HTC Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
HTC Corporation

We have audited the accompanying consolidated balance sheets of HTC Corporation and its subsidiaries (collectively referred to as the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of HTC Corporation as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified report.

February 29, 2016

Notice to Readers

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

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015		2014	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 35,346,799	27	$ 55,743,558	34
Financial assets at fair value through profit or loss - current (Notes 7 and 31)	95,493	-	262,544	-
Available-for-sale financial assets - current (Note 31)	303,289	-	-	-
Debt investments with no active market - current (Note 31)	8,266	-	7,918	-
Trade receivables, net (Notes 11 and 32)	18,518,948	14	29,140,284	18
Other receivables (Note 11)	466,791	1	584,936	-
Current tax assets (Note 27)	212,033	-	274,321	-
Inventories (Note 12)	19,123,637	15	17,213,060	11
Prepayments (Note 13)	4,400,968	4	6,626,106	4
Non-current assets held for sale (Note 14)	3,768,277	3	-	-
Other current financial assets (Notes 10 and 33)	4,100,290	3	334,954	-
Other current assets	94,611	-	99,269	-
Total current assets	86,439,402	67	110,286,950	67
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 31)	75	-	93	-
Financial assets measured at cost - non-current (Notes 9 and 31)	3,396,151	3	2,586,478	2
Investments accounted for using equity method (Note 16)	240,237	-	234,661	-
Property, plant and equipment (Notes 17 and 32)	15,432,130	12	23,435,556	14
Investment properties, net (Note 18)	1,708,489	1	-	-
Intangible assets (Note 19)	5,561,444	4	7,209,291	5
Deferred tax assets (Note 27)	8,699,322	7	8,452,707	5
Refundable deposits (Note 31)	1,580,342	1	262,740	-
Long-term receivables (Note 11)	1,488,775	1	1,342,813	1
Net defined benefit asset - non-current (Note 23)	79,470	-	109,138	-
Other non-current assets (Note 13)	4,767,246	4	9,917,847	6
Total non-current assets	42,953,681	33	53,551,324	33
TOTAL	$ 129,393,083	100	$ 163,838,274	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	$ 36,544	-	$ 22,424	-
Note and trade payables (Note 20)	29,598,385	23	43,803,343	27
Other payables (Notes 21 and 32)	24,993,276	19	32,237,945	20
Current tax liabilities (Note 27)	163,252	-	210,714	-
Provisions - current (Note 22)	5,992,258	5	5,841,179	3
Other current liabilities (Note 21)	3,689,763	3	1,143,134	1
Total current liabilities	64,473,478	50	83,258,739	51
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 27)	97,351	-	202,932	-
Guarantee deposits received (Note 31)	30,159	-	43,230	-
Total non-current liabilities	127,510	-	246,162	-
Total liabilities	64,600,988	50	83,504,901	51
EQUITY (Note 24)				
Share capital - ordinary shares	8,318,695	6	8,349,521	5
Capital surplus	15,505,853	12	15,140,687	9
Retained earnings				
Legal reserve	18,297,655	14	18,149,350	11
Unappropriated earnings	21,782,432	17	41,381,753	25
Other equity	1,088,415	1	1,062,118	1
Treasury shares	(200,955)	-	(3,750,056)	(2)
Total equity	64,792,095	50	80,333,373	49
TOTAL	$ 129,393,083	100	$ 163,838,274	100

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 8, 25 and 32)	$ 121,684,231	100	$ 187,911,200	100
OPERATING COSTS (Notes 12, 23, 26 and 32)	99,731,124	82	147,156,105	78
GROSS PROFIT	21,953,107	18	40,755,095	22
OPERATING EXPENSES (Notes 23, 26 and 32)				
Selling and marketing	17,452,673	15	21,834,286	12
General and administrative	4,975,964	4	5,204,788	3
Research and development	13,727,616	11	13,047,251	7
Total operating expenses	36,156,253	30	40,086,325	22
(LOSS) PROFIT FROM OPERATIONS	(14,203,146)	(12)	668,770	-
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 26)	928,036	1	834,124	1
Other gains and losses (Notes 8, 9 and 26)	(2,286,659)	(2)	506,194	-
Finance costs	(8,123)	-	(16,983)	-
Share of the profit or loss of associates and joint ventures (Note 16)	(11,648)	-	(8,679)	-
Total non-operating income and expenses	(1,378,394)	(1)	1,314,656	1
(LOSS) PROFIT BEFORE INCOME TAX	(15,581,540)	(13)	1,983,426	1
INCOME TAX (BENEFIT) EXPENSE (Note 27)	(48,472)	-	500,380	-
(LOSS) PROFIT FOR THE YEAR	(15,533,068)	(13)	1,483,046	1
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF INCOME TAX				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans (Note 23)	(48,216)	-	(33,346)	-
Income tax relating to items that will not be reclassified to profit or loss (Note 27)	5,813	-	4,010	-
	(42,403)	-	(29,336)	-

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2015		2014	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ 10,562	-	$ 903,136	-
Unrealized losses on available-for-sale financial assets	(11,466)	-	(146)	-
	(904)	-	902,990	-
Other comprehensive (loss) income for the year, net of income tax	(43,307)	-	873,654	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	$ (15,576,375)	(13)	$ 2,356,700	1
NET (LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	$ (15,533,068)	(13)	$ 1,483,046	1
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	$ (15,576,375)	(13)	$ 2,356,700	1
(LOSS) EARNINGS PER SHARE (Note 28)				
Basic	$ (18.79)		$ 1.80	
Diluted	$ (18.79)		$ 1.80	

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings			Other Equity				
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Available-for-sale Financial Assets	Unearned Employee Benefit	Treasury Shares	Total Equity
BALANCE, JANUARY 1, 2014	$ 8,423,505	$ 15,360,307	$ 18,149,350	$ 854,138	$ 47,282,820	$ 559,719	$ (2,021)	$ -	$ (12,920,158)	$ 77,707,660
The loss off-setting for 2013										
Special reserve reversed	-	-	-	(854,138)	854,138	-	-	-	-	-
Profit for the year ended December 31, 2014	-	-	-	-	1,483,046	-	-	-	-	1,483,046
Other comprehensive income and loss for the year ended December 31, 2014	-	-	-	-	(29,336)	903,136	(146)	-	-	873,654
Retirement of treasury shares	(119,984)	(841,203)	-	-	(8,208,915)	-	-	-	9,170,102	-
Share-based payments	46,000	621,583	-	-	-	-	-	(398,570)	-	269,013
BALANCE, DECEMBER 31, 2014	8,349,521	15,140,687	18,149,350	-	41,381,753	1,462,855	(2,167)	(398,570)	(3,750,056)	80,333,373
Appropriation of 2014 earnings										
Legal reserve	-	-	148,305	-	(148,305)	-	-	-	-	-
Cash dividends	-	-	-	-	(314,636)	-	-	-	-	(314,636)
Net loss for the year ended December 31, 2015	-	-	-	-	(15,533,068)	-	-	-	-	(15,533,068)
Other comprehensive income and loss for the year ended December 31, 2015	-	-	-	-	(42,403)	10,562	(11,466)	-	-	(43,307)
Buy-back of treasury shares	-	-	-	-	-	-	-	-	(200,955)	(200,955)
Retirement of treasury shares	(69,140)	(120,007)	-	-	(3,560,909)	-	-	-	3,750,056	-
Share-based payments	38,314	485,173	-	-	-	-	-	27,201	-	550,688
BALANCE, DECEMBER 31, 2015	$ 8,318,695	$ 15,505,853	$ 18,297,655	$ -	$ 21,782,432	$ 1,473,417	$ (13,633)	$ (371,369)	$ (200,955)	$ 64,792,095

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	$ (15,581,540)	$ 1,983,426
Adjustments for:		
Depreciation expense	2,539,046	2,952,892
Amortization expense	1,956,533	1,868,817
Impairment losses recognized on trade receivables	-	3,875
Finance costs	8,123	16,983
Interest income	(419,969)	(403,155)
Dividend income	(352,074)	(26,381)
Compensation costs of employee share - based payments	550,688	269,013
Share of the loss of associates and joint ventures	11,648	8,679
(Gain) loss on disposal of property, plant and equipment	(8,385)	153,493
Transfer of property, plant and equipment to expenses	8,339	-
Gains on sale of investments	(327)	(157,995)
Impairment loss recognized on financial assets measured at cost	-	373,257
Impairment losses on non-financial assets	4,859,336	695,945
Changes in operating assets and liabilities		
Decrease (increase) in financial instruments held for trading	181,171	(77,823)
Decrease (increase) in trade receivables	10,621,336	(5,772,987)
Decrease in other receivables	112,713	1,552,870
(Increase) decrease in inventories	(3,850,023)	5,864,806
Decrease (increase) in prepayments	2,225,138	(822,362)
Decrease in other current assets	4,658	25,539
Decrease in other non-current assets	2,666,129	1,779,567
Decrease in note and trade payables	(14,204,958)	(2,472,508)
Decrease in other payables	(7,108,608)	(5,279,307)
Increase (decrease) in provisions	151,079	(2,367,706)
Increase in other current liabilities	2,546,629	187,007
Cash (used in) generated from operations	(13,083,318)	355,945
Interest received	334,309	311,262
Interest paid	(8,123)	(16,983)
Income tax paid	(295,351)	(990,083)
Net cash used in operating activities	(13,052,483)	(339,859)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of debt investments with no active market	-	(7,918)
Payments to acquire financial assets measured at cost	(700,245)	(432,463)
Proceeds from disposal of financial assets measured at cost	327	2,358,135
Payments to acquire investments accounted for using equity method	(16,531)	(15,836)
Payments for property, plant and equipment	(987,329)	(1,372,934)
Proceeds from disposal of property, plant and equipment	345,464	16,017
Increase in refundable deposits	(1,317,602)	-
Decrease in refundable deposits	-	90,154
Payments for intangible assets	(93,683)	(244,588)

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
Increase in other current financial assets	$ (3,765,336)	$ -
Decrease in other current financial assets	-	2,436,069
Dividend received	38,166	26,381
Net cash (used in) generated from investing activities	(6,496,769)	2,853,017
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of guarantee deposits received	(13,071)	(213,185)
Dividends paid to owners of the company	(314,636)	-
Buy-back of treasury shares	(200,955)	-
Net cash used in financing activities	(528,662)	(213,185)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(318,845)	144,644
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,396,759)	2,444,617
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	55,743,558	53,298,941
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 35,346,799	$ 55,743,558

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

1. ORGANIZATION AND OPERATIONS

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on February 29, 2016.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC)

   Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Company should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version would not have any material impact on the Group's accounting policies:

   Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

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

   The Company retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and cash flow hedges. However, the application of the above amendments will not have any impact on the net profit for the period, other comprehensive income for the period (net of income tax), and total comprehensive income for the period.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28"Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

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

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

   Recognition and measurement of financial assets

   With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

   For the Company's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

   a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

   b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

   Except for above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

   The impairment of financial assets

   IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

   For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Hedge accounting

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

2) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2018.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by FSC.

Basis of Preparation

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for the asset or liability.

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Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for trading purposes;

b. Assets to be realized within twelve months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities are:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

c. Liabilities for which the Company 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 the issue of equity instruments do not affect its classification.

Aforementioned assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the HTC and the entities controlled by the HTC (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

See Note 15 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:

a. Exchange differences on transactions entered into in order to hedge certain foreign currency risks (please refer to Note 4 "Hedge accounting" section); and

b. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Inventories

Inventories consist of raw materials, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Investments in Associates and Joint Ventures

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture. The Company also recognizes the changes in the equity of associates and joint venture attributable to the Company.

When the Company subscribes for additional new shares of the associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and joint venture. The Company records such a difference as an adjustment to investments accounted for by the equity method, with a corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate and joint venture), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate and a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and the joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Company' consolidated financial statements only to the extent of interests in the associate and the joint venture that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets

<u>Intangible assets acquired separately</u>

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

<u>Financial assets</u>

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a. Measurement category

   Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

   1) Financial assets at fair value through profit or loss (FVTPL)

      Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

      A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

      - Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

      - The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

      - The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

      Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’ line item. Fair value is determined in the manner described in Note 31.

      Investments in equity instruments under financial assets at FVTPL that do not have a listed market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. The financial assets are remeasured at fair value if they can be reliably measured at fair value in a subsequent period. The difference between the carrying amount and the fair value is recognized in profit or loss.

2) Available-for-sales (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets at FVTPL.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency exchange rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss that previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

3) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, debt investments with no active market, other current financial assets, and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables and other receivables assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization and the disappearance of an active market for that financial asset because of financial difficulties.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

c. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

a. Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

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

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest and dividend paid on the financial liability. Fair value is determined in the manner described in Note 31.

b. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

Hedge Accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Provisions

Provisions, including those arising from contractual obligation specified in service concession arrangement to maintain or restore infrastructure before it is handed over to the grantor, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

a. Warranty provisions

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

b. Provisions for contingent loss on purchase orders

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

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Specifically, sales of goods are recognized when goods are delivered and title has been passed.

Employee Benefits

Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

Share-based Payment Arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the share options granted vest immediately.

Restricted shares for employees are recognized as an unearned employ's bonus on the date of grant, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options and capital surplus - restricted shares for employees.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

   According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

   Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Accrued Marketing Expenses

The Company accrues marketing expenses on the basis of agreements and any known factors that would significantly affect the accruals. In addition, depending on the nature of relevant events, the accrued marketing expenses are accounted for as an increase in marketing expenses or as a decrease in revenues.

Treasury Share

When the Company acquires its outstanding shares that have not been disposed or retired, treasury share is stated at cost and shown as a deduction in stockholders' equity. When treasury shares are sold, if the selling price is above the book value, the difference should be credited to the capital surplus - treasury share transactions. If the selling price is below the book value, the difference should first be offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, debited to retained earnings. The carrying value of treasury share is calculated using the weighted-average approach in accordance with the purpose of the acquisition.

When the Company's treasury share is retired, the treasury share account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury share in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury share transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury share in excess of its carrying value should be credited to capital surplus from the same class of treasury share transactions.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Accrued marketing and advertising expenses

The Company recognizes sale of goods as the conditions are met. For information on the principles of revenue recognition, please refer to Note 4 "revenue recognition" section. The related marketing and advertising expenses recognized as reduction of sales amount or as current expenses are estimated on the basis of agreement, past experience and any known factors. The Company reviews the reasonableness of the estimation periodically.

As of December 31, 2015 and 2014, the carrying amounts of accrued marketing and advertising expenses were NT$15,124,052 thousand and NT$20,168,664 thousand, respectively.

b. Allowances for doubtful debts

Receivables are assessed for impairment at the end of each reporting period and considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the receivables, the estimated future cash flows of the asset have been affected.

As of December 31, 2015 and 2014, the carrying amounts of allowances for doubtful debts were NT$3,016,914 thousand and NT$3,054,782 thousand, respectively.

c. Impairment of tangible and intangible assets other than goodwill

The Company measures the useful life of individual assets and the probable future economic benefits in a specific asset group, which depends on subjective judgment, asset characteristics and industry, during the impairment testing process. Any change in accounting estimates due to economic circumstances and business strategies might cause material impairment in the future.

The Company recognized impairment losses on tangible and intangible assets other than goodwill for NT$2,919,890 thousand and NT$373,257 thousand for the years ended December 31, 2015 and 2014, respectively.

d. Valuation of inventories

Inventories are measured at the lower of cost or net realizable value. Judgment and estimation are applied in the determination of net realizable value at the end of reporting period.

Inventories are usually written down to net realizable value item by item if those inventories are damaged, have become wholly or partially obsolete, or if their selling prices have declined.

As of December 31, 2015 and 2014, the carrying amounts of inventories were NT$19,123,637 thousand and NT$17,213,060 thousand, respectively.

e. Realization of deferred tax assets

Deferred tax assets should be recognized only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available. The management applies judgment and accounting estimates to evaluate the realization of deferred tax assets. The management takes expected sales growth, profit rate, duration of exemption, tax credits, tax planning and etc. into account to make judgment and estimates. Any change in global economy, industry environment and regulations might cause material adjustments to deferred tax assets.

As of December 31, 2015 and 2014, the carrying amounts of deferred tax assets were NT$8,699,322 thousand and NT$8,452,707 thousand, respectively.

f. Estimates of warranty provision

The Company estimates cost of product warranties at the time the revenue is recognized.

The estimates of warranty provision are on the basis of sold products and the amount of expenditure required for settlement of present obligation at the end of the reporting period.

The Company might recognize additional provisions because of the possible complex intellectual product malfunctions and the change of local regulations, articles and industry environment.

As of December 31, 2015 and 2014, the carrying amounts of warranty provision were NT$5,314,365 thousand and NT$5,208,111 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31 2015	December 31 2014
Cash on hand	$ 2,122	$ 2,295
Checking accounts and demand deposits	31,819,080	33,266,966
Time deposits (with original maturities less than three months)	3,525,597	22,474,297
	$ 35,346,799	$ 55,743,558

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

	December 31 2015	December 31 2014
Bank balance	0.01%-0.75%	0.05%-0.88%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2015	December 31 2014
Financial assets held for trading		
Derivatives financial assets (not under hedge accounting)		
Foreign exchange contracts	$ 95,493	$ 262,544
Financial liabilities held for trading		
Derivatives financial liabilities (not under hedge accounting)		
Foreign exchange contracts	$ 36,544	$ 22,424

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

Forward Exchange Contracts

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
December 31, 2015					
Foreign exchange contracts	Sell	SGD/USD	2016.01.29	SGD	5,336
Foreign exchange contracts	Sell	JPY/USD	2016.01.08-2016.01.27	JPY	454,000
Foreign exchange contracts	Sell	GBP/USD	2016.01.29-2016.03.16	GBP	11,500
Foreign exchange contracts	Buy	RMB/USD	2016.01.05-2016.01.27	RMB	374,500
Foreign exchange contracts	Buy	USD/NTD	2016.01.22-2016.03.29	USD	194,700
Foreign exchange contracts	Buy	SGD/USD	2016.01.29-2016.03.30	SGD	200,722

(Continued)

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
December 31, 2014					
Foreign exchange contracts	Sell	CAD/USD	2015.01.07-2015.03.17	CAD	31,500
Foreign exchange contracts	Sell	EUR/USD	2015.01.07	EUR	6,000
Foreign exchange contracts	Sell	JPY/USD	2015.01.07-2015.02.25	JPY	5,288,510
Foreign exchange contracts	Sell	GBP/USD	2015.01.07-2015.03.17	GBP	30,100
Foreign exchange contracts	Buy	RMB/USD	2015.01.07	RMB	44,000
Foreign exchange contracts	Buy	USD/NTD	2015.01.12-2015.03.04	USD	267,200
Foreign exchange contracts	Buy	SGD/USD	2015.02.25-2015.03.04	SGD	88,985

(Concluded)

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

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

Gains and losses of hedging instruments were included in the following line items in the consolidated statements of comprehensive income:

	For the Year Ended December 31	
	2015	2014
Revenues	$ 22,604	$ 102,057
Other gains and losses	1,258	1,939
	$ 23,862	$ 103,996

9. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2015	2014
Domestic unlisted equity investment	$ 643,961	$ 643,961
Overseas unlisted equity investment	2,054,310	1,423,818
Overseas unlisted mutual funds	697,880	518,699
	$ 3,396,151	$ 2,586,478
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 3,396,151	$ 2,586,478

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

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

Proceeds of disposal	$ 2,358,135
Less: Carrying amount of investment on the date of disposal	(2,200,140)
Gain recognized	$ 157,995

In 2014, the Company determined that the recoverable amount of financial assets measured at cost was less than its carrying amount and thus recognized an impairment loss of $373,257 thousand.

10. OTHER CURRENT FINANCIAL ASSETS

	December 31	
	2015	**2014**
Time deposits with original maturities more than three months	$ 4,100,290	$ 334,954

The market rate intervals of time deposits with original maturities more than three months at the end of the reporting period were as follows:

	December 31	
	2015	**2014**
Time deposits with original maturities more than three months	0.51%-1.95%	0.30%-3.08%

For details of pledged other current financial assets, please refer to Note 33.

11. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2015	**2014**
Trade receivables		
Trade receivables	$ 21,534,175	$ 32,194,141
Trade receivables - related parties	1,687	925
Less: Allowances for impairment loss	(3,016,914)	(3,054,782)
	$ 18,518,948	$ 29,140,284
Other receivables		
Receivables from disposal of investments	$ 1,305,943	$ 1,251,073
VAT refund receivables	273,024	246,900
Interest receivables	188,431	102,771
Others	188,168	327,005
	$ 1,955,566	$ 1,927,749

(Continued)

	December 31	
	2015	2014
Current - other receivables	$ 466,791	$ 584,936
Non-current - other receivables	1,488,775	1,342,813
	$ 1,955,566	$ 1,927,749

(Concluded)

Trade Receivables

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

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

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

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

Age of trade receivables

	December 31	
	2015	2014
1-90 days	$ 1,129,769	$ 3,322,048
91-180 days	95,996	36,184
Over 181 days	2,840,451	2,642,973
	$ 4,066,216	$ 6,001,205

The above aging schedule was based on the past due date.

Age of impaired trade receivables

	December 31	
	2015	2014
1-90 days	$ 1,049,302	$ 2,946,423
91-180 days	-	-
Over 181 days	-	-
	$ 1,049,302	$ 2,946,423

The above aging of trade receivables after deducting the allowance for impairment loss were presented based on the past due date.

The movements of the allowance for doubtful trade receivables were as follows:

Movement in the allowances for impairment loss

	For the Year Ended December 31	
	2015	2014
Balance, beginning of the year	$ 3,054,782	$ 3,050,907
Add: Impairment losses recognized on receivables	-	3,875
Less: Amounts written off during the year as uncollectible	(38,038)	-
Add: Effect of foreign currency exchange differences	170	-
Balance, end of the year	$ 3,016,914	$ 3,054,782

Other Receivables

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

Others were primarily prepayments on behalf of vendors or customers and grants from suppliers.

12. INVENTORIES

	December 31	
	2015	2014
Finished goods	$ 4,060,279	$ 2,925,203
Work-in-process	460,282	686,398
Semi-finished goods	3,073,114	3,692,029
Raw materials	10,930,317	9,491,854
Inventory in transit	599,645	417,576
	$ 19,123,637	$ 17,213,060

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2015 and 2014 included inventory write-downs of NT$1,939,446 thousand and NT$521,692 thousand, respectively.

13. PREPAYMENTS

	December 31	
	2015	2014
Royalty	$ 6,978,900	$ 12,068,674
Net input VAT	1,082,836	1,848,355
Prepayments to suppliers	251,374	1,577,566
Land use right	120,153	139,502

(Continued)

	December 31	
	2015	2014
Prepaid equipment	$ 98,702	$ 168,983
Others	636,249	740,873
	$ 9,168,214	$ 16,543,953
Current	$ 4,400,968	$ 6,626,106
Non-current	4,767,246	9,917,847
	$ 9,168,214	$ 16,543,953

(Concluded)

Prepayments for royalty were primarily for getting royalty right and were classified as current or non-current in accordance with their nature. For details of content of contracts, please refer to Note 36.

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

In June 2015, the Company determined that the recoverable amount of partial prepayments was less than its carrying amount, and thus recognized an impairment loss of NT$2,395,643 thousand.

14. NON-CURRENT ASSETS HELD FOR SALE

	December 31	
	2015	2014
Land and buildings held for sale	$ 3,768,277	$ -

On December 29, 2015, the HTC's board of directors resolved to sell a plot of land and buildings to Inventec Corporation for a total amount of NT$6,060,000 thousand. Since the transfer process of this transaction was not completed on December 31, 2015, the land and building were temporarily accounted for as "non-current assets held for sale". No impairment loss was recognized on classification of the land and buildings as held for sale for the year ended December 31, 2015.

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements

The consolidated entities as of December 31, 2015 and 2014 were as follows:

Investor	Investee	Main Businesses	% of Ownership December 31 2015	% of Ownership December 31 2014	Remark
HTC Corporation	H.T.C. (B.V.I.) Corp.	International holding company	100.00	100.00	-
	Communication Global Certification Inc.	Import of controlled telecommunications radio-frequency devices and software services	100.00	100.00	-
	High Tech Computer Asia Pacific Pte. Ltd.	International holding company; marketing, repair and after-sales services	100.00	100.00	-
	HTC Investment Corporation	General investing activities	100.00	100.00	-
	PT. High Tech Computer Indonesia	Marketing, repair and after-sales service	1.00	1.00	-
	HTC I Investment Corporation	General investing activities	100.00	100.00	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership December 31 2015	2014	Remark
	HTC Holding Cooperatief U.A.	International holding company	0.01	0.01	-
	HTC Investment One (BVI) Corporation	Holding S3 Graphics Co., Ltd. and general investing activities	100.00	100.00	-
	HTC Investment (BVI) Corporation	General investing activities	100.00	-	1)
	HTC VIVE Holding (BVI) Corp.	International holding company	100.00	-	6)
H.T.C. (B.V.I.) Corp.	High Tech Computer Corp. (Suzhou)	Manufacture and sale of smart mobile devices	100.00	100.00	-
High Tech Computer Asia Pacific Pte. Ltd.	HTC (Australia and New Zealand) Pty. Ltd.	Marketing, repair and after-sales services	100.00	100.00	-
	HTC Philippines Corporation	〃	99.99	99.99	-
	PT. High Tech Computer Indonesia	〃	99.00	99.00	-
	HTC (Thailand) Limited	〃	100.00	100.00	-
	HTC India Private Ltd.	〃	99.00	99.00	-
	HTC Malaysia Sdn. Bhd.	〃	100.00	100.00	-
	HTC Communication Co., Ltd.	Manufacture and sale of smart mobile devices and after-sales service	100.00	100.00	-
	HTC HK, Limited	International holding company; marketing, repair and after-sales services	100.00	100.00	-
	HTC Holding Cooperatief U.A.	International holding company	99.99	99.99	-
	HTC Communication Technologies (SH)	Design, research and development of application software	100.00	100.00	-
	HTC Vietnam Services One Member Limited Liability Company	Marketing, repair and after-sales services	100.00	100.00	-
	HTC Myanmar Company Limited	〃	99.00	99.00	-
HTC Investment Corporation	Yoda Co., Ltd.	Operation of restaurant business, parking lot and building cleaning services	100.00	100.00	-
HTC Investment One (BVI) Corporation	S3 Graphics Co., Ltd.	Design, research and development of graphics technology	100.00	100.00	-
HTC Communication Technologies (SH)	HTC Communication (BJ) Tech Co.	Design, research and development of application software	100.00	100.00	-
HTC HK, Limited	HTC Corporation (Shanghai WGQ)	Smart mobile devices examination and after-sale services and technique consultations	100.00	100.00	-
	HTC Electronics (Shanghai) Co., Ltd.	Manufacture and sale of smart mobile devices	100.00	100.00	-
	HTC Myanmar Company Limited	Marketing, repair and after-sales services	1.00	1.00	-
HTC Holding Cooperatief U.A.	HTC Netherlands B.V.	International holding company; marketing, repair and after-sales services	100.00	100.00	-
	HTC India Private Ltd.	Marketing, repair and after-sales services	1.00	1.00	-
	HTC South Eastern Europe Limited Liability Company	〃	0.67	0.67	-
	HTC Communication Solutions Mexico, S.A DE C.V.	〃	1.00	-	3)
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	1.00	-	4)
HTC Netherlands B.V.	HTC EUROPE CO., LTD.	International holding company Marketing, repair and after-sales services	100.00	100.00	-
	HTC BRASIL	Marketing, repair and after-sales services	99.99	99.99	-
	HTC Belgium BVBA/SPRL	〃	100.00	100.00	-
	HTC NIPPON Corporation	Sale of smart mobile devices	100.00	100.00	-
	HTC FRANCE CORPORATION	International holding company; marketing, repair and after-sales services	100.00	100.00	-
	HTC South Eastern Europe Limited liability Company	Marketing, repair and after-sales services	99.33	99.33	-
	HTC Nordic ApS.	〃	100.00	100.00	-
	HTC Italia SRL	〃	100.00	100.00	-
	HTC Germany GmbH	〃	100.00	100.00	-
	HTC Iberia, S.L.	〃	100.00	100.00	-
	HTC Poland sp. z.o.o.	〃	100.00	100.00	-
	HTC Communication Canada, Ltd.	〃	100.00	100.00	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership December 31 2015	2014	Remark
	HTC Norway AS	〃	-	100.00	2)
	HTC RUS LLC	〃	-	100.00	2)
	HTC Communication Sweden AB	〃	100.00	100.00	-
	HTC Luxembourg S.a.r.l.	Online/download media services	100.00	100.00	-
	HTC Middle East FZ-LLC	Marketing, repair and after-sales services	100.00	100.00	
	HTC Communication Solutions Mexico, S.A DE C.V.	〃	99.00	-	3)
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	99.00	-	4)
	HTC Czech RC s.r.o.	Manufacture and sale of smart mobile devices	100.00	-	5)
HTC EUROPE CO., LTD.	HTC America Holding Inc.	International holding company	100.00	100.00	-
HTC FRANCE CORPORATION	HTC BLR	Design, research and development of application software	-	100.00	2)
HTC America Holding Inc.	HTC America Inc.	Sale of smart mobile devices	100.00	100.00	-
	One & Company Design, Inc.	Design, research and development of application software	100.00	100.00	-
	HTC America Innovation Inc.	〃	100.00	100.00	-
	HTC America Content Services, Inc.	Online/download media services	100.00	100.00	-
	Dashwire, Inc.	Design and management of cloud synchronization technology	100.00	100.00	-
	Inquisitive Minds, Inc.	Development and sale of digital education platform	100.00	100.00	-
HTC VIVE Holding (BVI) Corp.	HTC VIVE TECH (BVI) Corp.	International holding company	100.00	-	7)
HTC VIVE TECH (BVI) Corp.	HTC VIVE TECH Corp.	Research, development and sale of virtual reality devices	100.00	-	8)

(Concluded)

Remark:

1) HTC Investment (B.V.I) Corporation was incorporated in August 2015.

2) HTC Norway AS, HTC RUS LLC and HTC BLR were dissolved in March 2015.

3) HTC Communication Solutions Mexico, S.A DE C.V. was incorporated in April 2015.

4) HTC Servicios DE Operacion Mexico, S.A DE C.V. was incorporated in April 2015.

5) HTC Czech RC s.r.o. was incorporated in April 2015.

6) HTC VIVE Holding (B.V.I) Corp. was incorporated in August 2015.

7) HTC VIVE TECH (B.V.I) Corp. was incorporated in August 2015.

8) HTC VIVE TECH Corp. was incorporated in December 2015.

b. Subsidiary excluded from consolidated financial statements: None

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2015	2014
Investment in associates	$ 31,925	$ 15,836
Investment in joint ventures	208,312	218,825
	$ 240,237	$ 234,661

Investments in Associates

	December 31	
	2015	2014
Unlisted equity investments		
East West Artist	$ 31,925	$ 15,836

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

	December 31	
Name of Associate	2015	2014
East West Artist	25.00%	12.50%

In December 2014, the Company acquired 12.5% equity interest in East West Artist for US$500 thousand, and another 12.5% equity interest for US$500 thousand in December 2015, with a total 25% equity interest held by the equity method.

Aggregate information of associates that are not individually material:

	For the Year Ended December 31	
	2015	2014
The Company's share of:		
Profit from continuing operations	$ (1,135)	$ -
Other comprehensive income	-	-
Total comprehensive income for the period	$ (1,135)	$ -

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

Investments in Joint Ventures

	December 31	
	2015	2014
Unlisted equity investments		
Huada Digital Corporation	$ 208,312	$ 218,825

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

Name of Joint Venture	December 31 2015	December 31 2014
Huada Digital Corporation	50.00%	50.00%

The Company set up a subsidiary Huada, whose main business is software services, in December 2009. In October 2011, Chunghwa Telecom Co., Ltd. invested in Huada. In March 2012, Huada held a stockholders' meeting and re-elected its directors and supervisors. As a result, the investment type was changed to joint venture and the Company continued to account for this investment by the equity method.

Aggregate information of joint ventures that are not individually material:

	For the Year Ended December 31 2015	For the Year Ended December 31 2014
The Company's share of:		
Losses from continuing operations	$ (10,513)	$ (8,679)
Other comprehensive income	-	-
Total comprehensive losses for the period	$ (10,513)	$ (8,679)

Investments in joint ventures accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, as the financial statement have not been audited.

17. PROPERTY, PLANT AND EQUIPMENT

	December 31 2015	December 31 2014
Carrying amounts		
Land	$ 6,470,507	$ 7,622,683
Buildings	5,771,213	10,364,729
Property in construction	-	1,089
Machinery and equipment	2,320,672	4,437,725
Other equipment	869,738	1,009,330
	$ 15,432,130	$ 23,435,556

Movement of property, plant and equipment for the years ended December 31, 2015 and 2014 were as follows:

	2015					
	Land	Buildings	Property in Construction	Machinery and Equipment	Other Equipment	Total
Cost						
Balance, beginning of the year	$ 7,622,683	$ 12,508,315	$ 1,089	$ 15,181,539	$ 2,656,990	$ 37,970,616
Additions	-	142,865	1,475	361,273	415,936	921,549
Disposals	-	(378,465)	(2,556)	(1,735,045)	(446,392)	(2,562,458)
Transfer to expense	-	-	-	(8,577)	-	(8,577)
Reclassification	(1,151,354)	(4,889,015)	-	-	(120,162)	(6,160,531)
Effect of foreign currency exchange differences	(822)	(22,332)	(8)	(44,785)	966	(66,981)
Balance, end of the year	6,470,507	7,361,368	-	13,754,405	2,507,338	30,093,618
Accumulated depreciation						
Balance, beginning of the year	-	2,143,586	-	10,743,814	1,647,660	14,535,060
Depreciation expenses	-	406,210	-	1,685,763	433,218	2,525,191
Disposals	-	(373,693)	-	(1,487,187)	(364,499)	(2,225,379)
Transfer to expense	-	-	-	(238)	-	(238)
Reclassification	-	(583,994)	-	-	(81,848)	(665,842)
Effect of foreign currency exchange differences	-	(1,954)	-	(29,382)	(215)	(31,551)
Balance, end of the year	-	1,590,155	-	10,912,770	1,634,316	14,137,241
Accumulated impairment						
Balance, beginning of the year	-	-	-	-	-	-
Impairment losses	-	-	-	520,963	3,284	524,247
Balance, end of the year	-	-	-	520,963	3,284	524,247
Net book value, end of the year	$ 6,470,507	$ 5,771,213	$ -	$ 2,320,672	$ 869,738	$ 15,432,130

	2014					
	Land	Buildings	Property in Construction	Machinery and Equipment	Other Equipment	Total
Cost						
Balance, beginning of the year	$ 7,623,287	$ 12,229,591	$ 145	$ 14,480,912	$ 3,564,884	$ 37,898,819
Additions	-	223,122	1,053	570,963	87,266	882,404
Disposals	-	-	-	(274)	(1,039,424)	(1,039,698)
Reclassification	-	-	(147)	-	147	-
Effect of foreign currency exchange differences	(604)	55,602	38	129,938	44,117	229,091
Balance, end of the year	7,622,683	12,508,315	1,089	15,181,539	2,656,990	37,970,616
Accumulated depreciation						
Balance, beginning of the year	-	1,722,043	-	8,718,986	1,896,391	12,337,420
Depreciation expenses	-	416,707	-	1,940,537	595,648	2,952,892
Disposals	-	-	-	(192)	(869,996)	(870,188)
Effect of foreign currency exchange differences	-	4,836	-	84,483	25,617	114,936
Balance, end of the year	-	2,143,586	-	10,743,814	1,647,660	14,535,060
Net book value, end of the year	$ 7,622,683	$ 10,364,729	$ 1,089	$ 4,437,725	$ 1,009,330	$ 23,435,556

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

Building	5-50 years
Machinery and equipment	3-6 years
Other equipment	3-5 years

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

There were no interests capitalized for the years ended December 31, 2015 and 2014.

18. INVESTMENT PROPERTIES, NET

Movement of investment properties, net for the year ended December 31, 2015 was as follows:

	2015 Completed Investment Property
Cost	
Balance, beginning of the year	$ -
Transferred from property, plant and equipment	1,997,596
Effect of foreign currency exchange differences	(4,798)
Balance, end of the year	1,992,798
Accumulated depreciation	
Balance, beginning of the year	-
Transferred from property, plant and equipment	271,184
Depreciation expense	13,855
Effect of foreign currency exchange differences	(730)
Balance, end of the year	284,309
Net book value, end of the year	$ 1,708,489

The investment properties were depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	50 years
Air-conditioning	5-10 years
Others	3-5 years

In October, 2015, the determination of fair value was performed by qualified professional valuers, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to cost method. The significant unobservable inputs used include residue ratio. The evaluated fair value was NT$1,949,221 thousand with an assessment by qualified professional valuers as no significant changes so as to the date of the balance sheet.

19. INTANGIBLE ASSETS

	December 31	
	2015	2014
Carrying amounts		
Patents	$ 4,986,922	$ 6,418,735
Other intangible assets	574,522	790,556
	$ 5,561,444	$ 7,209,291

Movements of intangible assets for the years ended December 31, 2015 and 2014 were as follows:

	2015			
	Patents	**Goodwill**	**Other Intangible Assets**	**Total**
Cost				
Balance, beginning of the year	$ 12,018,040	$ 887,037	$ 1,951,324	$ 14,856,401
Additions	-	-	93,683	93,683
Disposals	-	-	(55,472)	(55,472)
Disposal of a subsidiary	-	(194,964)	(208,345)	(403,309)
Effect of foreign currency exchange differences	416,850	5,130	4,347	426,327
Balance, end of the year	12,434,890	697,203	1,785,537	14,917,630
Accumulated amortization				
Balance, beginning of the year	5,488,220	-	988,470	6,476,690
Amortization expenses	1,644,507	-	312,026	1,956,533
Disposals	-	-	(55,472)	(55,472)
Disposal of a subsidiary	-	-	(208,345)	(208,345)
Effect of foreign currency exchange differences	204,156	-	(5,521)	198,635
Balance, end of the year	7,336,883	-	1,031,158	8,368,041
Accumulated impairment				
Balance, beginning of the year	111,085	887,037	172,298	1,170,420
Disposal of a subsidiary	-	(194,964)	-	(194,964)
Effect of foreign currency exchange differences	-	5,130	7,559	12,689
Balance, end of the year	111,085	697,203	179,857	988,145
Net book value, end of the year	$ 4,986,922	$ -	$ 574,522	$ 5,561,444

	2014			
	Patents	**Goodwill**	**Other Intangible Assets**	**Total**
Cost				
Balance, beginning of the year	$ 11,496,490	$ 874,784	$ 1,689,432	$ 14,060,706
Additions	-	-	244,588	244,588
Effect of foreign currency exchange differences	521,550	12,253	17,304	551,107
Balance, end of the year	12,018,040	887,037	1,951,324	14,856,401

(Continued)

	2014			
	Patents	Goodwill	Other Intangible Assets	Total
Accumulated amortization				
Balance, beginning of the year	$ 3,716,504	$ -	$ 705,679	$ 4,422,183
Amortization expenses	1,586,745	-	282,072	1,868,817
Effect of foreign currency exchange differences	184,971	-	719	185,690
Balance, end of the year	5,488,220	-	988,470	6,476,690
Accumulated impairment				
Balance, beginning of the year	111,085	700,531	162,841	974,457
Impairment losses	-	174,253	-	174,253
Effect of foreign currency exchange differences	-	12,253	9,457	21,710
Balance, end of the year	111,085	887,037	172,298	1,170,420
Net book value, end of the year	$ 6,418,735	$ -	$ 790,556	$ 7,209,291

(Concluded)

The Company owns patents of graphics technologies. As of December 31, 2015 and 2014, the carrying amounts of such patents were NT$4,855,981 thousand and NT$5,839,617 thousand, respectively. The patents will be fully amortized over their remaining economic lives.

20. NOTE AND TRADE PAYABLES

	December 31	
	2015	2014
Note payables	$ 555	$ 1,541
Trade payables	29,597,830	43,801,802
	$ 29,598,385	$ 43,803,343

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

21. OTHER LIABILITIES

	December 31	
	2015	2014
Other payables		
Accrued expenses	$ 24,829,310	$ 31,937,918
Payables for purchase of equipment	163,966	300,027
	$ 24,993,276	$ 32,237,945

(Continued)

	December 31	
	2015	2014
Other current liabilities		
Advance receipts	$ 3,173,548	$ 773,813
Agency receipts	323,700	205,932
Others	192,515	163,389
	$ 3,689,763	$ 1,143,134

(Concluded)

Accrued Expenses

	December 31	
	2015	2014
Marketing	$ 15,124,052	$ 20,168,664
Salaries and bonuses	3,344,721	4,584,604
Materials and molding expenses	3,162,071	2,784,237
Services	1,188,218	1,469,689
Import, export and freight	781,548	728,217
Repairs, maintenance and sundry purchase	131,479	239,048
Bonus to employees	-	654,620
Others	1,097,221	1,308,839
	$ 24,829,310	$ 31,937,918

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

22. PROVISIONS

	December 31	
	2015	2014
Warranties	$ 5,314,365	$ 5,208,111
Provisions for contingent loss on purchase orders	677,893	633,068
	$ 5,992,258	$ 5,841,179

Movement of provisions for the years ended December 31, 2015 and 2014 were as follows:

	2015		
	Warranty Provision	Provisions for Contingent Loss on Purchase Orders	Total
Balance, beginning of the year	$ 5,208,111	$ 633,068	$ 5,841,179
Provisions recognized	11,961,831	228,813	12,190,644

(Continued)

	2015		
	Warranty Provision	Provisions for Contingent Loss on Purchase Orders	Total
Usage	$ (11,894,207)	$ (183,988)	$ (12,078,195)
Effect of foreign currency exchange differences	38,630	-	38,630
Balance, end of the year	$ 5,314,365	$ 677,893	$ 5,992,258

(Concluded)

	2014		
	Warranty Provision	Provisions for Contingent Loss on Purchase Orders	Total
Balance, beginning of the year	$ 7,376,035	$ 832,850	$ 8,208,885
Provisions recognized (reversed)	17,213,295	(33,368)	17,179,927
Usage	(19,506,904)	(166,414)	(19,673,318)
Effect of foreign currency exchange differences	125,685	-	125,685
Balance, end of the year	$ 5,208,111	$ 633,068	$ 5,841,179

The Company provides warranty service for its customers. The warranty period varies by product and is generally one year to two years. The warranties are estimated on the basis of evaluation of the products under warranty, historical warranty trends, and pertinent factors.

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

23. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, HTC, Communication Global Certification Inc. ("CGC") and Yoda Co., Ltd. ("Yoda") make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Company has defined contribution retirement benefit plans for all qualified employees of HTC, CGC and Yoda in Taiwan. Besides, the employees of the Company's subsidiary are members of a state-managed retirement benefit plan operated by local government. The subsidiary is required to contribute amounts calculated at a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions to the fund.

The total expenses recognized in the consolidated statement of comprehensive income were NT$623,742 thousand and NT$787,960 thousand, representing the contributions payable to these plans by the Company at the rates specified in the plans for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, the amounts of contributions payable were NT$88,942 thousand and NT$98,605 thousand, respectively, the amounts were paid subsequent to the end of the reporting period.

Defined Benefit Plans

The defined benefit plan adopted by HTC and CGC in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. HTC and CGC contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the obligation on HTC and CGC under the defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	$ (474,875)	$ (443,642)
Fair value of plan assets	554,345	552,780
Net defined benefit asset	$ 79,470	$ 109,138

Movements in net defined benefit asset were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset
Balance at January 1, 2014	$ (413,220)	$ 538,935	$ 125,715
Current service cost	(9,864)	-	(9,864)
Net interest (expense) income	(7,744)	11,017	3,273
Recognized in profit or loss	(17,608)	11,017	(6,591)
Remeasurement			
Return on plan assets	-	1,416	1,416
Actuarial loss - changes in demographic assumptions	(3,287)	-	(3,287)
Actuarial gain - changes in financial assumptions	7,991	-	7,991
Actuarial loss - experience adjustments	(39,466)	-	(39,466)
Recognized in other comprehensive income	(34,762)	1,416	(33,346)
Contributions from the employer	-	23,360	23,360
Benefits paid	21,948	(21,948)	-
Balance at December 31, 2014	(443,642)	552,780	109,138

(Continued)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset
Current service cost	$ (8,017)	$ -	$ (8,017)
Net interest (expense) income	(8,865)	11,287	2,422
Recognized in profit or loss	(16,882)	11,287	(5,595)
Remeasurement			
Return on plan assets	-	3,761	3,761
Actuarial loss - changes in demographic assumptions	(33,851)	-	(33,851)
Actuarial loss - changes in financial assumptions	(16,259)	-	(16,259)
Actuarial loss - experience adjustments	(1,868)	-	(1,868)
Recognized in other comprehensive income	(51,978)	3,761	(48,217)
Contributions from the employer	-	24,144	24,144
Benefits paid	37,628	(37,628)	-
Balance at December 31, 2015	$ (474,875)	$ 554,345	$ 79,470

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans was as follows:

	December 31 2015	December 31 2014
Operating costs	$ 1,124	$ 1,518
Selling and marketing expenses	458	563
General and administrative expenses	622	731
Research and development expenses	3,391	3,779
	$ 5,595	$ 6,591

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

a. Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

b. Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	2014
Discount rates	1.375%-1.750%	1.625%- 2.000%
Expected rates of salary increase	2.250%-4.000%	2.250%- 4.000%
Mortality rates	0.025%-1.640%	0.025%-1.640%
Turnover rates	0.000%-30.00%	0.000%-32.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would (increase) decrease as follows:

	December 31	
	2015	2014
Discount rates		
0.25% increase	$ 17,383	$ 15,513
0.25% decrease	$ (18,225)	$ (16,252)
Expected rates of salary increase		
0.25% increase	$ (17,573)	$ (15,703)
0.25% decrease	$ 16,862	$ 15,077

The sensitivity analysis is presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	2014
The expected contributions to the plan for the next year	$ 35,185	$ 23,786
The average duration of the defined benefit obligation	15.63 years	14.81 years

24. EQUITY

Share Capital

a. Ordinary shares

	December 31	
	2015	2014
Numbers of shares authorized (in thousands of shares)	1,000,000	1,000,000
Shares authorized	$ 10,000,000	$ 10,000,000
Number of shares issued and fully paid (in thousands of shares)	831,870	834,952
Shares issued	$ 8,318,695	$ 8,349,521

In February and October 2014, the Company retired 1,999 thousand and 10,000 thousand treasury shares amounting to NT$19,984 thousand and NT$100,000 thousand, respectively. In November 2014, the Company issued 4,600 thousand restricted shares for employees amounting to NT$46,000 thousand. As a result, the amount of the Company's outstanding ordinary shares as of December 31, 2014 decreased to NT$8,349,521 thousand, divided into 834,952 thousand ordinary shares at NT$10 par value. Every ordinary share carries one vote per share and a right to dividends.

In March 2015, the Company retired 6,914 thousand treasury shares amounting to NT$69,140 thousand. In August and December 2015, the Company issued 400 thousand and 4,006 thousand restricted shares for employees amounting to NT$4,000 thousand and NT$40,060 thousand respectively. In April, July and October 2015, the Company retired 49 thousand, 117 thousand and 409 thousand restricted shares for employees amounting to NT$492 thousand, NT$1,167 thousand and NT$4,087 thousand, respectively. As a result, the amount of the Company's outstanding ordinary share as of December 31, 2015 decreased to NT$8,318,695 thousand, divided into 831,870 thousand ordinary shares at NT$10 par value. Every ordinary share carries one vote per share and a right to dividends.

80,000 thousand shares of the Company's shares authorized were reserved for the issuance of employee share options.

b. Global depositary receipts

In November 2003, HTC issued 14,400 thousand ordinary shares corresponding to 3,600 thousand units of Global Depositary Receipts ("GDRs"). For this GDR issuance, HTC's stockholders, including Via Technologies, Inc., also issued 12,878.4 thousand ordinary shares, corresponding to 3,219.6 thousand GDR units. Thus, the entire offering consisted of 6,819.6 thousand GDR units. Taking into account the effect of stock dividends, the GDRs increased to 8,782.1 thousand units (36,060.5 thousand shares). The holders of these GDRs requested HTC to redeem the GDRs to get HTC's ordinary shares. As of December 31, 2015, there were 8,397.4 thousand units of GDRs redeemed, representing 33,589.4 thousand ordinary shares, and the outstanding GDRs represented 2,471.1 thousand ordinary shares or 0.30% of HTC's outstanding ordinary shares.

Capital Surplus

	December 31	
	2015	**2014**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of ordinary shares	$ 14,312,926	$ 14,432,437
Arising from consolidation excess	23,604	23,801
Arising from expired stock options	35,825	36,124
May not be used for any purpose		
Arising from employee share options	544,087	250,470
Arising from employee restricted shares	589,411	397,855
	$ 15,505,853	$ 15,140,687

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

In February and October 2014, the retirement of treasury shares caused decreases of NT$208,546 thousand in additional paid-in capital - issuance of ordinary shares, NT$1,499 thousand in capital surplus - treasury shares, NT$344 thousand in capital surplus - consolidation excess and NT$522 thousand in capital surplus - expired stock options. The difference the carrying value of treasury shares retired in excess of the sum of its par value and premium from issuance of common share was firstly offset against capital surplus - treasury shares by NT$630,292 thousand, and the rest offset against unappropriated earnings amounting to NT$8,208,915 thousand.

In March 2015, the retirement of treasury shares caused decreases of NT$119,511 thousand in additional paid-in capital - issuance of ordinary shares, NT$197 thousand in capital surplus - consolidation excess, NT$299 thousand in capital surplus - expired stock options, respectively. The difference the carrying value of treasury shares retired in excess of the sum of its par value and premium from issuance of ordinary share was offset against unappropriated earnings amounting to NT$3,560,909 thousand.

For details of capital surplus - employee share options and employee restricted shares, please refer to Note 29.

Retained Earnings and Dividend Policy

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

a. To pay taxes.

b. To cover accumulated losses, if any.

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

d. To recognize or reverse special reserve return earnings.

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

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

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

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The Company expects to modify the Articles of Incorporation according to laws and regulations above on the board of directors' meeting on February 29, 2016 and will be subjected to the resolution of the shareholders' meeting. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to employee benefits expense in Note 26.

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

The appropriations of 2014 earnings and the loss off-setting for 2013 had been approved in the shareholders' meetings on June 2, 2015 and June 19, 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings (The Loss Off-setting)		Dividends Per Share (NT$)	
	For 2014	For 2013	For 2014	For 2013
Legal reserve	$ 148,305	$ -	$ -	$ -
Special reserve reversal	-	(854,138)	-	-
Cash dividends	314,636	-	0.38	-

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

Other Equity

	December 31	
	2015	2014
Exchange differences on translating foreign operations	$ 1,473,417	$ 1,462,855
Unrealized losses on available-for-sale financial assets	(13,633)	(2,167)
Unearned employee benefit	(371,369)	(398,570)
	$ 1,088,415	$ 1,062,118

a. Exchange differences on translating foreign operations

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

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

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

c. Cash flow hedge

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

d. Unearned employee benefit

In the meeting of shareholders on June 2, 2015 and June 19, 2014, the shareholders approved a restricted stock plan for employees. Refer to Note 29 for the information of restricted shares issued.

	For the Year Ended December 31	
	2015	**2014**
Balance, beginning of the year	$ (398,570)	$ -
Issuance of shares	(233,265)	(443,855)
Adjustment of turnover rate	3,395	-
Share-based payment expenses recognized	257,071	45,285
Balance, end of the year	$ (371,369)	$ (398,570)

Treasury Shares

On August 24, 2015, the Company's board of directors passed a resolution to buy back 50,000 thousand Company shares from the open market. The repurchase period was between August 25, 2015 and October 24, 2015, and the repurchase price ranged from NT$35 to NT$60 per share. If the Company's share price is lower than this price range, the Company may continue to buy back its shares. The Company had bought back 4,110 thousand shares for NT$200,955 thousand during the repurchase period.

The Company had repurchased company shares from the open market for transferring to employees and some of them had not been transferred before the expiry time. The Board of Directors approved the retirement of 6,914 thousand, 10,000 thousand and 1,999 thousand treasury shares in March 2015, October 2014 and February 2014, respectively. The related information on the treasury share transactions was as follows:

(In Thousands of Shares)

Reason to Reacquire	**Number of Shares, Beginning of the Year**	**Addition During the Year**	**Reduction During the Year**	**Number of Shares, End of the Year**
For 2015				
To transfer shares to the Company's employees	6,914	-	6,914	-
To maintain the Company's credibility and stockholders' interest	-	4,110	-	4,110
	6,914	4,110	6,914	4,110

(Continued)

Reason to Reacquire	Number of Shares, Beginning of the Year	Addition During the Year	Reduction During the Year	Number of Shares, End of the Year
For 2014				
To transfer shares to the Company's employees	18,913	-	11,999	6,914

(Concluded)

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

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

25. REVENUE

	For the Year Ended December 31	
	2015	2014
Sale of goods	$ 120,087,853	$ 184,929,230
Other operating income	1,596,378	2,981,970
	$ 121,684,231	$ 187,911,200

Some sales denominated in foreign currencies were hedged for cash flow risk. Accordingly, the Company transferred $22,604 thousand and NT$102,057 thousand of the gain or loss on the hedging instrument that was determined to be the effective portion of the hedge to sales of goods for the years ended in 2015 and 2014, respectively.

26. NET (LOSS) PROFIT FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME AND LOSS

a. Other income

	For the Year Ended December 31	
	2015	2014
Interest income		
Bank Deposits	$ 344,769	$ 307,005
Other receivables	75,200	96,150
	419,969	403,155
Dividends	352,074	26,381
Others	155,993	404,588
	$ 928,036	$ 834,124

b. Other gains and losses

	For the Year Ended December 31	
	2015	2014
Net gain (loss) on disposal of property, plant and equipment	$ 8,385	$ (153,493)
Gains on disposal of investments	327	157,995
Net foreign exchange gains	629,074	855,412
Net gains arising on financial instruments classified as held for trading	58,949	240,120
Ineffective portion of cash flow hedge	1,258	1,939
Impairment losses	(2,919,890)	(547,510)
Other losses	(64,762)	(48,269)
	$ (2,286,659)	$ 506,194

Gain or loss on financial assets and liabilities held for trading was derived from forward exchange transactions. The Company entered into forward exchange transactions to manage exposures related to exchange rate fluctuations of foreign currency denominated assets and liabilities.

In June 2015, the Company determined that the recoverable amount of partial prepayments and operation equipment were less than its carrying amount, and thus recognized an impairment loss of NT$2,395,643 thousand and NT$524,247 thousand, respectively.

c. Impairment losses on financial assets

	For the Year Ended December 31	
	2015	2014
Trade receivables (included in operating expenses)	$ -	$ 3,875
Financial assets measured at cost (included in other gains and losses)	-	373,257
	$ -	$ 377,132

d. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	$ 2,525,191	$ 2,952,892
Investment properties	13,855	-
Intangible assets	1,956,533	1,868,817
	$ 4,495,579	$ 4,821,709
An analysis of depreciation - by function		
Operating costs	$ 1,339,250	$ 1,610,472
Operating expenses	1,185,941	1,342,420
Other losses	13,855	-
	$ 2,539,046	$ 2,952,892

(Continued)

	For the Year Ended December 31	
	2015	2014
An analysis of amortization - by function		
Operating costs	$ 6,988	$ 19,788
Operating expenses	1,949,545	1,849,029
	$ 1,956,533	$ 1,868,817

(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2015	2014
Short-term benefits	$ 14,601,086	$ 16,422,150
Post-employment benefits (Note 23)		
Defined contribution plans	623,742	787,960
Defined benefit plans	5,595	6,591
	629,337	794,551
Share-based payments (Note 29)		
Equity-settled share-based payments	550,688	269,013
Total employee benefits expense	$ 15,781,111	$ 17,485,714
An analysis of employee benefits expense - by function		
Operating costs	$ 3,738,378	$ 5,771,740
Operating expenses	12,042,733	11,713,974
	$ 15,781,111	$ 17,485,714

The existing Articles of Incorporation of HTC stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates no less than 5% and no higher than 0.3%, respectively, of net income (net of the bonus and remuneration). The employee bonus for the year ended December 31, 2014 should be appropriated at 5% of net income before deducting employee bonus expenses. To be in compliance with the Company Act as amended in May 2015, the Company expects to modify the Articles of Incorporation according to laws and regulations above on the board of directors' meeting on February 29, 2016, which stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 4% and no higher than 0.25%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. No employee bonus was estimated as the Company reported net loss for the year ended December 31, 2015. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of bonuses to employees for 2014 and 2013 have been approved in the shareholders' meetings on June 2, 2015 and June 19, 2014, respectively, were as follows:

	For the Year Ended December 31			
	2014		2013	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Bonus to employees	$ 88,334	$ -	$ -	$ -

There was no difference between the amounts of the bonus to employees approved in the shareholders' meetings on June 2, 2015 and June 19, 2014 and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively.

f. Impairment losses on non-financial assets

	For the Year Ended December 31	
	2015	2014
Inventories (included in operating costs)	$ 1,939,446	$ 521,692
Property, plant and equipment (included in other gains and losses)	524,247	-
Intangible assets (including goodwill) (included in other gains and losses)	-	174,253
Prepayments (included in other gains and losses)	2,395,643	-
	$ 4,859,336	$ 695,945

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2015	2014
Foreign exchange gains	$ 9,191,220	$ 8,647,918
Foreign exchange losses	(8,562,146)	(7,792,506)
	$ 629,074	$ 855,412

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax (benefit) expense recognized in profit or loss

	For the Year Ended December 31	
	2015	2014
Current tax		
In respect of the current period	$ 336,419	$ 219,434
Adjustments for prior periods	(26,242)	(95,001)
	310,177	124,433
Deferred tax		
In respect of the current period	(358,649)	375,947
Income tax (benefit) expense recognized in profit or loss	$ (48,472)	$ 500,380

The income tax (benefit) expense for the years ended December 31, 2015 and 2014 can be reconciled to the accounting (loss) profit as follows:

	For the Year Ended December 31	
	2015	2014
(Loss) profit before income tax	$ (15,581,540)	$ 1,983,426
Income tax calculated at 17%	(2,648,862)	337,182
Effect of expenses that were not deductible in determining taxable profit	68,650	74,289
Effect of temporary differences	772,747	(352,494)
Effect of loss carryforward	1,260,570	(4,803)
Effect of income that is exempt from taxation	(56)	(61,983)
Effect of different tax rates of subsidiaries operating in other jurisdictions	524,721	603,190
Adjustments for prior years' tax	(26,242)	(95,001)
Income tax (benefit) expense recognized in profit or loss	$ (48,472)	$ 500,380

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
Deferred tax		
Recognized in current year		
Remeasurement on defined benefit plan (tax benefit)	$ (5,813)	$ (4,010)

c. Current tax assets and liabilities

	December 31	
	2015	2014
Current tax assets		
Tax refund receivable	$ 212,033	$ 274,321
Current tax liabilities		
Income tax payable	$ 163,252	$ 210,714

d. Deferred tax balances

The movements of deferred tax assets and deferred tax liabilities for the years ended December 31, 2015 and 2014 were as follows:

	2015				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized royalties	$ 1,613,333	$ (937,569)	$ -	$ -	$ 675,764
Unrealized marketing expenses	1,920,664	(589,877)	-	(7,494)	1,323,293
Unrealized warranty expense	630,968	(4,373)	-	(676)	625,919

(Continued)

	2015				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
Allowance for loss on decline in value of inventory	$ 483,557	$ (70,224)	$ -	$ (2,297)	$ 411,036
Unrealized profit	209,953	49,023	-	-	258,976
Unrealized salary and welfare	223,172	(92,959)	-	2,878	133,091
Unrealized contingent losses on purchase orders	75,971	5,379	-	-	81,350
Others	488,589	66,749	-	(775)	554,563
Loss carryforwards	2,806,500	1,836,841	-	(8,011)	4,635,330
	$ 8,452,707	$ 262,990	$ -	$ (16,375)	$ 8,699,322
Deferred tax liabilities					
Temporary differences					
Unrealized gain on investments	$ 79,450	$ (79,450)	$ -	$ -	$ -
Financial assets at FVTPL	28,815	(21,741)	-	-	7,074
Defined benefit plans	13,089	2,164	(5,813)	-	9,440
Others	81,578	3,368	-	(4,109)	80,837
	$ 202,932	$ (95,659)	$ (5,813)	$ (4,109)	$ 97,351

(Concluded)

	2014				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized royalties	$ 2,429,433	$ (816,100)	$ -	$ -	$ 1,613,333
Unrealized marketing expenses	2,338,903	(419,257)	-	1,018	1,920,664
Unrealized warranty expense	712,434	(108,938)	-	27,472	630,968
Allowance for loss on decline in value of inventory	552,036	(77,656)	-	9,177	483,557
Unrealized profit	302,267	(92,314)	-	-	209,953
Unrealized salary and welfare	374,925	(174,811)	-	23,058	223,172
Unrealized contingent losses on purchase orders	99,945	(23,974)	-	-	75,971
Others	405,674	37,861	-	45,054	488,589
Loss carryforwards	1,449,618	1,360,072	-	(3,190)	2,806,500
	$ 8,665,235	$ (315,117)	$ -	$ 102,589	$ 8,452,707
Deferred tax liabilities					
Temporary differences					
Unrealized gain on investments	$ 79,450	$ -	$ -	$ -	$ 79,450
Financial assets at FVTPL	19,476	9,339	-	-	28,815
Defined benefit plans	15,098	2,001	(4,010)	-	13,089
Others	37,098	49,490	-	(5,010)	81,578
	$ 151,122	$ 60,830	$ (4,010)	$ (5,010)	$ 202,932

e. Amounts of deductible temporary differences, unused carryforward and unused tax credits for which deferred tax assets have not been recognized

	December 31	
	2015	2014
Loss carryforward	$ 3,764,471	$ 1,041,574
Deductible temporary differences	$ 3,207,393	$ 3,470,768

f. Information about unused loss carry-forward and tax-exemption

Loss carryforwards as of December 31, 2015 comprised of:

Remaining Carrying	Expiry Year
$ 2,416,854	2018
856,232	2019
1,286,755	2020
7,662,140	2023
10,513,823	2024
22,777,716	2025
297,715	2027-2032
$ 45,811,235	

Under the Statute for Upgrading Industries, the Company was granted exemption from corporate income tax for as follows:

Item Exempt from Corporate Income Tax	Expiry Year
Sales of wireless and smartphone which has 3.5G and GPS function	2015.01.01-2018.09.30

g. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2015 and 2014, the taxable temporary differences associated with investment in subsidiaries and branch for which no deferred tax liabilities have been recognized were NT$705,923 thousand and NT$897,465 thousand, respectively.

h. Integrated income tax

The imputation credit account ("ICA") information as of December 31, 2015 and 2014, were as follows:

	December 31	
	2015	2014
Unappropriated earnings generated on and after January 1, 1998	$ 21,782,432	$ 41,381,753
Balance of ICA	$ 8,196,056	$ 8,164,935

	For the Year Ended December 31	
	2015 (Expected)	2014 (Actual)
Creditable ratio for distribution of earning	34.37%	21.92%

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

i. Income tax assessments

HTC's income tax returns through 2013 had been assessed by the tax authorities. HTC disagreed with the tax authorities' assessment of its 2013 tax return and applied for a re-examination. Nevertheless, under the conservatism guideline, HTC adjusted its income tax for the tax shortfall stated in the tax assessment notices.

The income tax returns of Communication Global Certification Inc., HTC Investment Corporation, HTC I Investment Corporation and Yoda Co., Ltd. for the years through 2013 have been examined and approved by the tax authorities.

28. (LOSS) EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2015	**2014**
Basic (loss) earnings per share	$ (18.79)	$ 1.80
Diluted (loss) earnings per share	$ (18.79)	$ 1.80

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

Net (Loss) Profit for the Years

	For the Year Ended December 31	
	2015	**2014**
(Loss) profit for the year attributable to owners of the parent	$ (15,533,068)	$ 1,483,046

Shares

Unit: In Thousands of Shares

	For the Year Ended December 31	
	2015	**2014**
Weighted average number of ordinary shares in computation of basic (loss) earnings per share	826,784	824,194
Effect of dilutive potential ordinary shares:		
Bonus issue to employees	-	622
Weighted average number of ordinary shares in computation of diluted (loss) earnings per share	826,784	824,816

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

29. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

Qualified employees of HTC and its subsidiaries were granted 15,000 thousand options in November 2013. Each option entitles the holder to subscribe for one common share of HTC. The options granted are valid for 7 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of HTC and its subsidiaries were granted 19,000 thousand options in October 2014. Each option entitles the holder to subscribe for one common share of HTC. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of HTC and its subsidiaries were granted 1,000 thousand options in August 2015. Each option entitles the holder to subscribe for one ordinary share of HTC. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

The exercise price equals to the closing price of HTC's ordinary shares on the grant date. For any subsequent changes in the HTC's ordinary shares, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2015		2014	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	31,908	$ 140.37	15,000	$ 149.00
Options granted	1,000	54.50	19,000	134.50
Options forfeited	(7,944)		(2,092)	
Balance at December 31	24,964	137.20	31,908	140.37
Options exercisable, end of the year	5,905		-	
Weighted-average fair value of options granted per unit (NT$)	$ 15.00		$ 31.231	

Information about outstanding options as of the reporting date was as follows:

	December 31	
	2015	2014
Range of exercise price (NT$)	$54.5-$149	$134.5-$149
Weighted-average remaining contractual life (years)	7.30 years	8.22 years

Options granted in August 2015, October 2014 and November 2013 were priced using the trinomial option pricing model and the inputs to the model were as follows:

	August 2015	October 2014	November 2013
Grant-date share price (NT$)	$54.50	$134.50	$149.00
Exercise price (NT$)	$54.50	$134.50	$149.00
Expected volatility	39.26%	33.46%	45.83%
Expected life (years)	10 years	10 years	7 years
Expected dividend yield	4.04%	4.40%	5.00%
Risk-free interest rate	1.3965%	1.7021%	1.63%

Expected volatility was based on the historical share price volatility over the past 1 year. The Company assumed that employees would exercise their options after the vesting date when the share price was 1.63 times the exercise price.

Employee Restricted Shares

In the shareholder meeting on June 19, 2014 and June 2, 2015, the shareholders approved a restricted stock plan for employees with a total amount of $50,000 thousand and $75,000 thousand, consisting of 5,000 thousand and 7,500 thousand shares. On October 31, 2014, August 6, 2015, and September 16, 2015, HTC's board of directors passed a resolution to issue 4,600 thousand shares, 400 thousand shares, and 4,006 thousand shares respectively.

The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

a. The employees cannot sell, pledge, transfer, donate or in any other way dispose of these shares.
b. The employees holding these shares are entitled to receive cash and dividends in share.
c. The employees holding these shares have no voting rights.

If an employee fails to meet the vesting conditions, HTC will recall or buy back and cancel the restricted shares. In April, July and October 2015, the Company retired 49 thousand, 117 thousand and 409 thousand restricted shares for employees amounting to NT$492 thousand, NT$1,167 thousand and NT$4,087 thousand. As a result, the amount of the Company's outstanding employee restricted shares as of December 31, 2015 was 7,243 thousand shares, the other information was as follows:

Grant-date	December 23, 2015	August 10, 2015	November 2, 2014
Grant-date fair value (NT$)	$76.20	$57.50	$134.50
Exercise price	Gratuitous	Gratuitous	Gratuitous
Numbers of shares (thousand shares)	4,006	400	4,600
Vesting period (years)	1-3 years	1-3 years	1-3 years

Compensation Cost of Share-based Payment Arrangements

Compensation cost of share-based payment arrangement recognized was NT$550,688 thousand and NT$269,013 thousand for the years ended December 31, 2015 and 2014, respectively.

30. CAPITAL RISK MANAGEMENT

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

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

31. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments That Are Not Measured at Fair Value

Financial instruments not carried at fair value held by the Company include financial assets measured at cost and debt investments with no active market. The management considers that the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair value or the fair value are not measured reliably.

Fair Value of Financial Instruments That Are Measured at Fair Value on a Recurring Basis

a. Fair value hierarchy

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 95,493	$ -	$ 95,493
Available-for-sale financial assets				
Domestic listed stocks - equity investments	$ 75	$ -	$ -	$ 75
Overseas listed stocks - equity investments	303,289	-	-	303,289
	$ 303,364	$ -	$ -	$ 303,364
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 36,544	$ -	$ 36,544

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 262,544	$ -	$ 262,544
Available-for-sale financial assets				
Domestic listed stocks - equity investments	$ 93	$ -	$ -	$ 93
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 22,424	$ -	$ 22,424

There were no transfers between Levels 1 and 2 for the years ended December 31, 2015 and 2014.

b. Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Categories of Financial Instruments

	December 31	
	2015	2014
Financial assets		
FVTPL		
Held for trading	$ 95,493	$ 262,544
Loans and receivables (Note 1)	61,510,211	87,417,203
Available-for-sale financial assets (Note 2)	3,699,515	2,586,571
Financial liabilities		
FVTPL		
Held for trading	36,544	22,424
Amortized cost (Note 3)	54,945,520	76,290,450

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market - current, other current financial assets, trade receivables, other receivables and refundable deposits.

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

Note 3: The balances included financial liabilities measured at amortized cost, which comprise note and trade payables, other payables, agency receipts and guarantee deposits received.

Financial Risk Management Objectives and Policies

The Company's financial instruments mainly include equity and debt investments, trade receivables, other receivables, trade payables and other payables. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze the exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

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

The Corporate Treasury function reports quarterly to the Company's supervisory and board of directors for monitoring risks and policies implemented to mitigate risk exposures.

a. Market risk

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

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

Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 35.

Sensitivity analysis

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

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollars ("NTD", the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges. A positive number below indicates an increase in pre-tax profit (loss) or equity associated with the NTD strengthens 1% against the relevant currency. For a 1% weakening of the NTD against the relevant currency, there would be an equal and opposite impact on pre-tax profit (loss) or equity, and the balances below would be negative.

	Profit or Loss (1)	**Equity (2)**
For the year ended December 31, 2015		
USD	$ (17,990)	$ -
EUR	(7,488)	-
RMB	(24,568)	-
JPY	(932)	-
For the year ended December 31, 2014		
USD	40,670	-
EUR	(9,028)	-
RMB	(35,725)	-
JPY	2,324	-

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

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

b. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets. The Company does not issue any financial guarantee involving credit risk.

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

The credit risk information of trade receivables are disclosed in the Note 11.

c. Liquidity risk

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

1) Liquidity and interest risk rate tables for non-derivative financial liabilities

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

December 31, 2015

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 11,276,426	$ 18,321,959	$ -
Other payables	11,682,250	13,311,026	-
Other current liabilities	111,498	212,202	-
Guarantee deposits received	-	-	30,159
	$ 23,070,174	$ 31,845,187	$ 30,159

December 31, 2014

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 14,037,502	$ 29,765,841	$ -
Other payables	12,648,166	19,589,779	-
Other current liabilities	60,588	145,344	-
Guarantee deposits received	-	-	43,230
	$ 26,746,256	$ 49,500,964	$ 43,230

2) Liquidity and interest risk rate tables for derivative financial instruments

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2015

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Gross settled			
Foreign exchange contracts			
Inflows	$ 6,658,903	$ 7,187,186	$ -
Outflows	(6,611,069)	(7,158,069)	-
	$ 47,834	$ 29,117	$ -

December 31, 2014

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Net settled			
Foreign exchange contracts	$ 15,600	$ -	$ -
Gross settled			
Foreign exchange contracts			
Inflows	$ 13,853,499	$ -	$ -
Outflows	(13,630,802)	-	-
	$ 222,697	$ -	$ -

3) Bank credit limit

	December 31	
	2015	2014
Unsecured bank general credit limit		
Amount used	$ 2,053,485	$ 1,638,476
Amount unused	30,314,067	43,623,999
	$ 32,367,552	$ 45,262,475

Amount used includes guarantee for customs duties and for patent litigation.

32. RELATED-PARTY TRANSACTIONS

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

Operating Sales

	For the Year Ended December 31	
	2015	2014
Main management	$ -	$ 2,430
Joint venture	9,971	-
Other related parties - Employees' Welfare Committee	20,920	22,404
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	6,302	10,463
	$ 37,193	$ 35,297

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

	December 31	
	2015	2014
Joint venture	$ 541	$ -
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	1,146	925
	$ 1,687	$ 925

The selling prices for products sold to related parties were lower than those sold to third parties, except some related parties have no comparison with those sold to third parties. No guarantees had been given or received for trade receivables from related parties. No bad debt expense had been recognized for the years ended December 31, 2015 and 2014 for the amounts owed by related parties.

Purchase

	For the Year Ended December 31	
	2015	2014
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	$ -	$ 4,454

Purchase prices for related parties and third parties were similar.

Compensation of Key Management Personnel

	For the Year Ended December 31	
	2015	2014
Short-term benefits	$ 247,972	$ 528,353
Post-employment benefits	2,710	2,381
Share-based payments	85,273	60,921
	$ 335,955	$ 591,655

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

Property, Plant and Equipment Acquired

	For the Year Ended December 31	
	2015	2014
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	$ 2,695	$ -

Other Related-party Transactions

a. The Company leased staff dormitory owned by a related party under an operating lease agreement. The rental payment is determined at the prevailing rates in the surrounding area. The Company recognized and paid rental expenses amounting to NT$3,285 thousand and NT$5,209 thousand for the years ended December 31, 2015 and 2014, respectively.

b. Other related parties provide selling and marketing service to the Company. The selling and marketing service expenses were NT$10,300 thousand and NT$16,150 thousand for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2014, the unpaid selling and marketing service expenses was NT$158 thousand.

33. PLEDGED ASSETS

As of December 31, 2015 and 2014, the time of deposits amounting to NT$623 thousand and NT$664 thousand and were classified as other current financial assets were provided respectively as collateral for rental deposits.

34. COMMITMENTS, CONTINGENCIES AND SIGNIFICANT CONTRACTS

Lawsuit

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

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

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

   In March 2012, Washington Court granted on the Company's summary judgment motion and ruled on non-infringement of two of patents-in-suit. As for the third patents-in-suit, the Washington Court has granted a stay on case pending appeal decision. In January 2014, the Court of Appeal for the Federal Circuit affirmed the Washington Court's decision.

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

b. In July 2014, US patent holding company Acacia Research Corporation ("Acacia") has enforced its 6 AMR-WB standard essential patent portfolio against Deutsche Telekom and Vodafone separately in Germany through its subsidiary Saint Lawrence Communications GmbH ("SLC").

   In March 2015, SLC got granted 4 injunctions against Deutsche Telekom by the Mannheim court. For the 1st injunction, Deutsche Telekom had successfully stayed the enforcement by posting a counter bond in late March 2015. For the 2nd to 4th injunctions, SLC has not enforced them against Deutsche Telekom yet. The way SLC enforced this 6-patent portfolio is subject to the anti-competition review by European Commission.

   The litigations between SLC and Deutsche Telekom in Manheim and Vodafone in Dusseldorf are still ongoing. In order to protect the interest of the carrier customers, the Company has officially intervened these 2 disputes in the court procedure. In addition, the Company also sued Acacia for a declaratory judgment action in United States.

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

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

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31			
	2015		2014	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	$ 1,806,236	33.06	$ 2,160,227	31.67
EUR	131,664	36.13	196,735	38.49
JPY	2,592,347	0.2747	6,488,920	0.2648
RMB	827,354	5.03	1,109,920	5.10
Non-monetary items				
USD	82,243	33.06	61,581	31.67
Investments accounted for by the equity method				
USD	966	33.06	500	31.67
<u>Financial liabilities</u>				
Monetary items				
USD	1,291,619	33.06	1,683,114	31.67
EUR	102,841	36.13	165,221	38.49
JPY	2,538,893	0.2747	8,025,706	0.2648
RMB	375,856	5.03	801,706	5.10

For the years ended December, 2015 and 2014, realized and unrealized net foreign exchange gains were NT$689,281 thousand and NT$1,097,471 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

36. SIGNIFICANT CONTRACTS

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

Contractor	Term	Description
Apple, Inc.	January 1, 2015 - December 31, 2017	The scope of this license covers both the current and future patents held by the parties as agreed upon and specifically set forth in the agreement, with payment based on the agreement.
Qualcomm Incorporated.	December 20, 2000 to the following dates: a. If the Company materially breaches any agreement terms and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents. b. Any time when the Company is not using any of Qualcomm's intellectual property, the Company may terminate this agreement upon 60 days' prior written notice to Qualcomm.	Authorization to use CDMA technology to manufacture and sell units, royalty payment based on agreement.
Nokia Corporation	January 1, 2003 - December 31, 2016	Authorization to use wireless technology, like GSM; royalty payment based on agreement.
	January 1, 2014 - December 31, 2018	Patent and technology collaboration; payment for use of implementation patents based on agreement.
InterDigital Technology Corporation	December 31, 2003 to the expiry dates of these patents stated in the agreement.	Authorization to use TDMA and CDMA technologies; royalty payment based on agreement.
Koninklijke Philips Electronics N.V.	January 5, 2004 to the expiry dates of these patents stated in the agreement.	GSM/DCS 1800/1900 patent license; royalty payment based on agreement.

(Continued)

Contractor	Term	Description
MOTOROLA, Inc.	December 23, 2003 to the latest of the following dates: a. Expiry dates of patents stated in the agreement. b. Any time when the Company is not using any of Motorola's intellectual properties.	TDMA, NARROWBAND CDMA, WIDEBAND CDMA or TD/CDMA standards patent license or technology; royalty payment based on agreement.
Siemens Aktiengesellschaft	July 2004 to the expiry dates of these patents stated in the agreement.	Authorization to use GSM, GPRS or EDGE patent license or technology; royalty payment based on agreement.
IV International Licensing Netherlands, B.V.	November 2010 - June 2020	Authorization to use wireless technology; royalty payment based on agreement.
Telefonaktiebolaget LM Ericsson (PUBL)	December 31, 2014 - December 31, 2016	Authorization to use GSM and wireless technology; royalty payment based on agreement.

(Concluded)

37. SEGMENT INFORMATION

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

Operating segment financial information was as follows:

Geographical Areas

The Company's non-current assets (other than financial instruments, deferred tax assets and post-employment benefit assets) located in Taiwan and in single foreign country as of December 31, 2015 and 2014 were as follows:

	December 31	
	2015	2014
Taiwan	$ 18,544,478	$ 28,596,217
Country Y	3,120,219	4,060,449
Country Z	208,632	202,977
Others	5,595,980	7,703,051
	$ 27,469,309	$ 40,562,694

The Company's revenues from Taiwan and from single foreign country that were 10 percent or more of consolidated total revenues for the years ended December 31, 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	2014
Taiwan	$ 18,019,108	$ 19,024,109
Country Y	4,119,359	22,646,278
Country Z	35,220,079	48,628,331
Others	64,325,685	97,612,482
	$ 121,684,231	$ 187,911,200

Major Customers

The Company did not have transactions with single external customers whose revenues amounted to 10 percent or more of the Company's total revenues for the years ended December 31, 2015 and 2014.