written off receivable is charged to the allowance account. Changes in the allowance accounts are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment loss was recognized at the reversal date.

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then impairment loss is reversed against profit or loss.

Impairment losses and recoveries are recognized in profit or loss, under "other gains and losses, net".

(f) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses from available for sale financial assets is reclassified to profit or loss, under "other gains and losses, net".

On partial derecognition of a financial assets, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses from available-for-sale financial assets is reclassified to profit or loss, under "other gains and losses, net."

B. Financial liabilities and equity instruments

(a) Classification of debt or equity instruments

Debt or equity instruments issued by the Group are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Equity instruments issued are recognized based on amount of consideration received less the direct cost of issuing.

Compound financial instruments issued by the Group comprise convertible bonds payable that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

At initial recognition, the liability component of a compound financial instrument is recognized at fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially based on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, under non-operating income and expense. On conversion, financial liability is reclassified to equity, without recognizing any gain or loss.

(b) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial liabilities are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term. At initial recognition, the Group designates financial liabilities, as at fair value through profit or loss under one of the following situations:

i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis;

ii. Performance of the financial liabilities is evaluated on a fair value basis;

iii. Hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss, under "non-operating income and expenses."

Financial liabilities at fair value through profit or loss is measured at cost if it sells borrowed unquoted equity investment whose fair value cannot be reliably measured and that it is to be delivered to the obligator of the equity investment. It is included in financial liabilities measured at cost.

The Group provides and designates financial guarantee contract and loan commitments as at fair value through profit or loss, any gains and losses are recognized in profit or loss.

(c) Other financial liabilities

At initial recognition, financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, which comprise of loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, under finance cost.

(d) Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in "non-operating income and expenses."

(e) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(f) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instruments.

At initial recognition, a financial guarantee contracts not designated as fair value through profit or loss issued by the Group is recognized at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at the higher of (a) the contractual obligation amount determined in accordance with IAS 37; or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18.

C. Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate fluctuation exposures. At initial recognition, derivatives are recognized at fair value; and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, under "non-operating income and expenses".

When a derivative is designated as a hedging instrument, the timing for recognizing gain or loss is determined based on the nature of the hedging relationship. When the result of the valuation at fair value of a derivative instrument is positive, it is classified as a financial asset; otherwise, it is classified as a financial liability.

Derivatives linked to investments in equity instruments that do not have a quoted market price in an active market and must be settled by delivery of unquoted equity instruments, are classified as financial assets, which are measured at amortized cost. These derivatives are classified as financial liabilities measured at cost.

Embedded derivatives are separated from the host contract and are accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and that the host contract is measured at fair value through profit or loss.

The Group designates its hedging instrument, including derivatives, embedded derivatives, and non-derivative instrument for a hedge of a foreign currency risk, as fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. Foreign exchange risk of firm commitments are treated as a fair value hedge.

On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, and whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk.

(a) Fair value hedge

Changes in the fair value of a hedging instruments designated and qualified as fair value hedges are recognized in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

Hedged financial instruments using an effective interest rate is amortized to profit or loss when hedge accounting is discontinued over the period to maturity.

(b) Cash flow hedge

When a derivative is designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in equity, under effective portion of cash flow hedge gain (loss). Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss, under "non-operating income and expenses".

When the hedged item is recognized in profit or loss, the amount accumulated in equity and retained in other comprehensive income is reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss, and it is presented in the same accounting caption with the hedged item recognized in the consolidated statement of comprehensive income.

For a cash flow hedge of a forecast transaction recognized as a non-financial assets or liabilities, the amount accumulated in other equity – effective portion of cash flow hedge gain (loss) and retained in other comprehensive income is reclassified to the initial cost of the non-financial asset or liability.

(8) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The replacement cost of raw material is its net realizable value.

(9) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are reclassified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then the remaining balance of impairment loss is apportioned to assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which are measured in accordance with the Group's accounting policies Impairment losses on initial classification of non-current assets held for sale or distribution and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(10) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of investment includes transaction costs. The carrying amount of investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The Group's share of the profit or loss and other comprehensive income of equity accounted investees are included, after adjustments to align the said investees' accounting policies with those of the Group, in the consolidated financial statements from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(11) Interests in Joint Ventures

Jointly controlled entity is an entity which is established as a result of a contractual arrangement between the Group and other joint venture partners to jointly control over its financial policy and operating policy. Consensus for all decisions must be obtained from both joint venture partners. The Group uses equity method to account for the interest in jointly controlled entity.

(12) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

Depreciation is provided over the estimated economic lives using the straight-line method. Land has an unlimited useful life and therefore is not depreciated. The estimated useful lives for the current and comparative years of significant items of investment properties are as follows:

Buildings	45-60 years

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(13) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined based on the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized in profit or loss, under other gains and losses.

B. Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

C. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

D. Depreciation

Depreciation is calculated based on the depreciable amount of an asset using the straight-line basis over its useful life. The depreciable amount of an asset is determined based on the cost less its residual value. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	3-60 years
Plant and equipment	1-20 years
Instrument equipment	1-5 years
Office and other equipment	2-20 years
Miscellaneous equipment	1-25 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectation of useful life differs from the previous estimate, the change is accounted for as a change in an accounting estimate.

(14) Leased assets

A. Lessor

Leased asset under finance lease is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease is added to the net investment of the leased asset. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

B. Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value and the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are accounted for operating leases and the lease assets are not recognized in the Group's consolidated balance sheets.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rent is recognized as expense in the periods in which they are incurred.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease, which involves the following two criteria:

- The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset.

At inception or on reassessment of the arrangement, if an arrangement contains a lease, that lease is classified as a finance lease or an operating lease. The Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payment reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate. If the Group concludes for an operating lease that it is impracticable to separate the payment reliably, then treat all payments under the arrangement as lease payments, and disclose the situation accordingly.

Prepaid lease payments represent land use rights under operating lease arrangement and are expensed equally over 45 years to 50 years.

(15) Intangible assets

A. Goodwill

(a) Recognition

Goodwill arising from the acquisition of subsidiaries is recognized as intangible assets.

(b) Measurement

Goodwill is measured at its cost less impairment losses. Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates includes goodwill, which kind of investment of impairment losses are recognized as a part of the carrying amount of the investment, not associated to goodwill and any other assets.

B. Other Intangible Assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

C. Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

D. Amortization

Depreciable amount of intangible asset is calculated based on the cost of an asset less its residual values.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date when they are made available for use. The estimated useful lives of intangible assets for the current and comparative periods are as follows:

Computer software cost	1-5 years
Trademark rights	20 years
Patents	20 years
Customer relationship	3 years
Technology	3 years

The residual value, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually at each financial year-end. Any change thereof is accounted for as a change in accounting estimate.

(16) Impairment – Non-derivative financial assets

The Group assesses non-derivative financial assets for impairment (except for inventories, deferred income tax assets and employee benefits) at every reporting date, and estimates its recoverable amount.

If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such is deemed as an impairment loss, which is recognized immediately in profit or loss.

The Group assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination, from the acquisition date, is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, impairment loss is recognized and is allocated to reduce the carrying amount of each asset in the unit.

Reversal of an impairment loss for goodwill is prohibited.

(17) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and an outflow of economic benefits is possibly required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(18) Treasury stock

Repurchased shares are recognized as treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares are accounted for as Capital Reserve – Treasury Shares Transactions; Losses on disposal of treasury shares are offset against existing capital reserve arising from similar types of treasury shares. If the capital reserve is insufficient, such losses are charged to retained earnings. The carrying amount of treasury shares is calculated using the weighted average method for different types of repurchase.

If treasury shares are cancelled, Capital Reserve – Share Premiums and Share Capital are debited proportionately. Gains on cancellation of treasury shares are charged to capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares are offset against existing capital reserves arising from similar types of treasury shares. If capital reserve is insufficient such losses are charged to retained earnings.

Company shares that are owned by the Company's subsidiaries are treated as treasury stock.

(19) Revenue

A. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For sales of timber and paper products, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port. Generally, the customer has no right of return for such products. For sales of livestock, transfers occur upon receipt by the customer.

B. Service

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(20) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date on (market yields of high quality corporate bonds or government bonds) bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

All actuarial gains and losses at 1 January, 2012, the date for the first time adoption of IFRS as endorsed by the FSC were recognized in retained earnings. All actuarial gains and losses arising subsequently from defined benefit plans are recognized in other comprehensive income.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost that had not previously been recognized.

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

C. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(21) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any change in the fair value of the liability is recognized as personnel expenses in profit or loss.

(22) Income Taxes

Income tax expense for the period ~~is~~ best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by the management. This is recognized and allocated to current and deferred taxes proportionately.

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations, or are recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

A. Assets and liabilities that are initially recognized from non-business combination transactions, with no effect on net income or taxable gains (losses).

B. Temporary differences arising from equity investments on subsidiaries or joint ventures, where there is a high probability that such temporary differences will not reverse.

C. Initial recognition of goodwill.

Deferred taxes are measured based on the statutory tax rate on the reporting date; enacted tax rate during the year of expected asset realization or debt liquidation.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

A. if the entity has the legal right to settle tax assets and liabilities on a net basis; and

B. the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

(a) levied by the same taxing authority; or

(b) levied by different taxing authorities, but where each such authority intend to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation; or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for unused tax losses available for carry-forward, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits and deductible temporary differences are also re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized.

(23) Business combination

A. Acquisition after 1 January 2012 (inclusive)

For those business acquisitions after 1 January 2012 (inclusive), goodwill is measured at the consideration transferred less amounts of the identifiable assets acquired and the liabilities assumed (generally at fair value) at the acquisition date. If the amounts of net assets acquired or liabilities assumed exceeds the acquisition price, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the access. If the business combination achieved in batches, the Group shall measure any non-controlling equity interest at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition-date fair value is re-measured and the resulting gain or loss, if any, is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized are retrospectively adjusted at the acquisition date, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All transaction costs relating to business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

B. Acquisition before 1 January 2012

If it opted to adopt IFRSs endorsed by the Financial Supervisory Commission, R.O.C., the Group can choose to restate all business combination transactions occurring after 1 January 2012 (inclusive). For those business acquisitions occurring prior to 1 January 2012, goodwill is recognized based on the Regulations Governing the Preparation of Financial Reports issued by Financial Supervisory Commission in 10 January 1999 and "financial accounting standards and interpretation issued by the Accounting Research and Development Foundation" (Generally Accepted Accounting Policies)

(24) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible notes and employee stock options.

(25) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

5. MAJOR SOURCES OF SIGNIFICANT ACCOUNTING ASSUMPTIONS, JUDGMENTS AND ESTIMATION UNCERTAINTY

The preparation of the consolidated quarterly financial statements in conformity with IFRSs (in accordance with IAS 34 "Interim financial reporting" and approved by FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparation of the consolidated quarterly financial statements, the major sources of significant accounting judgments and estimation uncertainty are consistent with those of the consolidated financial statements for the three months ended March, 2013 prepared under IFRS (endorsed by the FSC).

6. EXPLANATIONS TO SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Cash on hand	$	38,440	44,937	14,018	29,797
Cash in banks		24,100,122	25,258,294	20,849,569	20,112,793
Time deposits		38,473,553	34,579,453	31,737,194	29,357,671
Cash equivalents-RP Bonds		211,548	58,080	662,120	590,500
Cash and cash equivalents	**$**	**62,823,663**	**59,940,764**	**53,262,901**	**50,090,761**

A. The above cash and cash equivalents were not pledged as collateral. Pledged time deposits were accounted for under other financial assets. Please refer to Note 8 for details.

B. Time deposits with maturity period of over three months are normally accounted under other financial assets. However, time deposits are accounted under cash and cash equivalents if they are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose, readily convertible to a known amount of cash and have an insignificant risk of change in value. Please refer to Note 6(9) for details.

C. Refer to Note 6(24) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(2) Investment in financial assets and liabilities

A. The components of financial assets and liabilities were as follows:

		June 30, 2013	**December 31, 2012**	**June 30, 2012**	**January 1, 2012**
Financial assets at fair value through profit or loss－current:					
Held-for-trading					
Stock of listed companies	$	198,993	311,175	386,143	739,571
Beneficiary certificates		5,989,117	7,174,886	6,229,792	5,639,583
Corporate bonds		31,500	47,646	33,233	31,815
Foreign exchange swap contracts		30	58	1,682	135
Option exchange (long call)		295	-	-	4,496
Forward exchange contracts and others		1,416	271	1,382	2,085
	$	**6,221,351**	**7,534,036**	**6,652,232**	**6,417,685**
Available-for-sale financial assets － current:					
Stock of listed companies	$	21,972	90,979	140,076	-
Stock of overseas listed companies		405,983	414,940	471,008	414,737
	$	**427,955**	**505,919**	**611,084**	**414,737**
Available-for-sale financial assets －noncurrent:					
Stock of listed companies	$	1,113,799	1,169,155	541,241	586,719
Equity securities － common stock		261,799	114,173	167,716	124,375
	$	**1,375,598**	**1,283,328**	**708,957**	**711,094**
Financial assets carried at cost － noncurrent:					
Equity securities – common stock	$	265,268	273,542	176,428	166,325
Equity securities – preferred stock		225,072	224,592	284,570	325,580
	$	**490,340**	**498,134**	**460,998**	**491,905**
Financial liabilities at fair value through profit or loss－current:					
Held-for-trading					
Option exchange (long call)	$	2,403	-	-	-
Foreign exchange swap contracts		-	-	-	1,367
Forward exchange contracts		2,205	98	281	232
	$	4,608	98	281	1,599
Designated as at fair value through profit or loss					
Domestic convertible bonds － put and call options	$	-	(1,578)	(1,578)	(1,578)
Adjustments		-	70,564	74,439	102,562
	$	-	68,986	72,861	100,984
	$	**4,608**	**69,084**	**73,142**	**102,583**

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Non-current financial liabilities at fair value through profit or loss:				
Foreign convertible bonds — put and call options	$ 1,262,770	1,262,770	1,262,770	-
Adjustments	507,530	(502,955)	41,286	-
	$ 1,770,300	**759,815**	**1,304,056**	**-**

(a) For the three months and six months ended June 30, 2013 and 2012, the Group recognized a net gain (loss) on financial assets and liabilities reported at fair value through profit or loss of $(382,867), $1,102,605, $(988,271) and $39,766, respectively.

(b) For the three months and six months ended June 30, 2013 and 2012, the unrealized gain (loss) on available-for-sale financial assets amounted to $53,995, $(146,696), $(70,217) and $203,811, respectively.

(c) The aforementioned investments held by the Group are measured at amortized cost at each reporting date given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined, therefore, the Group management determines the fair value cannot be measured reliably. The Group evaluated the carrying value and the recoverable amount of the investments and recognized impairment loss of $0, $0, $0 and $40,812 for the three months and six months ended June 30, 2013 and 2012, respectively. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the Group had accumulated impairment loss of $294,443, $309,155, $125,412 and $84,600, respectively.

(d) The convertible bond issued by the Group was treated as a compound financial instrument, for which the liability and equity components were accounted for separately. The call and put option embedded in bonds payable were separated from bonds payable, and were recognized as "Financial liabilities at fair value through profit or loss." For the three months and six months ended June 30, 2013 and 2012, the Group recognized a gain (loss) on financial liability reported at fair value through profit or loss of $(338,786), and $1,150,473, and $(984,623) and $(13,163), respectively.

(e) Refer to Note 6(22) for further discussion on gains and losses on disposal of investments.

(f) Refer to Note 6(24) for the Group's information on financial instruments risk management.

(g) As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the aforesaid financial assets were not pledged as collateral.

B. Foreign equity investments

Significant foreign equity investments at the end of the each period were as follows:

	June 30, 2013			June 30, 2012		
	Foreign Currency	**Exchange Rate**	**NTD**	**Foreign Currency**	**Exchange Rate**	**NTD**
USD	$ 26,525	30.000	795,750	26,822	29.88	801,441

	December 31, 2012			January 1, 2012		
	Foreign Currency	**Exchange Rate**	**NTD**	**Foreign Currency**	**Exchange Rate**	**NTD**
USD	$ 25,347	29.04	736,077	25,423	30.275	769,681

C. Derivative not used for hedging

The Group uses derivative financial instruments to hedge certain foreign exchange and interest risk the Group is exposed to, arising from its operating, financing and investing activities. Based on this policy, the Group holds derivative financial instruments for hedging purposes. Transactions that do not qualify for hedge accounting are presented as held-for-trading financial assets and financial liabilities:

Financial Assets

	June 30, 2013	
	Notional Principal (thousands)	**Contract Period**
Derivative financial instruments not used for hedging		
Option exchange (long call)	**USD 2,000**	2013.05~2014.06
Foreign exchange contract	**USD 30,000**	2013.05~2013.07
Foreign exchange swap contract	**USD 1,271**	2013.06~2013.07

	December 31, 2012	
	Notional Principal (thousands)	**Contract Period**
Derivative financial instruments not used for hedging		
Foreign exchange swap contract	**USD 6,100**	2012.12~2013.01
Forward exchange contract	**USD 96,000**	2012.12~2013.01

	June 30, 2012		
	Notional Principal (thousands)		Contract Period
Derivative financial instruments not used for hedge			
Foreign exchange swap contract	USD	42,450	2012.06~2012.07
Forward exchange contract	USD	20,000	2012.06~2012.07

	January 1, 2012		
	Notional Principal (thousands)		Contract Period
Derivative financial instruments not used for hedge			
Foreign exchange swap contract	USD	30,000	2011.12~2012.01
Forward exchange contract	USD	28,000	2011.12~2012.01
Option exchange (long call)	USD	950	2011.08~2012.02

Financial Liabilities

	June 30, 2013		
	Notional Principal (thousands)		Contract Period
Derivative financial instruments not used for hedging			
Option exchange (long call)	USD	2,000	2013.05~2014.06
Foreign exchange contract	USD	11,000	2013.06~2013.08

	December 31, 2012		
	Notional Principal (thousands)		Contract Period
Derivative financial instruments not used for hedging			
Forward exchange contract	USD	6,200	2012.11~2013.02

	June 30, 2012		
	Notional Principal (thousands)		Contract Period
Derivative financial instruments not used for hedge			
Forward exchange contract	USD	10,000	2012.06~2012.07

	January 1, 2012		
	Notional Principal (thousands)		Contract Period
Derivative financial instruments not used for hedge			
Forward exchange contract	USD	16,000	2011.12~2012.01
Foreign exchange swap contract	USD	950	2011.08~2012.02

(3) Notes and accounts receivable and other receivable, net

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Notes receivable	$	157,024	158,517	107,542	107,356
Accounts receivable		82,520,962	117,469,858	112,987,575	75,172,520
Other receivable		8,511,604	13,345,417	3,297,181	2,202,678
Subtotal		91,189,590	130,973,792	116,392,298	77,482,554
Less: Allowance for impairment		(1,032,232)	(685,983)	(1,034,715)	(775,483)
	$	**90,157,358**	**130,287,809**	**115,357,583**	**76,707,071**

A. Refer to Note 6(24) for the Group's notes receivable, accounts receivable and other receivable exposure to credit risk and currency risk.

B. As of June 30, 2013 and December 31, 2012, the Company sold its accounts receivable without recourse as follows:

June 30, 2013

Purchaser		Assignment Facility		Factoring Line		Advanced Amount	Collateral	Significant Transferring Terms		Derecognition Amount
SMBC	$	5,164,478	USD	300,000,000	USD	172,149,274	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	$	5,164,478
ANZ (Note)	$	18,585,465	USD	900,000,000	USD	445,000,000	None	"	$	18,585,465

	December 31, 2012					
Purchaser	**Assignment Facility**	**Factoring Line**	**Advanced Amount**	**Collateral**	**Significant Transferring Terms**	**Derecognition Amount**
SMBC	$ 7,068,485	USD 300,000,000	USD 243,405,143	None	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.	$ 7,068,485
ANZ (Note)	$ 26,136,000	USD 900,000,000	USD 540,000,000	None	"	$ 26,136,000

Note: In October 2012, the Company signed a one year joint accounts receivable factoring agreement with ANZ Bank, Mizuho Bank, Bank of Nova Scotia, Bank of Communications, United Overseas Bank, and Bank of Tokyo-Mitsubishi UFJ where each bank will factor on pro-rata basis.

For the three months and six months ended June 31, 2013, the Company recognized a loss of $ 44,223 and $89,508 from the assignment of accounts receivable, which is accounted for under financial costs. Also, the difference of $5,235,465 and $10,454,400 between the amount of accounts receivable assigned and the amount advanced is accounted under other receivable as of June 30, 2013 and December 31, 2012, respectively.

C. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows:

	Amount derecognized		Credit advanced			Credit (thousands)	
Purchaser	**June 30, 2013**	**June 30, 2012**	**June 30, 2013**	**June 30, 2012**	**Collateral**	**June 30, 2013**	**June 30, 2012**
Mega International Commercial Bank	$ 559,060	580,183	55,779	134,460	None	USD 30,000	USD 30,000

	Amount derecognized		Credit advanced			Credit (thousands)	
Purchaser	**December 31, 2012**	**January 1, 2012**	**December 31, 2012**	**December 31, 2011**	**Collateral**	**December 31, 2012**	**January 1, 2012**
Mega International Commercial Bank	$ 494,667	757,753	-	-	None	USD 30,000	USD 30,000

(4) Inventories

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Merchandise	$	2,446,334	3,140,408	2,706,296	3,450,561
Finished goods		35,296,220	27,630,465	26,737,004	24,233,143
Work in process		13,509,052	14,276,124	9,803,525	7,408,034
Raw materials		42,809,777	52,539,079	40,891,577	33,370,900
Inventory-in-transit		150,266	626,853	1,450,598	1,625,767
Subtotal		94,211,649	98,212,929	81,589,000	70,088,405
Less: Allowance for inventory market decline and obsolescence		(5,406,441)	(5,534,845)	(4,110,995)	(4,496,794)
Total	$	**88,805,208**	**92,678,084**	**77,478,005**	**65,591,611**

For three months and six months ended June 30, 2013 and 2012, the components of cost of goods sold were as follows:

		For the Three Months Ended June 30		For the Six Months Ended June 30	
		2013	**2012**	**2013**	**2012**
Cost of goods sold	$	200,226,970	207,561,762	404,034,292	371,189,122
(Reversal of) Provision on inventory market price decline		77,864	(101,992)	(128,403)	(385,800)
Loss on disposal of inventory		1,871,186	1,700,184	3,535,990	2,891,426
Idle capacity		596,165	549,456	928,317	596,461
Gain (loss) on physical inventory		2,246	16,913	(11,616)	24,255
	$	**202,774,431**	**209,726,323**	**408,358,580**	**374,315,464**

For the six months ended June 30, 2013 and 2012, the conditions that previously caused inventories to be written down below cost had disappeared due to the disposal of related inventories, so that the related allowance for loss on decline in the value of inventories was reversed, which resulted in a reversal gain on inventory valuation allowance.

As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the aforesaid inventories were not pledged as collateral.

(5) Equity-accounted investees

A. The fair value of investments in associate of the Group for which there are published price quotation are $780,023 and $800,532 with carrying amount of $768,613 and $819,853 as of June 30, 2012 and January 1, 2012, respectively.

B. The Group's financial information for equity-accounted investees at reporting date is as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Associate	$ 1,579,248	1,607,697	2,417,514	2,703,438

C. For the three months and six months ended June 30, 2013 and 2012, the Group's share of the net income of the associates were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2013	2012	2013	2012
The Group's share of the net income (loss) of the associates	$ (8,543)	29,337	(36,386)	45,891

D. The investee of Ability (TW), SHIN-EI YORKEY INTERNATIONAL LTD. (BVI), was liquidated in June 2013. As the result, Ability (TW) had recognized the difference between proceeds received and the carrying amount of the investment of $2,163, as a loss on disposal of investment

E. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the investments in aforesaid equity-accounted investees were not pledged as collateral.

(6) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the six months ended June 30, 2013 and 2012 were as follows:

		Land	Buildings	Machinery and equipment	Instrument equipment	Other facilities	Construction in progress	Total
Cost or deemed cost:								
Balance on January 1, 2013	$	4,406,917	33,062,623	58,686,858	977,217	25,022,661	301,559	122,457,835
Additions		-	1,422,019	1,673,861	158,097	2,243,676	2,544,163	8,041,816
Disposals and obsolescence		-	(292,733)	(5,484,995)	(470,713)	(1,621,675)	-	(7,870,116)
Reclassifications		684,640	504,077	1,983,576	1,027,285	(2,702,720)	(998,771)	498,087
Interest expense capitalization		-	-	-	-	-	2,135	2,135
Effect of movements in exchange rates		3,031	1,342,439	2,292,667	74,856	810,567	108,478	4,632,038
Balance on June 30, 2013	**$**	**5,094,588**	**36,038,425**	**59,151,967**	**1,766,742**	**23,752,509**	**1,957,564**	**127,761,795**
Balance on 1 January 2012	$	4,470,930	28,162,285	53,883,126	1,858,762	20,932,882	3,058,448	112,366,433
Additions		28,833	501,547	3,018,987	212,547	1,644,539	2,126,305	7,532,758
Disposals and obsolescence		(1,787)	(43,609)	(1,608,853)	(119,644)	(434,599)	-	(2,208,492)
Reclassifications		-	2,053,169	4,245,209	(75,287)	(1,211,082)	(536,585)	4,475,424
Interest expense capitalization		-	-	-	-	-	12,808	12,808
Others		(23,963)	(22,428)	(11,276)	-	(8,748)	-	(66,415)
Effect of movements in exchange rates		1,873	(453,836)	(672,819)	(23,959)	(203,630)	(80,698)	(1,433,069)
Balance on June 30, 2012	**$**	**4,475,886**	**30,197,128**	**58,854,374**	**1,852,419**	**20,719,362**	**4,580,278**	**120,679,447**
Depreciation and impairment loss：								
Balance on January 1, 2013	$	-	7,117,165	29,206,386	715,535	12,424,730	-	49,463,816
Depreciation for the period		-	1,015,406	3,268,270	160,718	2,119,615	-	6,564,009
Reversal of impairment loss		-	(24)	(134,631)	(422)	(10,378)	-	(145,455)
Reclassifications		-	40,598	1,837	280,387	(391,433)	-	(68,611)
Disposals and obsolescence		-	(271,280)	(3,415,215)	(414,513)	(1,182,451)	-	(5,283,459)
Effect of movements in exchange rates		-	286,418	1,053,889	38,255	456,739	-	1,835,301
Balance on June 30, 2013	**$**	**-**	**8,188,283**	**29,980,536**	**779,960**	**13,416,822**	**-**	**52,365,601**
Balance on January 1, 2012	$	-	6,098,575	27,830,546	985,914	10,405,340	-	45,320,375
Depreciation for the period		-	784,143	3,183,592	157,571	1,672,423	-	5,797,729
Reversal of impairment loss		-	-	73,309	(535)	(39,466)	-	33,308
Reclassification		-	76,409	(416,098)	(55,523)	358,441	-	(36,771)
Disposals and obsolescence		-	(49,357)	(1,239,630)	(87,580)	(408,293)	-	(1,784,860)
Others		-	(2,305)	(10,823)	-	(6,243)	-	(19,371)
Effect of movements in exchange rates		-	(92,312)	(287,831)	(12,214)	(132,074)	-	(524,431)
Balance on June 30, 2012	**$**	**-**	**6,815,153**	**29,133,065**	**987,633**	**11,850,128**	**-**	**48,785,979**
Carrying amounts：								
Balance on January 1, 2013	**$**	**4,406,917**	**25,945,458**	**29,480,472**	**261,682**	**12,597,931**	**301,559**	**72,994,019**
Balance on June 30, 2013	**$**	**5,094,588**	**27,850,142**	**29,171,431**	**986,782**	**10,335,687**	**1,957,564**	**75,396,194**
Balance on January 1, 2012	**$**	**4,470,930**	**22,063,710**	**26,052,580**	**872,848**	**10,527,542**	**3,058,448**	**67,046,058**
Balance on June 30, 2012	**$**	**4,475,886**	**23,381,975**	**29,721,309**	**864,786**	**8,869,234**	**4,580,278**	**71,893,468**

A. Based on the results of its evaluation of the recoverability of property, plant and equipment, the Group recognized impairment losses (reversal gains) as follows:

		For the Three Months Ended June 30		For the Six Months Ended June 30	
		2013	2012	2013	2012
(Reversal of) impairment loss	**$**	**(28,489)**	**55,949**	**(145,455)**	**33,308**

B. KINSUS INTERCONNECT TECHNOLOGY CORP. ("KINSUS") purchased a farm land in the name of KINSUS's chairman instead of KINSUS, due to the restriction imposed by the local government. As of June 30, 2013, the registration procedures were not completed.

C. Please refer to Note 6(22) for details of the capitalization of interest expenses and gain and loss on disposal of property, plant and equipment.

D. Please refer to Note 8 for details of the property, plant and equipment pledged as collateral.

(7) Investment property

		Land	Buildings	Total
Carrying amount：				
Balance as of January 1, 2013	$	**272,328**	**397,183**	**669,511**
Balance as of June 30, 2013	$	**272,328**	**391,993**	**664,321**
Balance as of January 1, 2012	$	**272,328**	**408,891**	**681,219**
Balance as of June 30, 2012	$	**272,328**	**402,848**	**675,176**

A. For the six months ended June 30, 2013 and 2012, there were no significant purchase, disposal, impairment loss, or reversal gain on investment property. Please refer to Note 12 for the details of depreciation on investment property and refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information.

B. As of June 30, 2013, December 31, 2012, June 30, 2012 and January, 2012, the fair value of investment property of the Group was $895,046, $932,807, $830,588 and $847,721, respectively. The fair value of investment property was evaluated based on the recent market transaction on arm's length terms.

C. As of June 30, 2013, December 21, 2012, June 30, 2012 and January 1, 2012, the aforesaid investment properties were not pledged as collateral.

(8) Intangible assets

The costs of intangible assets, amortization, and impairment loss of the Group for the six months ended June 30, 2013 and 2012 were as follows

		Goodwill	Customer relationship	Technology	Others	Total
Costs:						
Balance on January 1, 2013	$	1,855,246	348,824	746,848	995,716	3,946,634
Additions		-	-	-	35,732	35,732
Disposals		-	-	-	(13,138)	(13,138)
Reclassifications		-	-	-	7,678	7,678
Effect of movement in exchange rate		33,622	11,532	24,689	20,457	90,300
Balance on June 30, 2013	**$**	**1,888,868**	**360,356**	**771,537**	**1,046,445**	**4,067,206**
Balance on January 1, 2012	$	1,898,499	363,659	778,610	1,003,399	4,044,167
Additions		-	-	-	58,473	58,473
Disposals		-	-	-	(8,109)	(8,109)
Reclassifications		-	-	-	2,041	2,041
Effect of movement in exchange rates		(15,510)	(4,745)	(10,159)	(9,063)	(39,477)
Balance on June 30, 2012	**$**	**1,882,989**	**358,914**	**768,451**	**1,046,741**	**4,057,095**

	Goodwill	Customer relationship	Technology	Others	Total
Amortization and Impairment Loss:					
Balance on January 1, 2013	$ -	232,549	497,899	445,641	1,176,089
Amortization for the period	-	59,395	127,168	119,755	306,318
Disposals	-	-	-	(13,111)	(13,111)
Effect of movement in exchange rates	-	8,352	17,881	10,486	36,719
Balance on June 30, 2013	**$ -**	**300,296**	**642,948**	**562,771**	**1,506,015**
Balance on January 1, 2012	$ -	121,220	259,537	384,985	765,742
Amortization for the period	-	59,236	126,827	165,351	351,414
Disposals	-	-	-	(7,436)	(7,436)
Effect of movement in exchange rates	-	(999)	(2,138)	(2,719)	(5,856)
Balance on June 30, 2012	**$ -**	**179,457**	**384,226**	**540,181**	**1,103,864**
Carrying value:					
Balance on January 1, 2013	**$ 1,855,246**	**116,275**	**248,949**	**550,075**	**2,770,545**
Balance on June 30, 2013	**$ 1,888,868**	**60,060**	**128,589**	**483,674**	**2,561,191**
Balance on January 1, 2012	**$ 1,898,499**	**242,439**	**519,073**	**618,414**	**3,278,425**
Balance on June 30, 2012	**$ 1,882,989**	**179,457**	**384,225**	**506,560**	**2,953,231**

A. Goodwill impairment

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units, such as facilities, consumer electronic and others, as follows:

	December 31, 2012	January 1, 2012
Mechanics	$ 973,810	1,015,223
Consumer electronic	879,914	881,754
Others	1,522	1,522
	$ 1,855,246	**1,898,499**

For the six months ended June 30, 2013 and 2012, there were no significant addition, disposal, impairment loss, or reversal gain on goodwill. Please refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information.

B. Impairment

For the six months ended June 30, 2013 and 2012, there were no significant addition, disposal, impairment loss, or reversal gain on intangible assets other than goodwill. Please refer to Note 12 for the details of impairment and refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information.

(9) Other financial assets and other assets

Other current assets noncurrent assets were as follow:

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Other financial assets —current	$	2,382,026	330,184	183,225	342,108
Other financial assets —noncurrent		474,262	306,996	300,800	297,065
Current tax assets		106,586	78,840	48,385	377,080
Prepayments		2,388,994	2,379,821	1,629,621	1,534,699
Other current assets —others		6,169,734	5,114,307	5,730,278	3,493,955
Other noncurrent assets — others		67,310	98,952	246,312	99,558
	$	**11,588,912**	**8,309,100**	**8,138,621**	**6,144,465**

A. Other financial assets consisted of time deposits with maturity period of over three months, restricted time deposits and guarantee deposit paid. Please refer to Note 8 for details.

B. Prepayments consisted of prepaid expenses and prepaid payments.

C. Other current assets—others consisted of temporary payments, payments on behalf of others and others.

(10) Short – term loans

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Letters of credits	$	-	-	-	468,600
Unsecured bank loans		27,065,455	19,338,311	30,458,181	22,236,323
Secured bank loans		263,100	274,848	254,753	68,443
Total	$	**27,328,555**	**19,613,159**	**30,712,934**	**22,773,366**
Unused credit line	$	**28,516,141**	**42,891,715**	**42,924,468**	**53,665,056**
Interest rate		**0.67%~5.38%**	**0.16%~6.56%**	**0.02%~6.56%**	**0.05%~6.53%**

A. Borrowing and repayment

For the six months ended June 30, 2013 and 2012, there were no significant borrowing, repurchase, or repayment for short – term loans. Please refer to Note 6(22) for the details of interest expenses and refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information.

B. Securities for bank loans

Please refer to Note 8 for details of the related assets pledged as collateral.

(11) Short-term notes and bills payable

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Commercial paper payables	$	**99,951**	**99,993**	**179,845**	**219,936**

For the six months ended June 30, 2013 and 2012, there were no significant borrowing, repurchase, or repayment for short – term notes and bills payable. Please refer to Note 6(22) for the details of interest expenses and refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information.

(12) Long – term loans

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Unsecured bank loans	$	18,041,341	25,338,778	26,496,737	26,854,444
Secured bank loans		892,154	1,064,632	1,192,563	1,412,824
Less: current portion		(7,516,911)	(7,415,239)	(2,453,917)	(913,849)
Total	$	**11,416,584**	**18,988,171**	**25,235,383**	**27,353,419**
Unused credit line	$	**14,668,673**	**9,445,760**	**11,837,563**	**10,894,317**
Interest rate		**0.76%~2.28%**	**0.91%~2.60%**	**0.91%~2.38%**	**0.79%~3.88%**

A. Borrowing and repayment

In consideration of the operating situation and the maturity date in the agreement, the Group repaid the long-term loans of $8,313,082 and $759,237 for the six months ended June 30, 2013 and 2012. For the six months ended June 30, 2013, there were no significant borrowing of loans. For the six months ended June 30, 2012, the Group borrowed $623,448. Please refer to Note 6(22) for interest expenses and refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information.

B. Securities for bank loans

The Group's promissory notes were pledged as a guarantee for the Group's credit loan facility. Please refer to Note 8 for details of the related assets pledged as collateral.

C. Breach of loan covenants

According to the Group's credit loan facility agreements with the banks, during the loan repayment periods, the Group must comply with certain financial covenants, such as current ratio, debt ratio, interest coverage ratio and tangible net assets, based on its audited annual consolidated financial statements (December 31) and reviewed semi-annual consolidated financial statements (June 30). If the aforesaid covenants are breached, the syndicated banks have the rights to demand an immediate repayment. As of June 30, 2013, the Group was in compliance with the above financial covenants.

(13) Bonds payable

A. The Company's overseas unsecured convertible bonds were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012
Convertible bonds issued	$ 8,874,000	8,874,000	8,874,000
Unamortized discounted on bonds payable	(961,526)	(1,056,299)	(1,209,857)
Bonds payable, end of the period	7,912,474	7,817,701	7,664,143
Foreign currency valuation, end of the period	125,625	(161,520)	86,487
Bonds payable, net balance at period end	**$ 8,038,099**	**7,656,181**	**7,750,630**
Embedded derivative – Call and put options, accounted under financial liabilities at fair value through profit or loss	**$ 1,770,300**	**759,815**	**1,304,056**

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2013	2012	2013	2012
Embedded derivative instruments – put right and call right, accounted under other gains and losses	**$ (338,786)**	**1,133,511**	**(984,623)**	**(41,286)**
Interest expense	**$ 95,258**	**81,535**	**189,037**	**139,641**

For the six months ended June 30, 2013, there were no significant issuance, repurchase, or repayment of bonds payable. Please refer to the consolidated financial statements for the three months ended March 31, 2013 for related information on issuance of convertible bonds in 2012.

B. Details of ABILITY ENTERPRISE CO., LTD.'s ("Ability (TW)") unsecured domestic convertible bonds were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Convertible bonds issued	$ -	1,500,000	1,500,000	1,500,000
Unamortized discounted on bonds payable	-	(64,387)	(79,840)	(95,293)
Corporate bonds issued balance at period end	$ -	1,435,613	1,420,160	1,404,707
Less: Bonds payable－current portion or redemption	-	(1,435,613)	(1,420,160)	-
	$ -	**-**	**-**	**1,404,707**

C. In February and March of 2013, Ability (TW) have redeemed all the convertible bonds with face value of $1,500 million and recognized a redemption loss of $6,065. Please refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information.

(14) Provisions

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Warranties	$	158,393	151,312	147,551	170,614
Allowance for sales returns and discounts		86,736	115,869	117,235	94,368
	$	**245,129**	**267,181**	**264,786**	**264,982**

For the six months ended June 30, 2013 and 2012, there were no significant changes in provision. Please refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information

(15) Operating leases

A. Leasee

For the six months ended June 30, 2013 and 2012, there were no significant new lease contracts. Please refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information

B. Long-term prepaid rents

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Long-term prepaid rents	$	**3,510,106**	**3,385,492**	**2,977,477**	**2,673,871**

(a) Long-term prepaid rents represent land use rights under operating lease arrangement and are expensed equally over 45 to 50 years on a straight-line basis.

(b) The aforesaid land use right was not pledged as collateral.

(16) Employee benefits

A. Defined benefit plans

Management believes that there were no material market volatility, no material reimbursement and settlement or other material one-time events. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2012 and January 1, 2012.

The Group's pension expenses recognized in profit or loss for the three months and six months ended June 30, 2013 and 2012 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2013	2012	2013	2012
Cost of sales	$ 534	(137)	636	482
Operating expense	1,666	2,347	3,712	4,030

B. Defined contribution plans

The contributions of the Group to the Bureau of the Labor Insurance and China Labor and Social Security Bureau for the employees' pension benefits were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2013	2012	2013	2012
Cost of sales	$ 534,908	609,455	954,733	901,330
Operating expense	134,584	153,400	306,562	281,760

(17) Income Tax

Income tax expense is simply calculated on financial income before tax in the interim report multiplied by the estimated annual effective tax rate. Therefore, no reconciliation was disclosed to reconcile taxable income with financial income before tax.

A. The component of income tax expenses were as follows:

Income tax expense, excluding tax on sale of discontinued operation	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2013	2012	2013	2012
Current income tax	$ 1,067,678	894,197	2,494,086	1,169,714
Deferred tax expense (gain)	(151,042)	93,169	(345,094)	189,916
Total	**$ 916,636**	**987,366**	**2,148,992**	**1,359,630**

B. Income tax

(a) The Company's income tax returns through 2010 have been assessed and approved by the Tax Authority. However, the income tax return for 2008 is still under review by the Tax Authority.

(b) The Group have income tax returns approved by the Tax Authority as follows:

Years of Approval	Company Name
2011	Ability (TW), ASROCK, Pegavision Corporation, PEGAVISION, ASUSPOWER INVESTMENT, ASUS INVESTMENT, ASUSTEK INVESTMENT AND RIH KUAN
2010	UNIHAN, KINSUS, AZURE WAVE, AZURE Lighting Technologies, INC. AND EZWAVE Technologies, Inc.

C. Stockholders' imputation tax credit account and tax rate:

Accumulated earnings:		**June 30, 2013**	**December 31, 2012**	**June 30, 2012**	**January 1, 2012**
Accumulated in 1997 and prior years	$	-	-	-	-
Accumulated in 1998 and thereafter		9,529,733	12,422,970	8,029,252	2,458,391
Total	**$**	**9,529,733**	**12,422,970**	**8,029,252**	**2,458,391**
Stockholders' imputation tax credit account	**$**	**557,353**	**545,432**	**337,286**	**3,448**

Unappropriate retained earnings shown on the table above, which include the comparable information of each period, are prepared in accordance with the Regulations and IFRS endorsed by the FSC.

	2012 (Estimated)	**2011 (Actual)**
Tax deduction ratio for earnings distributable to R.O.C. residents	**4.49%**	**9.05%**

Estimated tax deduction ratio for distribution of earnings for the year 2012 as shown on the table above has been prepared in accordance with the amendment to Article 66-6 of the Income Tax Act as approved by the Finance Committee of Legislative Yuan of the Republic of China on April 1, 2013. The amendment is still on pending for third reading by the Legislative Yuan on the date of the issuance of the review report.

(18) Capital and reserves

Except the following description, there is not the significant difference in capital and reserves. Please refer to the previous quarterly financial statements for details.

A. Nominal ordinary shares

In November, 2010, the Company had retired treasury stock of 29,697 thousand shares of stock valued at $296,970. In 2012, the Company had issued 33,938 thousand shares of restricted Company shares of stock to employees. For the six months ended June 30, 2013, the Company had retired treasury stock of 165 thousand shares. As of June 30, 2013 and 2012, the authorized capital of the Company consisted of 3,000,000 and 2,500,000 thousand shares, respectively, with par value of $10 per share, and its outstanding capital consisted of 2,290,140 thousand shares and 2,256,367 thousand shares of stock, respectively.

As of June 30, 2013, the restricted Company shares of stock issued to employees have expired and of which 1,070 thousand shares have not been retired.

B. Global depositary receipts

As of June 30, 2013, the Company has listed, in total, 10,399 thousand units of GDR on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 51,993 thousand shares of stock.

C. Capital surplus

The components of the capital surplus were as follows:

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
From issuance of share capital	$	60,393,247	60,393,247	60,393,247	60,393,247
From treasury stock transactions		84,969	84,969	84,969	84,969
Gain or loss on disposal of subsidiary share options		841,158	124,702	153,136	-
Employee share options		287,944	228,935	123,884	67,261
Restricted stock to employees		490,717	478,366	-	-
Other		412,891	412,891	457,598	457,598
	$	**62,510,926**	**61,723,110**	**61,212,834**	**61,003,075**

D. Retained earnings

The Company's Articles of Incorporation require that after-tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid legal reserve, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, is distributed as follows:

(a) No less than 10% as employees' bonuses which are distributable in cash or shares of stock. In the event that the employee bonus is distributed in the form of shares of stock, employees qualifying for such distribution may include the employees of subsidiaries of the Company who meet certain specific requirements. Such qualified employees and distribution ratio are decided by the Board of Directors.

(b) Up to 1% as remuneration to directors and supervisors.

(c) The remaining earnings, if any, may be appropriated according to a resolution of a stockholders' meeting.

Pursuant to the Regulations of Securities and Futures Bureau Commission, a special reserve is set aside from the current year's net income after tax and prior year's inappropriate earnings at an amount equal to the debit balance of contra accounts in the shareholders' equity such as the unrealized loss on financial instruments and cumulative translation adjustments. When the debit balance of any of these contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed.

In order to bring about stability in the payment of dividends, the Company distributes dividends depending on the level of earnings of each year. The Company is facing a rapidly changing industrial environment. In consideration of the Company's long-term operating plan and funding needs, the Company adopts a stable dividends policy. Therefore, the Company distributes cash dividends of at least 10% of the aggregate dividends, if the distributions include cash dividends.

(a) Legal reserve

In accordance with the Amended Companies Act in January 2012, 10 percent of net income should be set aside as legal reserve, until it is equal to share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve either by new shares or by cash, of up to 25 percent of the actual share capital.

(b) Special reserve

In accordance with Permit No. 1010012865 as issued by the Financial Supervisory Commission on 6 April 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the total net reduction of current period of other shareholders' equity resulting from the first-time adoption of IFRS as endorsed by the FSC. When the debit balance of any of these contra accounts in the shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of the contra accounts in shareholders' equity shall qualify for additional distributions.

(c) Earnings Distribution

For the three months and six months ended June 30, 2013 and 2012, employee bonuses of $121,000 and $73,826, and $334,000 and $189,000, and directors' and supervisors' remuneration of $13,000 and $5,967 and $33,000 and $15,000, respectively, were estimated and recognized as current expense. These amounts were calculated using the Company's net profit for the three and six months ended June 30, 2013 and 2012, and were determined according to the earnings allocation method, priority and factor for employee benefits and key management personnel compensation as stated under the Articles of Association. These benefits were charged to profit or loss under operating costs or operating expenses for the three and six months ended June 30, 2013 and 2012.

On June 19, 2013 and June 27, 2012, the Company's shareholders' meeting resolved to appropriate the 2012 and 2011 earnings. These earnings were distributed as dividends and employee bonuses and remuneration to directors and supervisors as follows:

	2012	2011
Common stock dividends per share (dollars)		
－Cash	**$ 1.50**	**-**
Employee bonus － cash	$ 299,000	12,100
Remuneration to directors and supervisors	29,000	-
Total	**$ 328,000**	**12,100**

The actual earnings distributions and those recognized in the financial report for 2011 were as follows:

	Actual distribution approved by the shareholders'	Distribution recognized in the financial report	Difference
Employee bonus － cash	$ 12,100	12,100	-
Remuneration of directors and supervisors	-	1,000	(1,000)
	$ 12,100	**13,100**	**(1,000)**

The difference between the actual amounts of earnings distribution for 2011 and those recognized in the financial statements was due mainly to the board of directors' resolution to change the amount of directors' and supervisors' remuneration to $0. Such difference was accounted for under a change in accounting estimate and charged to profit or loss for 2012.

Related information of distributions of employee bonus and remuneration to directors and supervisors can be accessed from the Market Observation Post System on the web site.

E. Treasury stock

Company shares of stock that are owned by the Company's subsidiaries are treated as treasury stock. As of June 30, 2013, the Company's shares held by its subsidiaries were 1,503 thousand shares amounting to $74,399 at fair value.

F. Other equity accounts

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Deferred compensation arising from issuance of restricted stock
Balance, January 1, 2013	$	(3,398,256)	88,302	(497,698)
Exchange differences on translation of foreign financial statements , net of tax：				
─Group		3,164,293	-	-
─Associates		18,660	-	-
Unrealized gains (losses) on available-for-sale financial assets：				
─Group		-	(25,701)	-
Other equity				
─Group		-	-	195,273
Balance, June 30, 2013	**$**	**(215,303)**	**62,601**	**(302,425)**
Balance, January 1, 2012	$	(784,234)	37,951	-
Exchange differences on translation of foreign financial statements , net of tax：				
─Group		(1,047,258)	-	-
─Associates		(4,196)	-	-
Unrealized gains (losses) on available-for-sale financial assets：				
─Group		-	142,986	-
Balance, June 30, 2012	**$**	**(1,835,688)**	**180,937**	**-**

(19) Share-based payment

For the six months ended June 30, 2013 and 2012, there were no significant changes in share-based payment. Please refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information

A. Restricted stock to employee

For the year ended December 31, 2012, the Company issued restricted shares of stock to employees of 33,938 thousand shares, which resulted in a capital surplus — restricted employee stock of $478,366. Also, for the six months ended June 30, 2013, 1,235 thousand shares of the restricted shares of stock issued to employees have expired, which were charged to capital surplus of $12,351, of which 1,070 thousand shares have not been retired. As of June 30, 2013 and December 31, 2012, the Company has deferred compensation cost arising from issuance of restricted stock of $302,425 and $497,698, respectively.

B. Employee stock options

Information on aforesaid employee stock options was as follows:

(a) For the six months ended June 30, 2013

	Issued in 2012		Issued in 2011	
	Number of Exercisable Thousand Shares	Weighted-average Exercise Price	Number of Exercisable Thousand Shares	Weighted-average Exercise Price
Balance, beginning of the period	7,389	$ 44.85	32,909	$ 28.38
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	458	-	1,164	-
Expired	-	-	-	-
Balance, end of the period	**6,931**	44.85	**31,745**	28.38
Exercisable, end of the period	**6,931**		**31,745**	
Weighted-average fair value of options granted	**13.8**		**7.9**	
Exercise price of share option outstanding, end of the period	**44.85**		**28.38**	
Remaining contractual life	**0.75**		**-**	
Expenses incurred on share-based payment transactions	**15,213**		**43,796**	

(b) For the six months ended June 30, 2012

	Issued in 2012		Issued in 2011	
	Number of Exercisable Thousand Shares	Weighted-average Exercise Price	Number of Exercisable Thousand Shares	Weighted-average Exercise Price
Balance, beginning of the period	-	$ -	37,648	$ 28.38
Granted	8,053	44.85	-	-
Exercised	-	-	-	-
Forfeited	278	-	2,873	-
Expired	-	-	-	-
Balance, end of the period	**7,775**	44.85	**34,775**	28.38
Exercisable, end of the period	**7,775**		**34,775**	
Weighted-average fair value of options granted	**13.8**		**7.9**	
Exercise price of share option outstanding, end of the period	**44.85**		**28.38**	
Remaining contractual life	**2.75**		**2.00**	
Expenses incurred on share-based payment transactions	**7,341**		**49,281**	

C. Expenses and liabilities resulted from share-based payments

The Group incurred expenses and liabilities from share-based payments transactions as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2013	**2012**	**2013**	**2012**
Expenses resulting from issuance of restricted stock to employees	$ 97,637	-	195,273	-
Expenses arising from granting of employee share options	38,820	45,017	82,255	78,648
Total	**$ 136,457**	**45,017**	**277,528**	**78,648**

(20) Subsidiary's share-based payments

A. For the six months ended June 30, 2013 and 2012, there were no significant changes in share-based payment except the following. Please refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information

B. Information on share-based payment transactions were as follows:

	For the Six months Ended June 30			
	2013		**2012**	
The first batch of employee stock options	**Quantity of stock option (thousand shares)**	**Weighted-average exercise price**	**Quantity of stock option (thousand shares)**	**Weighted-average exercise price**
Outstanding at the beginning of the period	5,079	$ 32.6	5,079	34.9
Granted	-	-	-	-
Added or adjusted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at the end of the period	**5,079**	32.6	**5,079**	34.9
Exercisable at the end of the period	**5,079**	32.6	**3,079**	34.9

	For the Six months Ended June 30			
	2013		2012	
The second batch of employee stock options	**Quantity of stock option (thousand shares)**	**Weighted-average exercise price**	**Quantity of stock option (thousand shares)**	**Weighted-average exercise price**
Outstanding at the beginning of the period	2,992	$ 16.4	4,888	17.6
Granted	-	-	-	-
Added or adjusted	-	-	-	-
Exercised	(157)	16.4	(183)	17.6
Forfeited	-	-	-	-
Outstanding at the end of the period	**2,835**	16.4	**4,705**	17.6
Exercisable at the end of the period	**935**	16.4	**905**	17.6

C. For the six months ended June 30, 2013 and 2012, the weighted-average exercise price of stock option on the date of exercise amounted to $27.06 and $28.28 per share, respectively.

D. The expenses resulting from the share-based payment transactions were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2013	**2012**	**2013**	**2012**
Equity-settled	$ **844**	**4,115**	**1,687**	**8,230**

(21) Earnings per share

The basic earnings per share and diluted earnings per shares were calculated as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2013	**2012**	**2013**	**2012**
Basic earnings per share				
Profit attributable to ordinary shareholders	$ **1,392,576**	**1,925,065**	**3,698,226**	**1,989,227**
Weighted-average number of ordinary shares	2,287,525	2,254,667	2,288,015	2,254,667
	$ **0.61**	**0.85**	**1.62**	**0.88**
Diluted earnings per share				
Profit attributable to ordinary shareholders (diluted)	$ **1,392,576**	**1,925,065**	**3,698,226**	**1,989,227**
Weighted-average number of ordinary shares	2,287,525	2,254,667	2,288,015	2,254,667
Effect of potentially dilutive ordinary shares				
Effect of employee stock bonus	11,793	5,153	12,138	5,158
Effect of employee stock option	11,861	11,444	11,861	10,322
Weighted-average number of ordinary shares (diluted)	2,311,179	2,271,264	2,312,014	2,270,147
	$ **0.60**	**0.85**	**1.60**	**0.88**

The convertible bonds were excluded from the effect of dilutive potential ordinary shares due to its anti-dilutive effect.

(22) Non-operating income and expenses

A. Other income

		For the Three Months Ended June 30		For the Six Months Ended June 30	
		2013	**2012**	**2013**	**2012**
Interest income	$	220,665	225,853	363,945	400,032
Subsidy income		166,689	36,611	221,539	51,010
Rental income		66,294	8,317	114,836	75,287
Technical service income		183,426	36,489	262,229	141,213
Other income		67,330	151,476	156,221	210,321
	$	**704,404**	**458,746**	**1,118,770**	**877,863**

B. Other gains and losses

		For the Three Months Ended June 30		For the Six Months Ended June 30	
		2013	**2012**	**2013**	**2012**
Gains on reversal of uncollectable account	$	28,132	7,944	41,386	11,883
Loss on disposal of property, plant and equipment		(9,872)	(5,346)	(133,420)	(125,266)
Gains on disposals of investments		9,580	59,547	42,101	59,709
Foreign exchange gains (losses)		770,447	(669,776)	1,111,349	(48,338)
(Reversal of) Impairment loss recognized in profit or loss		28,489	(55,949)	145,455	(74,120)
Net gains (losses) on evaluation of financial assets (liabilities) measured at fair value through profit or loss		(382,867)	1,102,605	(988,271)	39,766
	$	**443,909**	**439,025**	**218,600**	**(136,366)**

C. Finance costs

		For the Three Months Ended June 30		For the Six Months Ended June 30	
		2013	**2012**	**2013**	**2012**
Interest expenses	$	250,928	314,536	482,010	630,170
Interest expense capitalization		-	(6,404)	(2,135)	(12,808)
Finance expense – bank fees		49,870	5,044	98,357	10,383
	$	**300,798**	**313,176**	**578,232**	**627,745**
Capitalization rate		**2.198%**	**2.198%**	**2.198%**	**2.198%**

(23) Reclassification of other comprehensive income

		For the Three Months Ended June 30		For the Six Months Ended June 30	
		2013	2012	2013	2012
Net fair value change in available-for-sale financial assets recognized in:					
Other comprehensive income	$	65,738	(149,177)	(25,953)	201,492
Profit or loss		(11,743)	2,481	(44,264)	2,319
Net fair value change~~d~~ recognized in other comprehensive income	**$**	**53,995**	**(146,696)**	**(70,217)**	**203,811**

(24) Financial instruments

For the six months ended June 30, 2013 and 2012, there were no significant changes in fair value of financial instrument and its exposure to credit risk, liquidity risk and market risk except for the following. Please refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information.

A. Credit risk

(a) Exposure to credit risk

As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, accounts receivable from the Group's top three customers amounted to $58,049,669, $89,273,125, $57,921,458 and $26,188,297, respectively.

(b) Impairment losses

Aging analysis of notes and accounts receivable and the receivables on the balance sheet date were as follows:

		June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
		Total amount	Impairment	Total amount	Impairment	Total amount	Impairment	Total amount	Impairment
Not past due	$	82,721,943	(27,090)	132,052,381	(15,532)	118,614,167	(30,954)	83,764,483	(73,399)
Past due 0 - 30 days		6,149,195	(89,855)	3,968,670	(113,059)	4,096,896	(374,981)	2,703,911	(134,198)
Past due 31 - 120 days		1,792,541	(422,579)	214,737	(75,386)	380,679	(47,204)	164,352	(29,649)
Past due 121 - 365 days		49,810	(22,489)	69,365	(47,295)	162,278	(109,685)	132,209	(118,558)
Past due more than 1 year		476,523	(470,219)	434,823	(434,711)	494,736	(471,891)	419,679	(419,679)
	$	**91,190,012**	**(1,032,232)**	**136,739,976**	**(685,983)**	**123,748,756**	**(1,034,715)**	**87,184,634**	**(775,483)**

The movement in the allowance for impairment with respect to the receivables during the period was as follows:

		Individually assessed impairment	**Collectively assessed impairment**	**Total**
Balance on January 1, 2013	$	66,928	619,055	685,983
Impairment loss (reversal)		(1,027)	337,027	336,000
Foreign exchange gains		2,020	8,229	10,249
Balance on June 30, 2013	**$**	**67,921**	**964,311**	**1,032,232**

		Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2012	$	98,228	677,255	775,483
Impairment loss		-	261,804	261,804
Foreign exchange loss		(705)	(1,867)	(2,572)
Balance on June 30, 2012	**$**	**97,523**	**937,192**	**1,034,715**

B. Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payment and the impact of netting agreements.

		Carrying amount	Contractual cash flows	Within 1 year	1-2 years	More than 2 years
June 30, 2013						
Non-derivative financial liabilities						
Secured bank loans	$	1,155,254	1,155,254	656,801	346,348	152,105
Unsecured bank loans		45,106,796	45,106,796	34,188,665	6,659,562	4,258,569
Unsecured convertible bonds		8,038,099	8,038,099	-	-	8,038,099
Non-interest bearing liabilities		142,856,825	142,856,825	142,856,825	-	-
Derivative financial liabilities						
Forward exchange contract and others		4,608	4,608	4,608	-	-
	$	**197,161,582**	**197,161,582**	**177,706,899**	**7,005,910**	**12,448,773**
December 31, 2012						
Non-derivative financial liabilities						
Secured bank loans	$	1,339,480	1,339,480	652,339	382,253	304,888
Unsecured bank loans		44,677,089	44,677,089	26,376,059	8,916,997	9,384,033
Unsecured convertible bonds		9,091,794	9,091,794	1,435,613	-	7,656,181
Non-interest bearing liabilities		198,035,846	198,035,846	198,035,846	-	-
Derivative financial liabilities						
Forward exchange contract and others		98	98	98	-	-
	$	**253,144,307**	**253,144,307**	**226,499,955**	**9,299,250**	**17,345,102**

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	More than 2 years
June 30, 2012					
Non-derivative financial liabilities					
Secured bank loans	$ 1,447,316	1,447,316	557,039	392,848	497,429
Unsecured bank loans	56,954,918	56,954,918	32,609,812	18,712,655	5,632,451
Unsecured convertible bonds	9,170,790	9,170,790	1,420,160	-	7,750,630
Non-interest bearing liabilities	151,902,159	151,902,159	151,902,159	-	-
Derivative financial liabilities					
Forward exchange contract and others	281	281	281	-	-
	$ 219,475,464	**219,475,464**	**186,489,451**	**19,105,503**	**13,880,510**
January 1, 2012					
Non-derivative financial liabilities					
Secured bank loans	$ 1,481,267	1,481,267	298,285	438,603	744,379
Unsecured bank loans	49,559,367	49,559,367	23,388,929	7,143,216	19,027,222
Unsecured convertible bonds	1,404,707	1,404,707	-	1,404,707	-
Non-interest bearing liabilities	122,646,921	122,646,921	122,646,921	-	-
Derivative financial liabilities					
Forward exchange contract and others	1,599	1,599	1,599	-	-
	$ 175,093,861	**175,093,861**	**146,335,734**	**8,986,526**	**19,771,601**

The liquidity of the aforesaid bank loans does not include interest expense on cash outflow. The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

C. Currency risk

(i) Currency risk exposure

The Group's exposures to significant currency risk were those from its foreign currency denominated financial assets and liabilities as follows:

(Unit: Foreign currency/NTD in Thousands)

	June 30, 2013			June 30,2012		
	Foreign Currency	Exchange Rage	NTD	Foreign Currency	Exchange Rage	NTD
Financial assets						
Monetary items						
USD:NTD	$ 6,572,483	30.00	197,174,490	7,541,612	29.88	225,343,367
USD:RMB	3,969,603	6.1787	119,088,090	4,773,806	6.3561	142,641,323
Financial liabilities						
Monetary items						
USD:NTD	7,021,248	30.00	210,637,440	7,773,187	29.88	232,262,828
USD:RMB	6,039,323	6.1787	181,179,690	6,904,480	6.3561	206,305,862
JPY:RMB	7,268,441	0.063	2,206,699	8,899,167	0.080	3,340,747

	December 31, 2012			January 1, 2012		
	Foreign Currency	Exchange Rage	NTD	Foreign Currency	Exchange Rage	NTD
Financial assets						
Monetary items						
USD:NTD	8,392,007	29.04	243,703,883	5,169,519	30.275	156,507,188
USD:RMB	4,960,352	6.2855	144,048,622	3,348,088	6.3009	101,363,364
Financial liabilities						
Monetary items						
USD:NTD	8,177,451	29.04	237,473,177	5,259,683	30.275	159,236,903
USD:RMB	7,247,028	6.2855	210,453,693	4,808,911	6.3009	145,589,781
JPY:RMB	329,405	0.073	110,812	2,595,338	0.081	1,013,739

(ii) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, available-for-sale financial assets, loans, accounts payable, bonds payable and other payables that are denominated in foreign currency. A 1% of appreciation of each major foreign currency against the Group's functional currency as of June 30, 2013 and 2012 would have decreased the after-tax net income by $764,150 and $720,426, respectively. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

D. Interest rate analysis

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date.

For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The Group's internal management reported the increases/decreases in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

If the interest rate increases / decreases by 1%, the Group's net income will decrease /increase by $74,349 and $64,750 for the six months ended June 30, 2013 and 2012, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's variable rate borrowing.

E. Fair value of financial instruments

(a) Fair value and carrying amount

The Group considers the carrying amounts of its financial assets and financial liabilities measured at amortized cost as a reasonable approximation of fair value.

(b) Valuation techniques and assumptions used in fair value determination

The Group uses the following methods in determining the fair value of its financial assets and liabilities:

- The fair value of financial assets and liabilities traded in active markets is based on quoted market prices. These include corporate bonds from listed entities, agency bonds, listed stocks and government bonds.
- The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value of non-option derivative is determined based on the discounted cash flow analysis calculated based on the applicable yield curve through the expected life of the derivative instruments. The fair value of option derivatives is determined using option pricing models.
- The fair value of stock of unlisted company is determined using market method, under which market price is extrapolated from similar stock of a listed company.
- For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis of expected future cash flows.

(c) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: 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).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

		Level 1	Level 2	Level 3	Total
June 30, 2013					
Financial assets designated as at fair value through profit or loss					
Derivative financial assets	$	-	1,741	-	1,741
Held-for-trading non-derivative financial assets		6,219,610	-	-	6,219,610
Available-for-sale financial assets					
Stock of listed companies		1,135,771	-	-	1,135,771
Equity investment-common stock		-	261,799	-	261,799
Stock of overseas listed companies		-	405,983	-	405,983
	$	**7,355,381**	**669,523**	**-**	**8,024,904**
Financial liabilities designated as at fair value through profit or loss					
Derivative financial liabilities	$	-	4,608	-	4,608
Overseas convertible bonds		-	1,770,300	-	1,770,300
	$	**-**	**1,774,908**	**-**	**1,774,908**
December 31, 2012					
Financial assets designated as at fair value through profit or loss					
Derivative financial assets	$	-	329	-	329
Held-for-trading non-derivative financial assets		7,533,707	-	-	7,533,707
Available-for-sale financial assets					
Stock of listed companies		1,260,134	-		1,260,134
Equity investment-common share		-	114,173	-	114,173
Stock of overseas listed companies		-	414,940	-	414,940
	$	**8,793,841**	**529,442**	**-**	**9,323,283**
Financial liabilities designated as at fair value through profit or loss					
Derivative financial assets	$	-	98	-	98
Domestic convertible bonds		-	68,986	-	68,986
Overseas convertible bonds		-	759,815	-	759,815
	$	**-**	**828,899**	**-**	**828,899**

	Level 1	Level 2	Level 3	Total
June 30, 2012				
Financial assets designated as at fair value through profit or loss				
Derivative financial assets	$ -	3,064	-	3,064
Held-for-trading non-derivative financial assets	6,649,168	-	-	6,649,168
Available-for-sale financial assets				
Stock of listed companies	681,317	-	-	681,317
Equity investment-common share	-	167,716	-	167,716
Stock of overseas listed companies	-	471,008	-	471,008
	$ 7,330,485	**641,788**	**-**	**7,972,273**
Financial liabilities designated as at fair value through profit or loss				
Derivative financial assets	$ -	281	-	281
Domestic convertible bonds	-	72,861	-	72,861
Overseas convertible bonds	-	1,304,056	-	1,304,056
	$ -	**1,377,198**	**-**	**1,377,198**
January 1, 2012				
Financial assets designated as at fair value through profit or loss				
Derivative financial assets	$ -	6,716	-	6,716
Held-for-trading non-derivative financial assets	6,410,969	-	-	6,410,969
Available-for-sale financial assets				
Stock of listed companies	586,719	-	-	586,719
Equity investment-common share	-	124,375	-	124,375
Stock of overseas listed companies	-	414,737	-	414,737
	$ 6,997,688	**545,828**	**-**	**7,543,516**
Financial liabilities designated as at fair value through profit or loss				
Derivative financial assets	$ -	1,599	-	1,599
Domestic convertible bonds	-	100,984	-	100,984
	$ -	**102,583**	**-**	**102,583**

There have been no transfers from each level for the six months ended June 30, 2013 and 2012.

(25) Financial risk management

A. Overview

The Group is exposed to the nature and extent of the risks arising from financial instruments. They include credit risk, liquidity risk and market risk.

This note discloses the exposure risk information, and the Group's objectives, policies and procedures of measuring and managing risks. For more quantitative information about the financial instruments, please refer to notes of the financial statements.

B. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has deputized managements of core business departments for developing and monitoring the Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Internal Audit Department oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures and exception management, the results of which are reported to the Board of Directors.

C. Credit risk

Credit risk means the potential loss of the Group if the counterparty involved in that transaction defaults. Since the Group's derivative financial instrument agreements are entered into with financial institutions with good credit ratings, management believes that there is no significant credit risk from these transactions.

The primary potential credit risk is from financial instruments like cash, equity securities, and accounts receivable. Also, the Group deposits cash in different financial institutions. The Group manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk on cash and equity securities.

The Group transacted only with the approved third parties with good financial conditions and reputation. For those customers with poor financial situation, the Group would transfer the risk through acquiring guarantees or transacting by L/C. Therefore, the Group believes that there is no significant credit risk.

(a) Accounts receivables and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances.

Under its customer credibility evaluation policies, the Group evaluates the customer's credibility and collectability of notes and account receivables regularly before doing business. Thus, management is not expecting any significant uncollectible accounts.

The major customers of the Group are concentrated in the high-tech computer industry. As the customers of the Group have good credits and profit records, the Group evaluates the financial conditions of these customers continually to reduce credit risk from accounts receivable. Moreover, the Group also periodically evaluates the customers' financial positions and the possibility of collecting trade receivables. Thus, management is not expecting any significant issue on credit risk

The Group establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables. The two components of this impairment allowance are specific loss component that relates to individually significant exposure and collective loss component which the loss was incurred but not identified. The collective component is based on historical payment experience of similar financial assets.

(b) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Group do not have compliance issues and no significant credit risk.

(c) Guarantee

The Group's policies were prepared in accordance with Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, guarantees and endorsements provided by the Group, were discussed further in Note 9.

D. Liquidity risk

Liquidity risk is a risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The capital and working funds of the Group are sufficient to meet its entire contractual obligations and non-hedging forward exchange contracts; therefore, management is not expecting any significant issue on liquidity risk.

The funds and marketable securities investments held by the Group have publicly quoted prices and could be sold at approximate market price. In the case of foreign currency swap contracts, management believes that the cash flow risk is not significant because contracted foreign currency exchange rates are fixed.

Equity investments recorded as financial assets carried at cost do not have reliable market prices and are expected to have liquidity risk.

E. Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (NTD), US Dollars (USD) and Chinese Yuan (CNY). The currencies used in these transactions are denominated in NTD, EUR, USD, and CNY.

The Group's foreign currency denominated purchases and sales are denominated mainly in US dollars. This exposes the Group to the current and future foreign exchange fluctuation risk that arises from cash flows of foreign currency assets and liabilities. However, the risks may be regarded as insignificant, because foreign currency losses from sales are subsequently offset by the foreign currency gain from purchases. In addition, the Group conducts foreign exchange activities on spot market in order to manage its foreign exchange risks.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(b) Interest rate risk

The Group's interest rate risk arises from short-term and long-term loans bearing floating interest rates. Future cash flow will be affected by a change in market interest rate.

(c) Price floating rick on equity instruments

The equity securities held by the Group are classified as financial assets measured at fair value through profit or loss and available-for-sale financial assets. As these assets are measured at fair value, the Group is exposed to the market price fluctuation risk in the equity securities market.

The Group's investment portfolios of equity instruments are reviewed regularly by management, and significant investment decision is approved by the Board of Directors.

(26) Capital management

Management believes that there were no changes in the Group's approach to the targets, policies and procedures in capital management as disclosed in the consolidated financial statements for the three months ended March 31, 2013. Also, they believe that for the six months ended June 30, 2013, there were also no changes in the Group's capital management information. Please refer to the consolidated financial statements for the three months ended March 31, 2013 for other related information

7. RELATED PARTY TRANSATIONS

(1) Parent company and ultimate controlling party

A. On April 29, 2013, the entity ("A Company") in which the Group has significant influence has disposed a portion its share holding in the Company which resulted in losing its significant influence over the Company. Therefore, A Company has become non-related parties as of the said date.

B. The Company is the ultimate controlling party of the Group.

(2) Key management personnel compensation:

		For the Three Months Ended June 30		For the Six Months Ended June 30	
		2013	**2012**	**2013**	**2012**
Short-term employee benefits	$	104,019	101,701	249,183	207,435
Post-employment benefits		704	790	1,450	1,581
Share-based payments		15,671	533	31,130	693
	$	**120,394**	**103,024**	**281,763**	**209,709**

Please refer to Notes 6(19) and 6(20) for further explanations related to share-based payment transactions.

(3) Other Related Party Transactions

A. Sale of Goods and Services to Related Parties

The amounts of significant sales transactions and outstanding balances between the Group and related parties were as follows:

		Sales			
		For the Three Months Ended June 30		For the Six Months Ended June 30	
		2013	2012	2013	2012
Entity in which the Group has significant influence	$	-	44,594,489	21,942,101	80,091,845
Associates		289	68,715	172,567	188,697
	$	**289**	**44,663,204**	**22,114,668**	**80,280,542**

		Receivables from Related Parties			
		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Entity in which the Group has significant influence	$	-	5,695,594	7,269,567	9,646,625
Associates		422	70,590	86,891	55,455
	$	**422**	**5,766,184**	**7,356,458**	**9,702,080**

Prices charged for sales transactions with entity with significant influence over the Group ("A Company") and associates were not significantly different from those of non-related parties. The average sales term for notes and accounts receivables pertaining to such sales transactions ranged from one to three months. In addition, accounts receivables and accounts payables resulted from sales and purchase transactions between the Group and the A Company, who has the legal right to set-off, are offset and presented as a net amount on the balance sheet dates according to the agreements. Receivables from related parties were not secured with collaterals, and did not require provisions for bad debt expenses.

B. Purchase of Goods from Related Parties

The amounts of significant purchase transactions and outstanding balances between the Group and related parties were as follows:

		Purchase			
		For the Three Months Ended June 30		For the Six Months Ended June 30	
		2013	2012	2013	2012
Entity in which the Group has significant influence	$	-	33,765,926	17,046,948	62,519,983
Associates		311,951	1,928,378	895,212	3,921,132
	$	**311,951**	**35,694,304**	**17,942,160**	**66,441,115**

		Payables to Related Parties			
		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Entity in which the Group has significant influence	$	-	-	810	-
Associates		467,207	546,850	2,292,533	2,296,908
	$	**467,207**	**546,850**	**2,293,343**	**2,296,908**

There were no significant differences between the terms and pricing of purchase transactions with related enterprises and those carried out with other normal vendors. The average payment period for notes and accounts payable pertaining to such purchase transactions ranged from one to four months, which is similar to that of other normal vendors.

C. Warranty repair expense paid to Related Parties

		For the Three Months Ended June 30		For the Six Months Ended June 30	
		2013	2012	2013	2012
Associates	**$**	**-**	**6,680**	**13,414**	**10,241**

D. Other income and expenses from Related Parties

		For the Three Months Ended June 30		For the Six Months Ended June 30	
		2013	2012	2013	2012
Entity in which the Group has significant influence	$	-	78,100	(60,661)	119,953
Associate		2	874	3,976	4,768
	$	**2**	**78,974**	**(56,685)**	**124,721**

E. Rental revenue

For the three months and six months ended June 30, 2013 and 2012, the Group incurred other related party transactions of $0 and $7,116 and $5,590 and $14,260, respectively, which were accounted for as rental revenue.

F. Other related party transactions recorded as expenses

For the three months and six months ended June 30, 2013 and 2012, the Group incurred other related party transactions recorded as expenses such as rental expense, royalty payment, storage expense and professional service fee, etc, aggregating to $0 and $30,926, and $4,813 and $46,046, respectively.

G. Purchase and sales of real estate property and other assets

For the three months and six months ended June 30 2012, molds purchased from other related parties amounted to $65,395 and $77,632, respectively.

H. Other related party transactions accounted for as assets and liabilities in the balance sheet

		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Other receivable					
Entity in which the Group has significant influence	$	-	14,628	51,432	435
Associate		3,846	235	7,186	8,467
	$	**3,846**	**14,863**	**58,618**	**8,902**
Accrued expenses					
Entity in which the Group has significant influence	$	-	34,185	2,166	396,680
Associate		171	8,501	9,008	10,524
	$	**171**	**42,686**	**11,174**	**407,204**
Other payables					
Associate	**$**	**-**	**292**	**320**	**320**
Other current liabilities					
Associate	**$**	**-**	**29**	**3,562**	**3,641**

8. Pledged Assets

As of June 30, 2013 and 2012, pledged assets were as follows:

Asset	Purpose of pledge		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Other financial asset	Customs duty guarantee, collateral, rental deposits, travel agency guarantee, etc.	$	75,534	133,055	118,323	111,049
Property, plant and equipment	Bank loans		1,932,377	2,039,763	2,053,590	939,363
Long-term prepaid rentals	Bank loans		12,025	11,585	-	12,344
Refundable deposits	Customs duty guarantee, custom deposits, batch declaration guarantee, and deposits for performance guarantee		37,251	31,352	37,968	32,327
		$	**2,057,187**	**2,215,755**	**2,209,881**	**1,095,083**

9. Significant Commitments And Contingencies

(1) Major commitments and contingencies were as follows:

A. Unused standby letters of credit

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
NTD	$ -	5,510	3,699	6,753
EUR	2,576	2,558	2,693	3,927
JPY	6,733,815	4,003,161	6,449,033	4,808,946
USD	17,396	18,880	23,978	26,654

B. Promissory notes and certificates of deposit obtained for business purpose were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
NTD	**$ 15,668**	**17,297**	**17,297**	**17,332**

C. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the significant contracts for purchase of properties by the Group amounted to $5,238,933, $8,822,652, $11,819,240 and $29,520,477, of which $1,866,213, $5,198,394, $2,749,818 and $16,974,382, respectively, were unpaid.

D. As of June 30, 2013, December 31, 2012, June 30, 2012 and January 1, 2012, the Group provided endorsement guarantee for bank loans obtained by the related parties, including Group entities, amounting to $25,448,349, $20,090,019, $22,791,160 and $22,320,790, respectively.

E. As of June 30, 2013, AZURE WAVE TECHNOLOGIES INC. issued a tariff guarantee of $7,000 to the bank for the purpose of importing goods.

(2) Significant contingent liability: None.

10. LOSSES DUE TO MAJOR DISASTERS: None.

11. SUBSEQUENT EVENTS

(1) In order to raise operating capital, the Company entered into a syndicated loan agreement with Bank of Taiwan and eight other financial institutions for a total amount of $12,000,000 thousand on August 1, 2013.

(2) On March 18, 2013, pursuant to the resolutions of the respective board of directors, the Group is expecting to establish and invest in RI PEI TRADING (SHANGHAI) CO., LTD. in Mainland China through RIH LI INTERNATIONAL LIMITED in order to enhance the Group's mechanical parts and related parts supply chain. The Group will acquire 100% equity ownership of RI PEI TRADING (SHANGHAI) CO., LTD. for USD 5,000 thousand. As of the report date, the Group has not transfer the investment amount.

12. OTHER

(1) The employee benefits, depreciation, depletion and amortization expenses categorized by function, were as follows:

	For the three months Ended June 30,2013			For the three months Ended June 30,2012		
By item	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	$ 7,832,746	2,612,112	10,444,858	6,455,152	2,926,574	9,381,726
Health and labor insurance	647,310	157,584	804,894	144,790	168,067	312,857
Pension	535,442	136,250	671,692	609,318	155,747	765,065
Others	498,473	124,234	622,707	508,307	173,619	681,926
Depreciation	2,896,136	395,789	3,291,925	2,573,600	433,466	3,007,066
Amortization	77,682	75,374	153,056	107,879	71,447	179,326

	For the Six months Ended June 30,2013			For the Six months Ended June 30,2012		
By item	Operating Cost	Operating expense	Total	Operating Cost	Operating expense	Total
Employee benefit						
Salary	$ 14,991,951	5,920,788	20,912,739	11,470,188	5,490,161	16,960,349
Health and labor insurance	1,174,439	350,098	1,524,537	412,320	324,324	736,644
Pension	955,369	310,274	1,265,643	901,812	285,790	1,187,602
Others	1,066,780	285,485	1,352,265	837,023	337,022	1,174,045
Depreciation	5,663,722	900,287	6,564,009	4,904,894	892,835	5,797,729
Amortization	163,815	142,503	306,318	173,147	178,267	351,414

Above depreciations did not include depreciation in investment property which was accounted under non-operating expense as follows:

	For the Three Months ended June 30		For the Six Months Ended June 30	
	2013	**2012**	**2013**	**2012**
Depreciation－invest property	**$ 2,595**	**3,022**	**5,190**	**6,043**

(2) Certain accounts in the consolidated financial statements as of and for the periods ended December 31, 2012, June 30, 2012 and January 1, 2012, were reclassified to conform to the presentation adopted in the consolidated financial statements as of and for the six months ended June 30, 2013.

13. SEGMENT INFORMATION

The Group identifies the entity's operating segments based on the decision of the chief operating decision maker and perform quantitative threshold testing in accordance with IFRS 8 "Operating Segments."

For the six months ended June 30, 2013 and 2012, operating segments required to be disclosed are categorized as DMS (Design, Manufacturing and Service) and Strategic Investment Group. DMS's main operating activities are designing and manufacturing computer, communication and consumer electronics' end products, and providing after-sales service. Strategic Investment Group is DMS's upstream and downstream supply chain, strategic investments and other related investments arms. The chief operating decision maker's main responsibility is to integrate strategy that creates operating synergy throughout the supply chain and to allocate the profit from the operating result. The Group assesses performance of the segments based on the segments' profit, and report the amounts of revenues based on the financial information used to prepare the consolidated financial statements.

For the Three Months Ended June 30, 2013		**DMS**	**Strategic Investment Group**	**Adjustment and eliminations**	**Total**
Revenue：					
Revenue from external customers	$	190,035,078	22,191,863	-	212,226,941
Intersegment revenues		39,757	3,989,198	(4,028,955)	-
Total revenue	$	**190,074,835**	**26,181,061**	**(4,028,955)**	**212,226,941**
Reportable segment profit or loss	**$**	**1,654,454**	**4,766,275**	**(2,991,416)**	**3,429,313**

For the Three Months Ended June 30, 2012					
Revenue：					
Revenue from external customers	$	186,785,060	32,522,935	-	219,307,995
Intersegment revenues		711,561	2,559,784	(3,271,345)	-
Total revenue	**$**	**187,496,621**	**35,082,719**	**(3,271,345)**	**219,307,995**
Reportable segment profit or loss	**$**	**2,217,227**	**3,459,058**	**(1,808,715)**	**3,867,570**

For the Six Months Ended June 30, 2013		DMS	Strategic Investment Group	Adjustment and eliminations	Total
Revenue：					
Revenue from external customers	$	385,219,389	44,595,954	-	429,815,343
Intersegment revenues		127,602	10,250,062	(10,377,664)	-
Total revenue	$	**385,346,991**	**54,846,016**	**(10,377,664)**	**429,815,343**
Reportable segment profit or loss	**$**	**4,025,052**	**10,584,056**	**(6,494,447)**	**8,114,661**
For the Six Months Ended June 30, 2012					
Revenue：					
Revenue from external customers	$	334,334,908	56,933,667	-	391,268,575
Intersegment revenues		2,388,864	4,952,474	(7,341,338)	-
Total revenue	**$**	**336,723,772**	**61,886,141**	**(7,341,338)**	**391,268,575**
Reportable segment profit or loss	**$**	**2,373,164**	**5,712,904**	**(3,041,177)**	**5,044,891**

Reportable segment assets

		DMS	Strategic Investment Group	Adjustment and eliminations	Total
Balance as of January 1, 2013	**$**	**280,261,510**	**178,687,086**	**(108,777,384)**	**350,171,212**
Balance as of June 30, 2013	**$**	**371,699,238**	**182,835,913**	**(108,993,552)**	**391,541,599**
Balance as of January 1, 2012	**$**	**276,597,439**	**189,159,903**	**(111,485,471)**	**354,271,871**
Balance as of June 30, 2012	**$**	**227,615,034**	**176,385,266**	**(104,450,051)**	**299,550,249**

14. FIRST-TIME ADOPTION OF IFRS

The consolidated financial statements as of December 31, 2012 were prepared in conformity with generally accepted accounting principles of the Republic of China as mentioned in Note 4(1). These are the Group's first consolidated interim financial statements prepared under IFRS (endorsed by the FSC) for annual financial statements, and IFRS 1 "First-time Adoption of International Financial Reporting Standards."

The accounting policies discussed in Note 4 have been applied to comparative consolidated interim financial statements for the six months ended June 30, 2012, consolidated balance sheets as of December 31 and the consolidated balance sheets as of January 01, 2012, first IFRSs adoption date.

For purposes of preparing the first financial reports in 2012 under IFRS, the Group regarded the amounts in the financial reports under R.O.C. GAAP as the initial point for adjustments. An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Group is provided in the following statements and notes. Please refer to the consolidated financial statements for the three months ended March 31, 2013 for the of consolidated balance sheet reconciliation between R.O.C. GAAP and IFRS as of December 31 and January 1, 2012 and consolidated statement of comprehensive income reconciliation between R.O.C. GAAP and IFRS for the periods then ended.

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(1) Reconciliation of balance sheet

		June 30, 2012		
		ROC GAAP	Adjustments	IFRSs
ASSETS				
Cash and cash equivalents	$	53,329,303	(66,402)	53,262,901
Other investments		7,123,240	140,076	7,263,316
Notes receivable, Accounts receivable and Other receivable		122,598,862	115,179	122,714,041
Inventories		77,478,005	-	77,478,005
Other current assets		7,721,682	(130,173)	7,591,509
Total Current Assets		268,251,092	58,680	268,309,772
Other investments		1,250,643	(80,688)	1,169,955
Equity-accounted investees		2,420,385	(2,871)	2,417,514
Property, plant and equipment		72,118,928	(225,460)	71,893,468
Investment property		-	675,176	675,176
Intangible assets		5,899,637	(2,946,406)	2,953,231
Deferred tax assets		221,599	1,223,763	1,445,362
Other non-current assets		3,858,657	1,548,736	5,407,393
Total Non-current Assets		85,769,849	192,250	85,962,099
TOTAL ASSETS	**$**	**354,020,941**	**250,930**	**354,271,871**
LIABILITIES				
Short-term loans	$	30,712,934	-	30,712,934
Short-term notes and bills payable		179,845	-	179,845
Current financial liabilities at fair value through profit or loss		73,142	-	73,142
Notes payable, Accounts payable and Other payables		136,729,932	-	136,729,932
Accrued Expense		13,600,455	(395,817)	13,204,638
Current tax liabilities		1,787,744	-	1,787,744
Long-term liabilities, current portion		3,874,077	-	3,874,077
Other current liabilities		8,859,929	716,038	9,575,967
Total current liabilities		195,818,058	320,221	196,138,279
Non-current financial liabilities at fair value through profit or loss		9,762	1,294,294	1,304,056
Bonds payable		8,605,241	(854,611)	7,750,630
Long-term borrowings		25,235,383	-	25,235,383
Deferred tax liabilities		810,183	1,528	811,711
Other non-current liabilities		545,125	131,604	676,729
Total Non-current Liabilities		35,205,694	572,815	35,778,509
TOTAL LIABILITIES		231,023,752	893,036	231,916,788
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT				
Share capital		22,563,669	-	22,563,669
Capital surplus		64,003,896	(2,791,062)	61,212,834
Retained earnings				
Legal reserve		1,847,737	-	1,847,737
Special reserve		734,859	-	734,859
Unappropriated retained earnings		5,825,074	2,204,178	8,029,252
Other equity interest		(1,680,580)	25,829	(1,654,751)
Treasury shares		(18,794)	-	(18,794)
Total equity attributable to owners of the Company		93,275,861	(561,055)	92,714,806
Non-controlling interests		29,721,328	(81,051)	29,640,277
Total equity		122,997,189	(642,106)	122,355,083
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$**	**354,020,941**	**250,930**	**354,271,871**

(English Translation of Financial Report Originally Issued in Chinese)

PEGATRON CORPORATION AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Reconciliation of its statement of comprehensive income

	For the Three Months Ended June 30, 2012			For the Six Months Ended June 30, 2012		
	ROC GAAP	Adjustments	IFRSs	ROC GAAP	Adjustments	IFRSs
Operating revenue	$ 219,214,381	93,614	219,307,995	391,108,710	159,865	391,268,575
Cost of sales	(208,376,742)	(1,349,581)	(209,726,323)	(372,134,952)	(2,180,512)	(374,315,464)
Gross profit	10,837,639	(1,255,967)	9,581,672	18,973,758	(2,020,647)	(16,953,111)
Selling expenses	(2,852,287)	1,441,801	(1,410,486)	(5,042,842)	2,420,832	(2,622,010)
General and administrative expenses	(1,961,390)	(1,857)	(1,963,247)	(3,805,854)	(2,858)	(3,808,712)
Research and development expenses	(2,933,625)	10,801	(2,922,824)	(5,580,863)	4,325	(5,576,538)
Total operating expenses	(7,747,302)	1,450,745	(6,296,557)	(14,429,559)	2,422,299	(12,007,260)
Income from operations	3,090,337	194,778	3,285,115	4,544,199	401,652	4,945,851
Non-operating income and expenses：						
Other income	824,711	(365,965)	458,746	1,671,907	(794,044)	877,863
Other gains and losses	(690,030)	1,129,055	439,025	(84,431)	(51,935)	(136,366)
Finance costs	(282,159)	(31,017)	(313,176)	(569,223)	(58,522)	(627,745)
Share of profit (loss) of associates and joint ventures accounted for using equity method	29,337	-	29,337	45,891	-	45,891
Other losses	(190,984)	159,507	(31,477)	(430,085)	369,482	(60,603)
	(309,125)	891,580	582,455	634,059	(535,019)	99,040
Profit before tax	2,781,212	1,086,358	3,867,570	5,178,258	(133,367)	5,044,891
Tax expense	(1,007,755)	20,389	(987,366)	(1,380,860)	21,230	(1,359,630)
Profit	1,773,457	1,106,747	2,880,204	3,797,398	(112,137)	3,685,261
Other comprehensive income：						
Foreign currency translation differences — foreign operations	537,536	-	537,536	(1,146,323)	-	(1,146,323)
Net change in fair value of available-for-sale financial assets	(128,539)	(18,157)	(146,696)	166,557	37,254	203,811
Other comprehensive income, net of tax	408,997	(18,157)	390,840	(979,766)	37,254	(942,512)
Comprehensive income	**$ 2,182,454**	**1,088,590**	**3,271,044**	**2,817,632**	**(74,883)**	**2,742,749**
Profit, attributable to：						
Owners of the Company	$ 822,281	1,102,784	1,925,065	2,098,974	(109,747)	1,989,227
Non-controlling interests	951,176	3,963	955,139	1,698,424	(2,390)	1,696,034
Profit	**$ 1,773,457**	**1,106,747**	**2,880,204**	**3,797,398**	**(112,137)**	**3,685,261**
Comprehensive income attributable to：						
Owners of the Company	$ 1,180,365	1,084,627	2,264,992	1,153,252	(72,493)	1,080,759
Non-controlling interests	1,002,089	3,963	1,006,052	1,664,380	(2,390)	1,661,990
Comprehensive income	**$ 2,182,454**	**1,088,590**	**3,271,044**	**2,817,632**	**(74,883)**	**2,742,749**
Earnings per share						
Basic earnings per share	**$ 0.36**	**0.49**	**0.85**	**0.93**	**(0.05)**	**0.88**
Diluted earnings per share	**$ 0.35**	**0.50**	**0.85**	**0.89**	**(0.01)**	**0.88**

(3) Significant reconciliation of its cash flows statement

Under R.O.C. GAAP, the time deposit of $66,402, was classified under cash and cash equivalents in the consolidated statement of cash flows on June 30, 2012. Under IFRS, however, the time deposit or investment with an initial maturity of more than three months does not qualify as cash equivalents. Under IFRS, such time deposit was reclassified as other financial asset and reported under the cash flows from operating activities.

There was no other significant difference in consolidated statement of cash flows between IFRS (endorsed by the FSC) and R.O.C. GAAP, aside from the difference described above.

(4) Notes to significant reconciliation

A. Allowance for sales returns and discounts

Under R.O.C. GAAP, provisions for estimated sales returns and discounts are recorded in the same period in which sales are made, based on historical experience. Allowance for sales returns and discounts is recorded as a deduction from accounts receivable. Under IFRS as endorsed by the FSC, the allowance for sales returns and discounts is deemed as a present obligation with uncertain timing and amount that arises from past events and is therefore reclassified as provisions.

The effects of this GAAP difference were as follows:

		June 30, 2012
Consolidated balance sheets		
Accounts receivable	$	117,235
Provisions (accounted for under other liabilities)		(117,235)
Retained earnings adjustments	**$**	**-**

B. Financial assets carried at cost

Under the IFRS as endorsed by the FSC, when the fair value of investments in equity instruments can be reliably measured, such investment are reclassified from "financial assets carried at cost" to "available-for-sale financial assets" account. Subsequent to IFRS conversion date, these investments are measured at fair value.

The effects of this GAAP difference were as follows:

		June 30, 2012
Consolidated balance sheets		
Financial assets at cost	$	(248,404)
Available-for-sale financial assets		307,791
Unrealized gains (losses) on available-for-sale financial assets		(26,269)
Non-controlling interests		(33,118)
Retained earnings adjustments	**$**	**-**

C. Rental assets and idle assets

Under R.O.C. GAAP, rental assets and idle assets are classified under other assets. Under the IFRS as endorsed by the FSC, the aforementioned items are reclassified as property, plant and equipment and investment property according to their nature. The rental asset is also classified as an investment property if it is held to earn rentals and can be sold or leased out separately under a finance lease. When a portion of the rental assets and idle assets could not be sold or leased out separately under a finance lease, the entire property is classified as investment property only if the portion of the property held for own use is insignificant.

The effects of this GAAP difference were as follows:

		June 30, 2012
Consolidated balance sheets		
Rental assets and Idle assets (accounted for under other assets)	$	(981,979)
Property, plant and equipment		306,803
Investment property, net		675,176
Retained earnings adjustments	**$**	**-**

D. Prepayments for business facilities

Under R.O.C GAAP, prepayments on purchase of equipment are accounted for under property, plant and equipment. Under the IFRS as endorsed by the FSC, such prepayments are reclassified as other noncurrent assets.

The effects of this GAAP difference were as follows:

		June 30, 2012
Consolidated balance sheets		
Property, plant and equipment	$	(1,882,804)
Other assets		1,882,804
Retained earnings adjustments	**$**	**-**

E. Land use rights

Under R.O.C GAAP, prepaid lease payment involving land use rights under operating lease arrangement is accounted for under intangible assets. Under the IFRS as endorsed by the FSC, such prepayment is treated simply as a prepaid rental so that it is reclassified to "long-term prepaid rent" account.

The effects of this GAAP difference were as follows:

		June 30, 2012
Consolidated balance sheets		
Intangible assets	$	(2,977,477)
Long-term prepaid rents (accounted for under other assets)		2,977,477
Retained earnings adjustments	**$**	-

F. Warranties and repair cost

Under R.O.C GAAP, the DMS segment issues warranties that the customer pays for, warranty liabilities and the related repair cost were estimated in the same period in which goods are sold. These warranty liabilities paid by the customers are recognized as warranty liabilities. Under the-IFRS as endorsed by the FSC, warranty reserve is treated as a "deferred revenue" when sales is made. When the warranty expires, the deferred revenue becomes earned revenue and recognized as sales revenue.

The effects of this GAAP difference were as follows:

		For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2012
Consolidated comprehensive income statement			
Operating revenue	$	4,299	43,874
Cost of sales		1,330,362	2,272,156
Selling expenses		(1,334,661)	(2,316,030)
Adjustments before income tax	**$**	-	-

		June 30, 2012
Consolidated balance sheets		
Accrued expenses	$	600,330
Other current liabilities		875,128
Deferred revenue (accounted for under other current liabilities)		(1,327,907)
Provisions (accounted for under other current liabilities)		(147,551)
Retained earnings adjustments	**$**	-

G. Provisions for employee benefits

(a) Compensated absences benefit

Under the IFRS as endorsed by the FSC, the Group accrues the obligation for paid absences if the obligation both relates to employees' past services and accumulates (i.e. can be carried forward to a future period).

The effects of this GAAP difference were as follows:

		For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2012
Consolidated statements of comprehensive income			
Cost of sales	$	8,982	10,398
Selling expenses		(722)	1,613
Administrative expenses		2,843	4,856
Research and development expenses		(1,714)	4,315
Adjustments before income tax		9,389	21,182
Tax expense		(2,131)	(3,566)
Adjustments after income tax	**$**	**7,258**	**17,616**

Attributable to		For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2012
Owners of the Company	$	9,160	11,710
Non-controlling interests		(1,902)	5,906
Adjustments before income tax	**$**	**7,258**	**17,616**

		June 30, 2012
Consolidated balance sheets		
Deferred tax assets	$	28,131
Other payable		(204,513)
Non-controlling interests		43,399
Retained earnings adjustments	**$**	**(132,983)**

(b) Share-based payments

Under R.O.C GAAP, the Company adopted SFAS No. 39, "Share-based Payment," for share-based payment arrangements with a grant date on or after January 1, 2008, and Interpretations (92)070, 071 and 072 of the ARDF for employee share options that were granted before January 1, 2008. Under the IFRS as endorsed by the FSC, the Group will avail of the exemption allowed under IFRS 1 for employee share options that were granted before January 1, 2008 so that these options will no longer be fair valued retrospectively; however, the Group shall nevertheless disclose the information required by paragraphs 44 and 45 of IFRS 2.

The effects of this GAAP difference were as follows:

		June 30, 2012
Consolidated balance sheets		
Deferred tax assets	$	19
Increase in capital surplus		(562)
Non-controlling interests		(17)
Retained earnings adjustments	**$**	**(560)**

H. Employee benefits －defined benefit pension plan

(a) Under R.O.C. GAAP, an actuarial valuation is made of the Group's defined benefit obligation and the related pension cost and accrued pension liabilities, and net periodic pension costs are accounted for under the corridor approach. Under the IFRS as endorsed by the FSC, the aforementioned obligation shall be recognized as deduction of retained earnings, and actuarial gain or loss shall be recognized as other comprehensive income in the statement of comprehensive income.

(b) Under R.O.C. GAAP, unrecognized net transition assets (obligations) are amortized to pension cost on the straight-line basis over the average remaining service period of those employees who are still in service and expected to receive pension benefits. Under IFRS as endorsed by the FSC, under IAS No. 19, there is no such similar requirement as R.O.C. GAAP. Therefore, the unrecognized net transition obligation and related amounts are recognized directly to retained earnings at the date of transition to IFRSs.

(c) Under R.O.C. GAAP, the minimum pension liability is recognized if accumulated pension benefits exceed the fair market value of its pension plan assets. Under IFRS as endorsed by the FSC, there is no requirement for recognizing minimum pension liability in accordance with IAS 19.

The effects of this GAAP difference are as follows:

		For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2012
Consolidated statement of comprehensive income			
Selling expenses	$	26	(82)
Administrative expenses		(908)	(2,540)
Research and development expenses		818	(220)
Adjustments before income tax		(64)	(2,842)
Income tax expense		(37)	(7)
Adjustments after income tax	**$**	**(101)**	**(2,849)**

		For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2012
Attributable to：			
Owners of the Company	$	(873)	(1,648)
Non-controlling interests		772	(1,201)
Adjustments after income tax	**$**	**(101)**	**(2,849)**

		June 30, 2012
Consolidated Balance Sheet		
Intangible assets	$	(2,525)
Deferred tax assets		13,280
Other non-current assets		126
Other non-current liabilities		(131,604)
Unrecognized loss (gain) on pension fund (other equity)		440
Non-controlling interests		80,320
Retained earnings adjustments	**$**	**(39,963)**

I. Classifications of deferred income tax asset/liability and valuation allowance

Under R.O.C. GAAP, deferred income tax assets or liabilities are classified as current or non-current according to the classification of related assets or liabilities. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or non-current based on the expected length of time before it is realized or settled. Under IFRS as endorsed by the FSC, a deferred tax asset or liability is classified as non-current asset or liability.

In addition, under R.O.C. GAAP, valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRS as endorsed by the FSC, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

Deferred tax assets and liabilities may be offset against each other only if the entity have ~~has~~ the legal right to settle tax assets and liabilities on a net basis, and the deferred tax assets and liabilities are taxed by the same taxing authority.

The effects of this GAAP difference are as follows:

		June 30, 2012
Consolidated Balance Sheet		
Deferred income tax assets－ current (other current assets)	$	(1,144,186)
Deferred income tax assets		1,144,186
Deferred income tax liabilities－ current (other current liabilities)		1,528
Deferred income tax liabilities		(1,528)
Retained earnings adjustments	**$**	**-**

J. Deferred gross profit

Under R.O.C. GAAP, deferred income tax assets or liabilities arising from intergroup sales can be recognized using the tax rates of buyer or seller. The Group originally adopted the seller's tax rates. Under the IFRS as endorsed by the FSC, temporary differences are determined by comparing the carrying amount of assets and liabilities and their tax basis in the consolidated financial statements, therefore, deferred income tax assets or liabilities from unrealized profit or loss are calculated using the buyer's tax rate.

The effects of this GAAP difference are as follows:

		For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2012
Consolidated Statement of comprehensive income			
Income tax expense	**$**	**(18,220)**	**(17,657)**
Income (loss) attributable to：			
Owners of the Company		(13,442)	(11,455)
Non-controlling interest		(4,778)	(6,202)
Adjustments before income tax	**$**	**(18,220)**	**(17,657)**

		June 30, 2012
Consolidated Balance Sheet		
Deferred income tax assets	$	38,147
Non-controlling interests		(12,049)
Retained earnings adjustments	**$**	**26,098**

K. Capital surplus－ long-term equity investment not subscribing proportionately

Under R.O.C. GAAP, if an associate or investee issues new shares and an investor does not buy new shares proportionately, the investor's ownership percentage and its interest in net assets of the investment will change. The resulting difference is adjusted to the capital surplus or retained earnings. Under the IFRS as endorsed by the FSC, if the percentage of ownership is changed due to disproportionate subscription in the capital increase of the investee, the capital surplus arising from long-term equity investment is recalculated retrospectively, and such change adjusted to retained earnings.

The effects of this GAAP difference are as follows:

		June 30, 2012
Consolidated Balance Sheet		
Reduction on capital surplus	$	2,481,069
Retained earnings adjustments	**$**	**2,481,069**

L. Overseas convertible bonds payable

Under R.O.C. GAAP, if the conversion price of the overseas convertible bonds payable is expressed in New Taiwan Dollars, and the bonds payable is convertible to NTD only at fixed foreign currency in NTD exchange rate, the conversion option is classified as an equity component. Under IFRS as endorsed by the FSC, the conversion option does not conform to the definition of equity component; therefore, the conversion option being treated as liability component is initially recognized as "derivative financial liabilities". The valuation gain or loss resulting from changes in fair values is recognized in profit or loss.

The effects of this GAAP difference are as follows:

Consolidated statement of comprehensive income		**For the Three Months Ended June 30, 2012**	**For the Six Months Ended June 30, 2012**
Other gains and losses	$	(1,129,055)	51,935
Finance costs		31,017	58,522
Adjustments before income tax	**$**	**(1,098,038)**	**110,457**

		June 30, 2012
Consolidated Balance Sheet		
Financial liabilities at fair value through profit or loss－ noncurrent	$	(1,294,294)
Bonds payables		854,611
Reduction on capital surplus		329,226
Retained earnings adjustments	**$**	**(110,457)**

M. Repair expense, Indemnity income and Indemnity losses

Under IFRS as endorsed by FSC, compensation gain or loss is reclassified to "Sales revenue" and "Cost of sales" account according to its nature.

The effects of this GAAP difference are as follows:

Consolidated Statement of comprehensive income		**For the Three Months Ended June 30, 2012**	**For the Six Months Ended June 30, 2012**
Sales revenue	$	(97,913)	(203,739)
Cost of sales		(108,408)	(220,687)
Other income		365,829	793,908
Other losses		(159,508)	(369,482)
Adjustments before income tax	**$**	**-**	**-**

N. The effects to retained earnings of the GAAP differences described above are as follows :

		June 30, 2012
Employee benefits liabilities	$	(132,983)
Employee benefits, post-employment benefit plan		(39,963)
Deferred sales profit		26,098
Capital surplus		2,481,069
Foreign convertible bonds		(110,457)
Other		(19,586)
Increase in retained earnings	**$**	**2,204,178**