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HTC 2015 Annual Report

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Dear Shareholders,

2015 was a deeply challenging year for HTC, as well as a year of radical transformation. Against a backdrop of fierce competition in our core smartphone market and extended consumer product replacement cycles, the past year has been dedicated to a comprehensive restructuring of HTC, with enormous effort invested into tackling considerable legacy issues and stabilising and improving processes across the business, in order to establish a firm foundation for the Company going forward. The resulting financial performance over the year has been disappointing, but we firmly believe that this huge undertaking was vital to enable the Company to meet current and future business challenges. We appreciate the continued belief of our shareholders in HTC over this period, and want to reassure them that the Company is now in much better shape to allow our DNA of innovation to shine through.

This year saw HTC reinvent itself, driving new businesses and realigning resources to refocus the Company for its next chapter of growth. Our business strategy has breathed fresh impetus into our brand awareness, and we have regained our reputation in the industry as an innovation leader. A brief overview of the year emphasizes the key achievements that position HTC well for growth:

- We implemented a bold diversification strategy, entering the fields of virtual reality and connected lifestyle devices as innovation leader and teaming up with the strongest brand partners in each sector;
- We reimagined the HTC brand, restating our brand promise as the Pursuit of Brilliance. This inherently defines our company culture and character, as well as conveying our mission to make products that enable our customers to pursue their own brilliance;
- We undertook a strategic realignment of the business to facilitate our diversification strategy, resulting in the creation of specialised business units clearly focused on innovation in their product category;
- We implemented a comprehensive, company-wide streamlining to put us on a firm competitive basis to execute our product plans, and fostered a leaner, nimbler and more dynamic organisation capable of responding more quickly to market trends;
- Our strategy to diversify our product portfolio into virtual reality and connect lifestyle devices has been well received by customers, partners, investors, and the media. Key stakeholders have expressed confidence in our innovation, technology leadership and ability to execute;
- We ended 2015 on a high note, with the annual peak of smartphone activations, along with the widely acclaimed, inaugural HTC Vive Unbound virtual reality developer conference in Beijing. Moreover, we had an excellent start to 2016, with resounding media and consumer acclaim at both the Consumer Electronics Show (CES) and Mobile World Congress (MWC), garnering over 50 awards across all of our product lines.

Ten years ago, HTC successfully transitioned from ODM to smartphone brand company; now with this diversification we have become a true personal technology innovator. With a clear vision and focused resources, we are confident that the Company can thrive in this next growth phase.

Product Strategy

As a pioneer in the smartphone market, HTC is credited with many industry firsts and technology breakthroughs over the past 19 years – a history defined by innovation, design and engineering excellence, and the building of strategic partnerships to facilitate the development of an industry ecosystem. This heritage in creating high-calibre consumer electronics experiences has positioned the Company well to seize new opportunities and extend into new markets.

Smartphones

HTC remains firmly committed to its smartphone business. The smartphone is the most personal of all consumer devices, and has become our digital hub, our link to a world of smart connected devices. Since smartphones and connected devices are so closely linked, they were brought together into one business unit within HTC, so that the design and engineering resources can benefit from cross-product synergies.

The HTC One range of high-end smartphones saw two key launches in 2015. The flagship HTC One M9 was launched at MWC 2015, complete with a dual-tone jewellery-grade finish and integrating a host of new editing effects to enhance photographic creativity and cinema-style surround sound. While the HTC One M9 did not perform as well as anticipated in the market, reducing the halo effect on the rest of the portfolio, it packed several new technologies and experiences that have since become staple features across both the HTC One and HTC Desire smartphone families.

The HTC Desire range of smartphones performed well throughout the year despite formidable competition in the mid-range segment, and a number of stand-out, region-specific product launches over the year enhanced HTC's brand presence and local market momentum. We were especially encouraged by their performance in some of the key emerging markets, such as the Middle East and India, where HTC experienced significant growth of sales and brand preference.

New York in October 2015 saw the webcast launch of the HTC One A9 at Brooklyn Stadium. A slimline smartphone powered by Android 6.0 Marshmallow and HTC Sense, the HTC One A9 combined HTC's iconic all-metal design with a high-end camera with OIS, high resolution audio and the best of Google's platform for a truly customizable experience. The HTC One A9 was well received among customers and the media, and the Q4 launch provided sales impetus into the holiday season.

Over 2015, HTC's smartphone business undertook a transition from a country-tailored approach to a global-centric strategy to ensure quality consistency, product stability and time-to-market schedules. Working in tandem with the connected devices group, the smartphone business unit has a clear, targeted roadmap for 2016 that looks set to once again raise the bar for smartphone standards. The highly acclaimed launch in April of the flagship for 2016, the HTC 10, raised the bar for design and technology excellence and reestablished the Company as a leader in the premium smartphone market.

Connected Devices

Fitness and healthcare is one of the two key branches of our diversification strategy. Partnering with the strongest brand in the industry, Under Armour®, HTC brings an innovative approach to fitness technology application that helps athletes gain insight into their health status, reach their goals and enhance their performance. The launch of the UA HealthBox™ at CES in January 2016 represents the first commercial implementation of this strategy.

Designed to capture and clearly present key data through an intuitive user interface, the UA HealthBox provides the tools athletes need to manage a complete picture of their health and fitness, including sleep, activity and nutrition, all powered by Under Armour's UA Record platform. UA HealthBox comprises a sleek UA Band™ for performance monitoring, the UA Scale™, a Bluetooth and Wi-Fi enabled scale that measures BMI and body fat percentage as well as weight, and the UA Heart Rate™ monitor with innovative micro snap technology for wear comfort. Combining Under Armour's extensive insight into the fitness industry and HTC's design and system engineering capabilities, this partnership looks set to redefine the sector.

Virtual Reality

Virtual reality is a disruptive technology with the potential to impact almost every aspect of our lives, just as the smartphone did, and the internet before it. Virtual reality will change how we are entertained, and how we communicate, learn, train and believe.

At MWC in March 2015, HTC unveiled the HTC Vive™ virtual reality system and its partnership with Valve®, the strongest brand in computer gaming, to great acclaim from customers and media alike. Overnight, HTC went from an unknown entity to innovation leader in the nascent consumer virtual reality space, with a commanding technological lead over its competitors and a clear vision to bring people and their imaginations closer together than ever before.

Boasting 360-degree room-scale tracking, high refresh rates and superior industrial design, augmented by an in-built camera and HTC phone services, the Vive's virtual reality experience has ignited the VR world. Now, the experience matches expectation, allowing users to fully immerse themselves in new environments and feel completely boundless.

Vive became commercially available in April 2016, having been fully productized within only one year of unveiling the developer kit – a rate of design and technological innovation and refinement unmatched in the industry. Already, there are many enterprise-focused training, retail, design, marketing and manufacturing applications across a wide spectrum of industry sectors, including healthcare, automotive and property as well as entertainment and gaming, and Vive looks set to define the consumer virtual reality segment in the year ahead.

Financial Performance

HTC saw a significant increase in complexity of the business in 2015 due to the diversification into virtual reality and connected devices. The extensive review of company structure, processes and operations over 2015 helped to realign resources and provide greater focus for innovation. In August, we announced a strategic realignment, the creation of new business units and a comprehensive program of operating expenditure rationalization and reduction of up to 35% in order to prepare the business for current and planned operations. This sizeable restructuring is expected to complete by the end of 3Q16. As a result, HTC posted full-year consolidated revenues of NT$ 121.7 billion, with consolidated gross profit of NT$ 22.0 billion. Consolidated gross margins were 18.0%, while operating margins decreased to -11.7%. Net profit after tax stood at -NT$ 15.5 billion, which equates to a full-year loss per share (LPS) of NT$18.79.

We are looking forward to reaping the benefits of the realignment exercise going forward, while at the same time anticipating material contributions from the new product areas of virtual reality and connected devices.

Brand

In 2015, we redefined our brand promise as the Pursuit of Brilliance, not only as our corporate ethos to pursue brilliance in everything we do, but in the creation of beautiful, intuitive and highly functional products that enable our customers to share their ambitions and pursue their own brilliance. HTC strives every day to bring the very best design and technology to people, to enable them to live their lives better and to bring value to society.

Our vision remains to foster human connectiveness, to bring people closer together, and to enable people around the world access to the digital universe of information, education, entertainment and experiences. Our brand represents the resonance, meaning and promise to our customers, partners and employees, and the pursuit of brilliance is the key driver behind all of our innovation. If we unite behind this vision, our belief will be rewarded in the years ahead as HTC rises again to pioneer new markets and new experiences.

Social Responsibility

HTC has long held that as a company our responsibility goes beyond creating the most innovative products. In every aspect of our operations, we strive to improve ourselves through a comprehensive program of initiatives to minimize our environmental impact and add value to society.

HTC's standard smartphone retail box primarily comprises fast-renewable material, while its light weight reduces its transhipment carbon footprint; in 2015 we added a certification on the box to alert consumers to environmental awareness. On the manufacturing side, HTC continues to promote energy management, with savings in electricity use up to 25% and a total reduction in carbon emissions of 11.6 million kg of CO2e, equating to a reduction in greenhouse gas emissions up to 26%. We continue to seek ways to improve our production processes, from raw material sourcing right through to retail delivery, to contribute to improving the environment. The HTC Foundation also had a busy year, supporting schools and teachers in Taiwan through courses to help children and youngsters develop good character and motivation.

Throughout all of our operations and partnerships, HTC seeks to ensure the highest standards of environmental concern as well as quality, consistency and performance, in line with our brand promise to pursue brilliance in all aspects of our business.

HTC Corporation
Chairwoman and CEO

COMPANY PROFILE

COMPANY PROFILE

About HTC

HTC brings brilliance to life through leading innovation in smart mobile device and experience design. Beginning with a vision to put a personal computer in the palm of our customers' hands, we have led the way in the evolution from palm PC to smartphone, and are now applying that same innovative approach to connected devices and virtual reality.

The Pursuit of Brilliance is at the heart of everything we do, inspiring best-in-class design and game-changing mobile and virtual reality experiences for consumers around the world. At HTC, the Pursuit of Brilliance is the impulse to create, to venture into the unknown with an unwavering dedication to bring innovative design to life. It pushes us every day to re-imagine new ways to connect the world, our consumers, and their pursuits in ways never before thought possible.

An Unending Curiosity

At HTC, we go where others haven't thought to. Breaking down barriers and creating industry firsts is a large part of our history, which is why HTC has become synonymous with innovation, engineering breakthroughs, and designing the future of human communications as we continue to expand into uncharted product territories.

An Unyielding Resilience

Strong character is at our core. Award-winning vision requires taking risks and challenging convention. From the very beginning, resilience has been at the heart of our creative spirit. To this day, we stay committed to our pursuit, believing that the greatest ideas transcend temporary recognition: they influence behavior, shape lives, and inspire new thinking.

A Refined Approach

We hold our ideas and our products to a higher set of standards. That is why we design for performance over popularity – and our partners have taken notice. Other industry leaders come to us because they understand that we create great products with an eye for design and mind for engineering that's celebrated by the industry and customers alike.

A Real Impact

It is our belief that technology's purpose has always been to bring humanity together to overcome and conquer difficult challenges. That is why we always design our technology to generate a real impact – to serve a greater, human purpose that every single human being can benefit from.

A Greater Purpose

HTC takes a broader approach to serving society and making life better. We believe that we can make more of a difference looking beyond the obvious, reaching out to people and enabling them to make a difference, and in improving the way we do things.

Our strengths in design are not limited to creating great looking hardware. Our standards extend to our manufacturing processes as well. That's why our factories are among the most environmentally responsible in the world, and why our offices have earned global acclaim, setting the gold standard in energy efficiency.

We have also expanded our environmental initiatives to shape the entire customer experience. Our product packaging is primarily made of fast-renewable materials such as bamboo and bagasse. In 2013, the HTC One (M7) was the first smartphone in the world built to international specifications of complete carbon footprint and lifecycle assessments. That's an industry first we're particularly proud of.

At HTC, we do all of these things in the knowledge that we're always creating for the future. To that end, we realize that bringing the future to life ultimately rests in the hands of our youth. Through the HTC Foundation and our Summer Family Camp we provide humanitarian and social support to those most in need while also assisting in the teaching and development of a strong sense of character and social values in youth. We believe that the future is for everyone, which is why we strive to ensure that every child has the opportunity to be part of the next generation of leaders and visionaries.

This evolutionary path is a piece of the much larger journey we aim to take in the future. In 2014, we expanded into new categories with the HTC RE™ camera. In 2016, we unveiled UA HealthBox™, which brings an innovative approach to fitness technology, and HTC Vive™ that provides users the most immersive virtual reality experience. It is important to remember what brought us to where we are now, and why we do the work we do. From our people to our products and our social and environmental initiatives, the Pursuit of Brilliance represents the guiding philosophy that has shaped and will continue to shape HTC as a global organization.

Company History

HTC started with the goal of bringing the power of computing into the hands of people around the world. To date, our Company has been through four major transformations that have helped us reinvent ourselves and achieve new growth.

Professional PDA Designer

Soon after beginning operations in 1997, HTC was selected by Microsoft to develop products using Windows CE, the newly launched embedded operating system designed specifically for consumer electronics products. The then President (now the Director of the Board) HT Cho and then Vice President Peter Chou put together HTC's first R&D team and developed the world's first handheld personal data assistant (PDA) to run on Windows CE. This significant first step helped HTC become an important partner of Microsoft Corporation and built the solid foundation on which the HTC-Microsoft partnership continues to grow and flourish. The Compaq iPAQ, manufactured by HTC for Compaq Computer became a huge market success when launched in 2000 and started a new phase for HTC in the PDA segment.

Smartphone Leader

HTC's first major turning point came in 1999, when the Company moved into the telecommunications arena, reflecting the increasingly important role of mobile telecommunications products in the daily lives of consumers. HTC predicted that the GSM standard would spread from Europe to dominate U.S. and Japanese markets; so we visited Europe's largest telecommunications companies to discuss an innovative new approach for the industry – the development of "customized" devices for the wireless communication market. In 2002, HTC broke new ground in the industry by launching two new mobile wireless devices, the O2 XDA and Orange SPV in partnership with O2 (UK) and Orange (France) respectively. The products, designed around Microsoft's latest operating system, helped telecommunication service providers increase average revenue per user (ARPU) and earned worldwide attention.

HTC was the first to integrate Internet, entertainment, video and personal assistant functions into a mobile phone with a large dimension onto high resolution and full color display panel. This ushered in a new era in the history of the mobile phone. It was at this point that HTC began to develop products in partnership with customers and to tailor products based on telecommunications services provided by its customers. This marks the beginning of HTC's efforts in building a global sales and service network and its entrance into the global telecommunications market.

HTC Brand

Launch of the HTC brand globally in 2007 committed the Company formally to long-term global brand development. HTC subsequently launched HTC Touch, placing HTC in the front and center of growing worldwide excitement over touch screen smart phones. In 2009, HTC unveiled its all-new user interface, HTC Sense™, delivering a simpler and much more intuitive user experience. HTC then proceeded to introduce its competitive new lineup to the world through its "quietly brilliant" tagline and global "YOU" advertising campaigns. HTC also sponsored the Tour de France and Wallpaper annual design awards. Each step along the way has been carefully considered to raise HTC brand awareness in all key markets.

Quietly brilliant is deeply rooted within HTC's corporate culture. We continue to roll out phones with innovative features to satisfy the needs of different consumers, changing the way they enjoy the mobile lifestyle. With the smartphone market booming in recent years, HTC has actively recruited outstanding talent in product design, user interface, brand and sales and marketing. This talent has enabled HTC to receive global recognition, with awards including "Device Manufacturer of the Year" at Mobile World Congress in 2011, and HTC was listed in the top 100 international brands by Interbrand in the same year.

In 2014, HTC undertook to evolve its brand strategy and identified our organizational purpose: to bring brilliance to life by striving to develop innovation that fosters human connectiveness. The pursuit of brilliance is at the heart of everything we do. It is the impulse to create, to venture into the unknown with an unwavering dedication to bring innovation to life. It pushes us every day to re-imagine new ways to connect the world, our consumers, and their pursuits in ways never before thought possible.

By streamlining our communication channels, we deliver simplified and consistent brand messages to enable consumers to better understand our brand vision. Through the reinforcement of global social media and interaction with users, we establish strong social engagement and amplify the message of our connections to each other.

Diversification into Connected Devices and Virtual Reality

In 2015, HTC unveiled a robust diversification strategy that leveraged our extensive design and engineering capabilities and strong collaboration culture that has continually brought to market high quality consumer electronics products.

HTC applied its heritage in innovative approaches to the field of fitness, where, together with partner Under Armour®, the leading brand in the fitness space, HTC launched the UA HealthBox™, providing comprehensive holistic information to enable users to monitor and improve their performance.

Stepping into the nascent field of consumer virtual reality (VR), we unveiled the HTC Vive™ in 2015, the first complete virtual reality system, which has been well received by consumers and media alike. Partnering with Valve®, the strongest brand in PC gaming, virtual reality has the potential to impact every aspect of our lives including how we communicate, train, and believe. HTC Vive is set to create the broader world that's beyond imagination.

HTC understands that the growth of the consumer virtual reality industry relies on a healthy industry eco-system, thus HTC founded the Asia-Pacific Virtual Reality Industry Alliance in April of 2016 comprising numerous organizations involved in the virtual reality industry, to help accelerate the development of the VR market. HTC also launched an accelerator program called Vive X aimed at promoting the eco-development of virtual reality by providing professional guidance, tools and investment for developers of VR content. This will enable the Vive platform to be central to the VR eco-system and cultivate more advantageous resources to ensure the continued success virtual reality in the consumer space.

Product Development

HTC has embarked on an aggressive program to diversify its product portfolio over the last two years, building on its innovation and the breadth and depth of its world-class pool of design and engineering talent to develop new products that foster a more convenient, more connected life. HTC continued to innovate across its smartphone range, while entering the new markets of wearables, with the launch of the UA Healthbox™, and the nascent market for consumer virtual reality with the HTC Vive™, emerging as the innovation leader in each segment.

Smartphones

In 2015, HTC developed a new portfolio of "One" series devices for the entry- to mid-tier premium smartphone market that truly embodies the HTC heritage of high-end innovation. HTC One Series smartphones are dressed luxuriously in metal and boast best-in-class technology and software innovation.

The HTC Desire series represents chic and trendy, reflected in several innovative finishes over the last year, such as the dual-tone and dual-finish design of 2015 devices and the unique micro-splash design of 2016 devices. Moreover, HTC took the strategic step to incorporate some of the premium imaging and audio features of the HTC One series phones into the HTC Desire range, providing a strong value proposition within each market segment.

Both series are designed to complement each other, appealing to different groups of customers by age, gender, and design preference.

HTC One A9

In October 2015, the HTC One A9 was unveiled at an event in New York. The slimline HTC One A9 underscores the close collaboration between HTC and Google, melding the best of HTC's acclaimed design and innovation with the latest from Google's Android. The HTC One A9 is a stunning, no-compromise smartphone that stands out from the crowd, built for people who want a better choice, and combining striking design on the outside with the newest features of Android 6.0 Marshmallow with HTC Sense on the inside for an unrivalled smartphone experience.

An evolution of the iconic HTC One family design, the HTC One A9 draws on natural beauty by using rich, striking colours and unique metal finishes – an approach that HTC calls "metalmorphics." New curves, refined edges, and precision-cut ridges on the power button and the super-thin metal frame give the phone a smooth, lightweight feel.

The HTC One A9's front and rear cameras, coupled with powerful yet simple editing tools, enabled great photos and videos at a tap. The main 13MP rear camera features optical image stabilisation (OIS), which automatically minimizes hand shake and corrects vibrations to give a crystal-clear picture every time. Meanwhile, the front UltraPixel camera delivers the best self-portraits in any lighting condition, capturing 300% more light than conventional smartphone cameras.

Also significant is the engineering that goes deep into the heart of the Android operating system to produce an extra level of fluidity and responsiveness compared to other Android phones. The HTC One A9 was the first non-Nexus smartphone powered by Android 6.0 Marshmallow, and provided Google's latest innovations with the simplicity of HTC Sense out of the box.

HTC One X9

Launched at Mobile World Congress 2016, the HTC One X9 aims to offer an alternative after the success of HTC One A9, delivering the same experience in a larger 5.5-inch display but in a more compact form factor. HTC One X9 has the look and feel of high end silk, creating a softer, warmer and more luxurious finish to the phone. Taking cues from HTC's metalmorphics philosophy, the HTC One X9 used a new technique to give it its fine silk-like texture.

The camera quality on the HTC One X9 is one of the best in its class. By precision engineering two cameras, one front and one back, and incorporating numerous image-enhancing features, the HTC One X9 enables the capture of breathtaking shots every time and from every angle. There was also no compromise on audio, with the HTC One X9 creating larger than life audio delivered by HTC BoomSound™ with Dolby™ Surround. Integrated amplifiers are designed to bring out the best of music and provide an even more dynamic range of sound.

HTC Desire Series

The perfect balance of modern style and performance, the HTC Desire series represents the continued pursuit of brilliance in innovation as part of its market strategy to elevate itself as a premium product range.

Over the past year, HTC has carried many of the features of its key 2015 HTC One devices across to the HTC Desire series, including:

- The latest HTC Sense 7 user experience. The HTC Desire smartphones can be customized with HTC Themes, HTC BlinkFeed™ and HTC Sense Home applications.
- Advanced imaging features such as optical image stabilisation (OIS) that were previously found only in premium smartphones. The Desire 828 was the first mid-tier smartphone to feature OIS and set itself apart for high quality imaging equivalent to premium smartphones.
- 2015 models featured a dual tone and dual finish matte design that made phones comfortable and easy to grip, while the vivid colours created an unique style and individualism.
- A new line of Desire smartphones launched in early 2016 incorporated an innovative micro-splash body design, reflecting the latest fashion trends in urban street wear and seamlessly blending fashion with consumer electronics.
- HTC's acclaimed audio technology was augmented in the HTC Desire 826, which was the first to use HTC BoomSound with Dolby Surround sound technology.
- The HTC Desire 826 was also the first HTC smartphone to feature the UltraPixel™ front camera to facilitate stunning self-portraits in any light condition, offering better value to its target market.

In 2015, HTC Desire launched the HTC Desire 8 series, 6 series and 5 series smartphones to strengthen the roadmap for the Desire series. The highlight HTC Desire 826 not only boasted HTC BoomSound™ with Dolby® Surround sound technology, it was also the first HTC smartphone to feature the UltraPixel™ front camera to facilitate stunning self-portraits in any light condition, offering better value to its target market. Together with HTC's acclaimed HTC EYE™ Experience and a cinematic 5.5 inch high definition display, the incredible front and 13 megapixel rear cameras on the HTC Desire 826 capture cherished moments in stunning quality. With this, HTC is the first smartphone company to combine dual front-facing stereo speakers, a finely tuned sound profile and Dolby's decoding technology to deliver an end-to-end multi-channel audio solution.

In early 2016, HTC launched three new Desire models – HTC Desire 530, 630 and 825. The design of these three newest editions to the Desire range bridged the gap between fashion and consumer electronics. Using a specially created micro-splash effect on the polycarbonate shell, every single phone has a unique look. HTC's design team deployed a distinctive paint process that treats each phone as a canvas. Utilizing specially designed spray nozzles and different settings of pressure and paint viscosity, we were able create an object that not only looks different, but that looks like nothing else on the market.

But it's not just about design. Sound is also incredibly important and, whilst music choice is highly personal, the demand for high quality audio is universal. Both the Desire 630 and 825 are Hi-Res Audio certified and feature HTC's revolutionary BoomSound with Dolby Audio™ technology. Combined with audio playback that is four times more detailed than CD quality, the user is guaranteed a richer and more dynamic music experience.

Precision engineering continues with an 8MP rear camera on the HTC Desire 530, a 13MP on the Desire 630 and Desire 825, and built-in BSI sensors that increase the amount of light captured, resulting in great images whatever time of day. Additional features such as burst shot and sweep panorama allow the user to freeze movement and create professional looking landscape photos, with Google Photos providing an ideal storage facility for pictures and videos.

HTC 10

On April 12, 2016, HTC unveiled the latest flagship smartphone: the HTC 10, delivering everything that customers want from a flagship smartphone. Inspired by light and sculpted to perfection, the HTC 10 employs a new approach to design in which bold contours are carved out of solid metal. Capturing the light beautifully, the chamfered edges create a slender look, with its full-glass front merging seamlessly into the metal body. Attention to detail extends to even the smallest things such as the power button, with its carefully adjusted pitch and pressure to evoke a premium feel. The phone reveals a cinema-grade display that is specially tuned to match Digital Cinema Initiatives (DCI) standards. The result is a breathtaking display delivering 30 percent more colours than previous generation screens.

The HTC 10 has been acclaimed as having the best smartphone camera available on the market today. With the world's first optically stabilised front camera, the imaging experience on both front and back cameras have been matched. There are also faster and brighter aperture f/1.8 lenses on both the front and rear cameras, new larger sensors, 12 million new-generation UltraPixels (1.55µm per pixel), faster laser autofocus powering the main camera and a wide angle lens and screen flash on the front UltraSelfie™ camera, delivering brilliantly sharp, low light and high-resolution photos. Its DxOMark score of 88, one of the highest camera quality scores of any smartphone, is the result of tens of thousands of hours spent fine-tuning each element to deliver world-class photos and videos.

The HTC 10 also features a redesigned camera interface, which is now simplified and more intuitive. Switching between modes is now a swipe away. Prosumers who want more control over the camera are pleased with the Pro mode, which can alter the values of the white balance, exposure, shutter speed, ISO level and manual focusing. You can even choose to shoot in RAW format, preserving all the important data so you can fine-tune the photo later.

HTC has always set the industry benchmark for audio, consistently reviewed as the gold standard by many audiophiles and musicians. And the new HTC 10 brings this to a new level, reproducing the sound just as the artist intended. Fundamental audio processing is enhanced with 24-bit 192kHz Hi-Res Audio that is certified to bring you studio-quality sound, capturing 256 times more detail across twice the frequency range. The HTC BoomSound™ Hi-Fi edition speakers feature the same separated tweeter and woofer design as leading acoustic systems, with a dedicated amplifier for each speaker to deliver both wide dynamic range and rich sound field for audio quality unprecedented for a smartphone.

Moreover, HTC's Personal Audio Profile is designed to enhance the sound output to match your unique hearing capabilities, so users can hear every note clearly, even down to balancing the left and right ear, analyzing the spectrum and frequencies which differs from person to person, so that the sound appears to be natural and comfortable. This is completed by a pair of Hi-Res Audio certified earphones, featuring a driver that is 70% bigger and a new aerospace-grade diaphragm, capable of delivering 2x wider range of sound.

HTC has also delivered what we believe to be best in class software by focusing on getting the fundamentals right. By reducing the number of duplicative and pre-loaded apps and bloatware, and integrating the best of both HTC and Google, we have created a more streamlined phone that enables you to decide what you want on your handset.

We've done everything possible to ensure that the HTC 10 maintains amazing performance even after extended usage. HTC's new Boost+ technology intelligently monitors and allocates resources to applications, automatically freeing up memory, removing junk, and more to enable the most efficient use of power to extend battery life.

HTC is also providing more ways to personalise the HTC 10. From the standard, professionally-created themes that are available in the HTC Themes store to a new layout we call Freestyle layout, we have eliminated the conventional grid design and introduced stickers in replacement of icons that can be freely placed anywhere on the screen.

HTC 10 is the apex of today's flagship smartphones and wholly embodies our pursuit of brilliance brand promise. It represents the best of HTC and what we have always been passionate about, and that is to deliver the best smartphone user experience to our customers.

Smartphone Accessories

HTC DotView™ is regarded by users as the most innovative cover accessories for smartphones. Apart from its primary function of protecting the phone, its display allows users to see notifications and alerts, as well as answer calls, without opening the front cover. In 2015, we released HTC Dot View™ II, the second generation cover, which incorporates a clear back to show off the HTC One M9 in its full glory. Dot View II retains all the great features found in the original Dot View, and adds support for more holiday themes, scrolling messages, games and controls for music and other applications.

In 2016, we are releasing HTC Ice View, our most versatile case yet, combining protection for the phone with instant accessibility. Because HTC Ice View is translucent, users can do more with their phone without having to lift the cover, including take photos, read text, adjust the volume, switch between songs, turn on the flashlight, and much more. HTC Ice View also supports 3rd party notifications such as Instagram, Tumblr, Google+, QQ and more – so users can follow their favourite social media at a glance.

Finally, JBL and HTC have collaborated on the world's first USB-C sport earphones with noise cancellation and adaptive noise control. Specially designed and built for HTC 10, JBL Reflect Aware C earphones combine sweat-proof design with digital audio and battery-free active noise cancellation powered by the HTC 10's USB-C port, enabling the user to shut the outside world out and enjoy better-than-CD quality music without a bulky external battery. There's even a setting to allow users to adjust noise levels to hear as much, or as little, of your surroundings as they like.

The HTC 10 is the epitome of excellence and is set to provide the halo of innovation and quality for the whole smartphone portfolio for 2016.

Connected Devices

Over the last year, HTC has made inroads into the growing area of wearables. Wearable is one of the fastest growing categories with many opportunities for improving the health and lifestyle of consumers. It represents a key area of focus because it has become a way to monitor, understand, and know ourselves better, and is most effective when used in conjunction with your smartphone to connect to cloud-based tracking and notification services.

In collaboration with our strategic partner in this segment, Under Armour®, the fastest growing sports brand in the world, we developed the UA HealthBox™, the world's first connected fitness system. The UA HealthBox enables users to monitor, store and understand their 24/7 daily activities, workouts, nutrition, and sleep. The information is then stored in UA Record™, the world's largest social sports network, where it is analysed to provide users information to reach their health goals. UA HealthBox demonstrates HTC's capabilities in developing fashionable, useful, and robust consumer products that are differentiated from existing products in the market.

Launched at the Consumer Electronics Show in January 2016 to considerable acclaim, the UA HealthBox is designed and manufactured by HTC and includes a fitness band, heart rate monitor, and smart scale that together connect seamlessly with UA Record to provide insights that empower individuals to improve their health and fitness. Following the same philosophy HTC takes when designing smartphones, UA HealthBox removes the barriers and complexity of technology with a simple to set up and easy to use system.

UA Band™ is extremely light, comfortable and designed to be worn all day, every day. It is ergonomically designed with a textured underside to allow for moisture wicking. It tracks daily activities, workouts, and sleep. UA Band allows users to set a daily goal and track progress on the band. UA Band utilizes a seamless exterior shell with a display that is discreetly hidden under an outer layer, allowing the technology to disappear when not in use. Designed with athletes and health enthusiasts in mind, the band offers an advanced workout mode with a display that stays on during the workout, as well as an LED that indicates heart rate zone when paired with UA Heart Rate™. Training

within the correct heart rate zone enables users to get better, more fit, and achieve their fitness goals faster. It offers a scientifically proven methodology behind training to ensure users maximize their workout time in the gym, running, or doing other exercises. While UA Band™ is designed to work well with UA Heart Rate™ for zone training exercise, it also features a built-in optical heart rate monitor so that users can monitor their heart rate and is also able to accurately and automatically track sleep time and sleep quality. The built-in pedometer, smartphone integration for notifications, clock, and music remote control capabilities provide additional usefulness that ensure the UA Band is integrated with a user's mobile lifestyle.

UA Heart Rate™ is a compact heart rate monitor with an innovative micro snap technology designed to make it extremely comfortable during workouts. This micro snap technology, called MoveSense, is an open system found in various performance clothing to allow UA Heart Rate to plug directly into the sports apparel without a dedicated strap. UA Heart Rate helps individuals monitor their heart rate zone accurately – and train smarter – when combined with UA Willpower to measure the intensity of workouts. Combined with the UA Record™ app, UA Heart Rate allows the user to customize heart rate and calculate calories burnt so that he or she can maximize their time during workouts.

Finally, in order to see results and help users work towards their objective, UA HealthBox comes with a specialized scale. Called UA Scale™, it is a beautifully crafted, Wi-Fi enabled scale with an iconic circular design. The scale utilizes a sheet of glass with advanced conductive paint technology that enables weight and body fat percentage readings. The hidden LED display behind the glass makes technology invisible when not in use. The scale can support up to eight users and syncs with the UA Record app for individuals to view trends with weight as part of their overall dashboard. UA Scale comes in black with a red textured underside that matches UA Band, providing a cohesive design within the entire product bundle.

UA HealthBox is designed to work with iOS and Android. Through an app available on the Apple App Store and Google Play, all the information that is monitored, such as daily activities, workouts, nutrition, and wellness, is recorded in real-time into UA Record, a cloud-based sports social network. UA Record features built-in artificial intelligence designed to help athletes see their progress and understand their health. It further provides additional social elements that allow users to interact and seek advice from their fellow athletes, as well as participate in challenges so that they can reach their fitness goals even faster.

Virtual Reality

Virtual reality looks set to change our world as smartphones did, and the internet before that. Virtual reality represents the convergence of technology, humanity and imagination, and the opportunities for expansion, ubiquity, and changing the face of many industries are vast.

In close collaboration with our strategic partner, Valve®, HTC has delivered the most complete, most immersive virtual reality system in the HTC Vive™, and the only consumer virtual reality system on the market that enables room-scale motion with precision tracking, enabling users to experience virtual reality using their visual, aural and physical senses.

HTC Vive™'s 360-degree virtual reality experience is changing the virtual reality world. Now, the experience matches expectation, allowing users to immerse themselves in new environments and feel completely boundless. This boundless philosophy asserts Vive as a platform for content of all kinds and scales. From education to medicine, Vive will re-shape how we interact with our world.

In 2015, we launched the developer edition of Vive at Mobile World Congress to great acclaim. This year we began shipping Vive to consumers in 25 countries. With Vive now commercially available, HTC is fulfilling the promise of creating fully immersive experiences that change how we communicate, how we are entertained, and how we learn and train. Each and every component has been redesigned from the ground up to provide better comfort, ergonomics, and performance. With milestone improvements in both visuals and versatility, Vive creates a world without limits.

The final commercial design of the Vive headset was refined to offer greater comfort to the wearer, increasing the sense of immersion in the virtual worlds it creates. The headset is now more compact and features an updated strap design that provides greater stability and balance. An improved visual system with brighter displays and image refinements leads to increased clarity, and an even deeper sense of presence.

Vive also brings elements of the real world into the virtual realm, with a newly developed front facing camera that integrates a Chaperone mode to allow users to move more safely inside their virtual world by blending physical elements into the virtual space. Vive Phone Services enable users to receive and respond to messages while in their virtual world, ensuring that they stay connected when they need to be.

Completing the experience, the Vive controllers have been overhauled and enhanced with updated ergonomics and softer edges, greater balance, new textured buttons, and grip pads for a more comfortable feel in the hand. The new dual stage trigger makes interaction with objects smoother, and haptic feedback delivers vital feedback about your interactions with the virtual world. For power, the controllers now feature integrated rechargeable lithium polymer batteries with micro-USB charging that provide over 4 hours of runtime on a single charge. The Vive base stations have also been redesigned to be more compact, quieter, and provide improved tracking.

The Vive is the first VR hardware system to natively support Steam VR. Created by Valve®, Steam VR tracking and the Chaperone system are optimized for use with Steam™, the largest online game platform for PC, Linux and Mac games.

Through Valve's Steam platform, HTC is able to leverages Steam's enormous, passionately loyal community with over 125 million active gamers and close to 9 million concurrent users, ensuring Vive becomes the gold standard for the VR gaming experience.

Since announcing HTC Vive, HTC and Valve have worked with thousands of developers and partners to create VR content across a wide spectrum of sectors, from gaming and entertainment to health, automotive, retail and education. Vive partners are showcasing VR applications around the world, demonstrating the potential of a world without limits on the imagination.

Strategic B2B partner, Dassault Systèmes, the 3DEXPERIENCE company, showcases the future of 3D product design, marketing, manufacturing and even urban planning applications in VR, helping to drive Vive into the enterprise space, while leading automotive manufacturers like Audi and BMW have created a premium retail experience with Vive, where consumers can explore their dream car, and have joined companies in several industries that are exploring global collaboration opportunities using virtual reality.

Vive has been a major highlight at all the key events on the consumer tech calendar, including the Consumer Electronics Show, Mobile World Congress and Game Developers Conference. A multitude of partners and developers show off their unique experiences on the Vive alongside our presence, demonstrating the content breadth and support for Vive.

Over the past year, HTC has been widely recognized as the clear leader in innovation across its whole portfolio, and has earned over 85 awards so far in 2016 for its smartphones, the UA HealthBox™ and the Vive virtual reality system, building on a growing swell of acclaim in 2015. Critics are calling the HTC 10 the best Android phone on the market, praising HTC's innovative approach to fitness and performance with the UA Healthbox, and been bowled over by the total immersion in virtual reality with Vive. This outstanding product performance has set HTC a new standard to achieve over 2016, through our pursuit of brilliance in all aspects of our approach to product design, functionality and engineering.

Board of Directors and Supervisors

Cher Wang | HT Cho | Wen-Chi Chen | Chen-Kuo Lin | David Bruce Yoffie | Josef Felder | Jerry H.C. Chu | Shao-Lun Lee

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Chairwoman

Wen-Chi Chen
Director

HT Cho
Director

Chen-Kuo Lin
Independent Director
Member of the Compensation Committee

David Bruce Yoffie
Director

Josef Felder
Independent Director

Board of Supervisors

Jerry H.C. Chu
Supervisor

Shao-Lun Lee
Supervisor on behalf of Way-Chih Investment Co., Ltd.

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Chairwoman &
Chief Executive Officer

Chialin Chang
President of Global Sales &
Chief Financial Officer, Smartphone & Connected Devices Business

David Chen
Chief Operating Officer

WH Liu
Chief Technology Officer

Jack Tong
President of North Asia

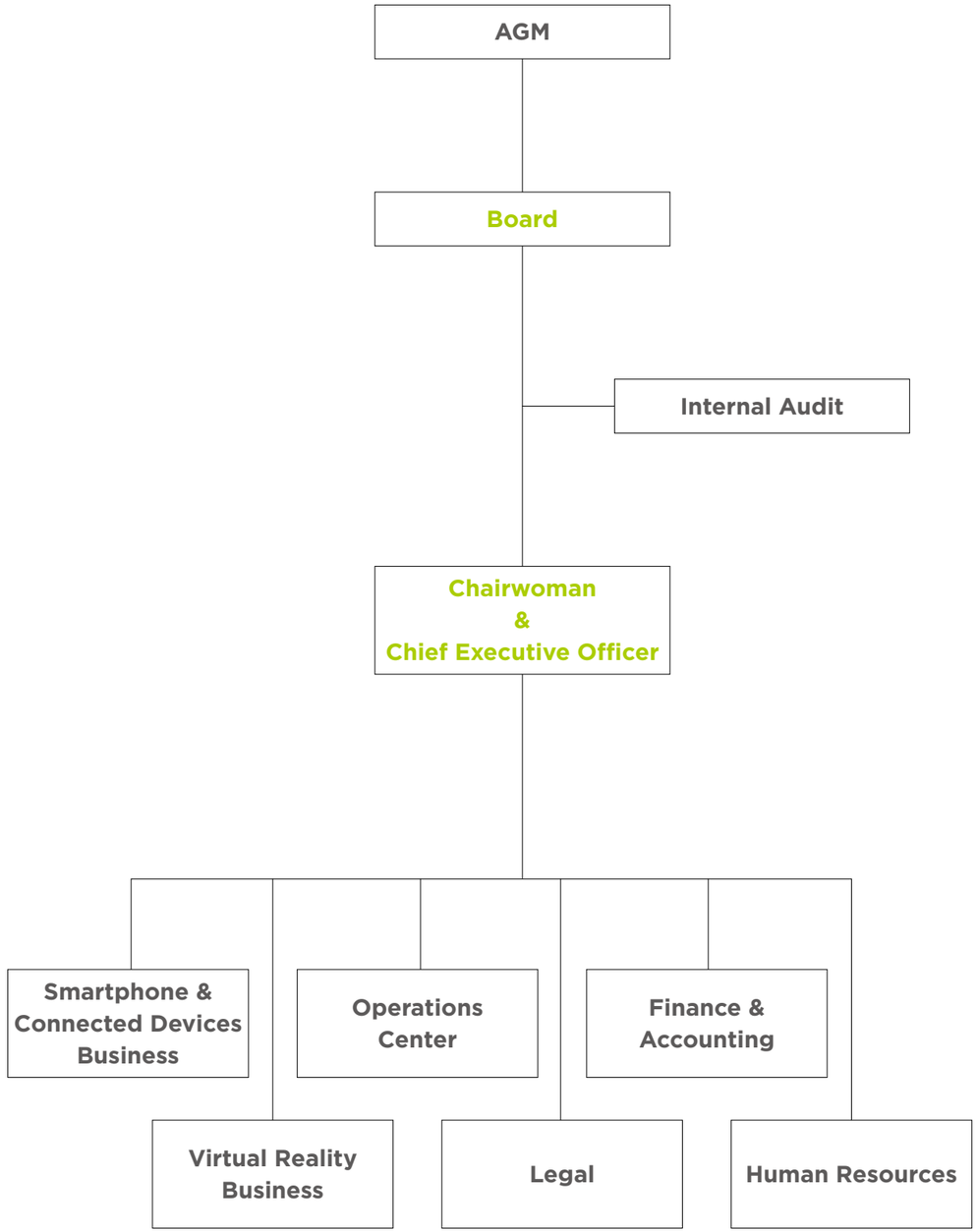
Marcus Woo
General Counsel

Crystal Liu
Vice President

Edward Wang
Vice President

Hsiu Lai
Associate Vice President

Organization



Organization Functions

Virtual Reality Business

Cher Wang (Concurrent)
Chairwoman &
CEO

Responsible for global Virtual Reality business, including sales, engineering, operations, business, strategy development in planning, implementation and management

Smartphone & Connected Devices Business

Chialin Chang
President of Global Sales &
Chief Financial Officer

Leads the global Smartphone & Connected Devices Business product sales, responsible for production promotion, new customer development, customer relations, customer service and communication.

Operations Center

David Chen
Chief Operating Officer

Responsible for the execution of products research and development, manufacturing, production planning, management and quality.

Finance & Accounting

Chialin Chang (Concurrent)
President of Global Sales &
Chief Financial Officer

Responsible for corporate governance, investor relations, global tax planning, cash management, investment planning, risk management, shareholder services and business and cost analysis.

Legal

Marcus Woo
General Counsel

Responsible for legal strategy, contracts, litigation, and protection of intellectual property.

Human Resources

Crystal Liu
Vice President

Responsible for corporate human resource development and administration; promoting HTC corporate culture and employee benefit programs; conducting organizational and human resource planning to support corporate development.

Internal Audit

Ken Wang
Senior Director

Inspect and review effectiveness of the internal control system, as well as measure operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.

Worldwide Office Locations

HTC is headquartered in Taiwan with sales and service centers in Europe, the Americas and Asia to ensure our ability to service clients and enhance relationships with consumers. HTC maintains a presence in all key markets, including the United States, Canada, the United Kingdom, Germany, France, Italy, the Netherlands, Spain, Poland, Czech Republic, Denmark, Sweden, Russia, Indonesia, India, Australia, China, Japan, Hong Kong, Singapore, Thailand, Myanmar, Vietnam, Malaysia, the United Arab Emirates (UAE) and Brazil.

Key HTC Operation Centers

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HTC Electronics (Shanghai) Co., Ltd.
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Fax: +86-21-6818-7900

Human Resources

Employees represent one of HTC's most valuable assets. The company has, in recent years, actively recruited outstanding talent into its ranks –particularly in the areas of product design, user interface, brand promotion, and sales and marketing. While bringing on professionals from Europe and the Americas, we have also invested significant resources into making the work environment at HTC diverse, challenging, and encouraging.

As of March 31, 2016, HTC employed 11,472 staff worldwide. 25.02% (482) of all HTC managerial positions are held by non-Taiwanese managers. Non-Taiwanese managerial and technical staff filled 18.81% of HTC managerial and technical positions. Women held 18.78% of HTC's 1,411 managerial positions.

Statistics Related to the Structure of Human Resources at HTC (excluding outsourced labor)

Employees by Position Type

	Mar. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Management	1,411	1,470	1,438	1,514
Specialists	3,027	3,136	3,671	3,929
Administrators	935	999	1,219	1,338
Technical Staff	6,099	6,837	10,572	12,471
Total	11,472	12,442	16,900	19,252

Gender, Average Age and Average Years of Service

	Mar. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Male	6,063	6,524	8,699	9,662
Female	5,409	5,918	8,201	9,590
Average Age	32.5	31.98	30.36	29.35
Average Years of Service	4.63	4.38	3.45	2.79

Employees' Highest Level of Academic Achievement

	Mar. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Ph.D.	121	122	116	98
Master's	2,787	2,943	3,336	3,220
Bachelor's	3,830	4,089	4,695	5,342
Technical/Vocational	1,054	1,142	1,615	2,036
Other	3,680	4,146	7,138	8,556

BUSINESS OPERATIONS

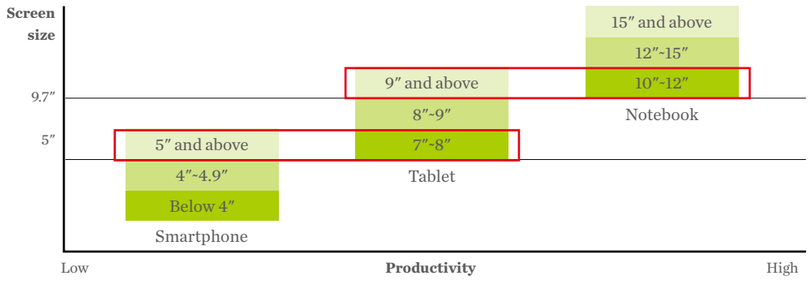
BUSINESS OPERATIONS

Business Operations

Industry Overview

The boundaries between personal computing devices are blurred. The concept of mobile PC has been shifted from notebooks, then tablets and now smartphones, phablets, hybrids, etc.

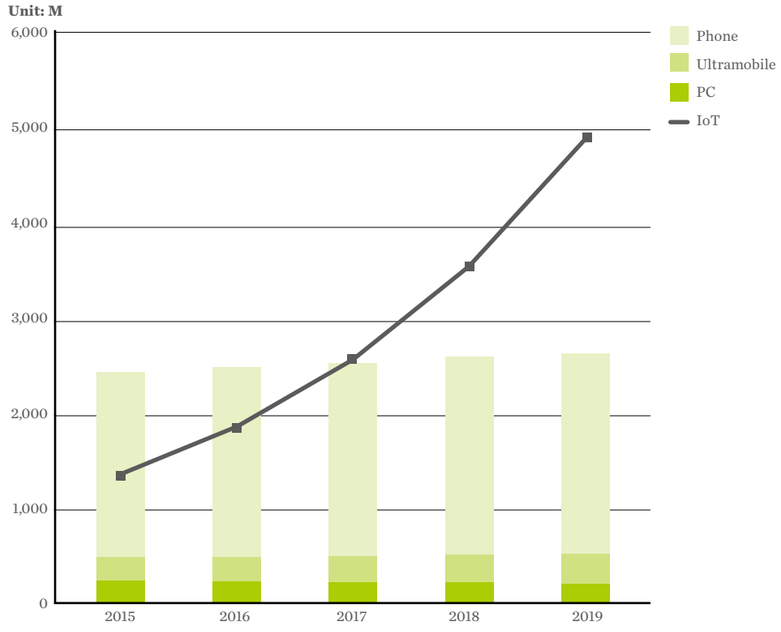
Figure 1: Cannibalization between personal computing devices



Source: Display Research, Gartner, BNP, Macquarie Research

While Gartner predicts worldwide device (phone, Ultramobile and PC combined) shipments will reach 2.4 billion units in 2016, just a 1.9% year-over-year increase from 2015, the firm also forecasts that 2 billion IoT endpoints will be shipped in 2016, a 33.3% year-over-year increase. And by 2017, IoT endpoints shipments will surpass Phone, Ultramobile and PC combined. In an era of personal computing device saturation, each device maker has to either fight for every opportunity it can grab in the existing product categories, or to exploring new or under-penetrated categories.

Figure 2: Worldwide Device Shipment Forecast



Source: Gartner IoT forecast and Tablet and PC combined forecast 4Q15

Market Analysis

Emerging APAC and MEA are Growth Powerhouses for Smartphones

The year-over-year growth of smartphone market has been slowing in the last couple of years. Given the smartphone market is already saturated in developed markets, research firm Gartner expects mobile phone sales will increase only by 2.5% and reach 2 billion units in 2016, mainly driven by first-time smartphone buyers in emerging APAC countries as well as the Middle East & Africa (MEA). Meanwhile, though China has been the driving force of the smartphone market in recent quarters, its slowing economy has negatively impacted worldwide growth; research firm IDC said that China has become a replacement market. IDC also predicts that phablet (5.5”~ 6”) sales will account for 71% of total shipments by 2019.

Detachable Tablets Reach New High

Worldwide tablet shipments continued to decline 10.1% year-over-year to 206.8 million units in 2015, according to IDC. One thing worth noting, though, is the transition from traditional slate tablets to detachable tablets; while slate units dropped 21.1% year-over-year, the detachable more than doubled and reached a record high of 8.1 million units. Microsoft, Google and Apple, all offer detachable products. 7”~ 9” display still dominated screen size, followed by 9”~ 13”. In addition, Chinese players are rumored to be bringing dual operating systems (OSs) into the detachable category. Research firm Digitimes forecasts global tablet shipments will remain flat in 2016, at around 200 million units.

Cannibalization between Personal Computing Devices

The rise of phablets and detachable tablets might signify a forming trend of emerging devices. As the boundaries among notebooks, tablets and smartphones are blurred, we have seen most of the major hardware vendors expanding their existing product lines. Traditional PC makers, such as Lenovo and Asus, have been aggressively building their smartphone business in the last of few quarters. HP Inc. released a Windows 10 Mobile, Elite X3, at MWC 2016. Sony spinoff Vaio, also confirmed it will launch a Windows 10 mobile. On the other hand, smartphone brands, such as Samsung, Xiaomi, Huawei, TCL and regional players, such as Lava from India, started to show interest in or returning into the traditional clamshell notebook, Chromebook and detachable devices. Gartner predicts worldwide combined shipments of devices (PCs, tablets, Ultramobiles and mobile phones) will reach 2.4 billion units in 2016, a 1.9% year-over-year increase from 2015. However, end-user spending is expected to decline 0.5% for the first time. In an era of personal computing device saturation , every device maker unavoidably has to fight for every opportunity it can grab.

Exploring Opportunities in the Broader Internet of Things

While the computing devices battles continue, and growth has been slowing and will continue to slow in the foreseeable future, leading brands are now exploring and discovering opportunities in wearables, virtual reality (VR), augmented reality (AR) and the broader Internet of Things (IoT). Gartner forecasts 6.6 billion IoT endpoints will be shipped in 2020, with an installed base of 20.8 billion units.

Wearables started most prominently with the uptake of fitness and sleep tracking bands and the accompanying trend that many refer to as the quantified-self movement. Early movers included Fitbit, Jawbone, Misfit, followed by Xiaomi, and many others including Garmin and Huawei. Apple also released Apple Watch in March, 2015; though Apple does not disclose Apple watch sales volume, market watchers including IDC believe Apple Watch was well-received. According to IDC’s 3Q15 report, Fitbit, Apple and Xiaomi were the top three vendors in the wearable category, with a combined market share of 58.2%. Unlike aforementioned brands, which solely focus on one single wearable product, HTC used a different approach; the UA HealthBox™, launched at CES 2016, is the first connected wearable solution that provides a total solution for pros and amateurs. The UA HealthBox includes a wristband, a scale and a heart rate monitor.

On head-mounted display (HMD), Gartner predicts 1.43 million units, including smart glasses, augmented reality glasses (AR), smart helmets, virtual reality goggles and other, will be shipped in 2016 and the HMD market will bring continued progress toward mainstream adoption for consumers and enterprise use. 2016 is an important milestone for virtual reality. In January, Google said it had shipped 5 million units of Google Cardboard viewer, and 25 million cardboard apps download from Google Play. On the premium side, HTC Vive™ and Oculus Rift started shipping products to consumers. Sony also confirmed that PlayStation VR (previously known as Project Morpheus) will start shipping in 2016. In between cardboard and stationary VR, there is the Samsung Galaxy Gear VR. News also suggested that Google is working on a standalone VR device that is similar to Samsung’s Gear VR. Although Apple has not yet released its own VR device, it brought Mattel’s view master VR headset into its online store in December 2015.

Business Scope

As committed last year, we have been focusing on smartphones in the affordable and mid to high tiers, the HTC One A9, for example, was released in October 2015 and was very well-received across Asia, the US, and Europe. We have also extended our distribution channels beyond telecom operators and mobile retail channels into consumer electronics stores, broader technology outlets as well as HTC's own eStores. In 2013, we opened the HTC eStore in China; in 2015, we launched eStores in Taiwan, India, the US and EMEA.

Aside from the aforementioned core smartphone business, we are also actively exploring and expanding our product portfolios into areas where HTC can deliver premium, quality products and services to our customers as well as users. Though this takes time, we have started seeing very positive initial responses.

At CES 2016, we unveiled our 2nd developer edition of our VR system, the HTC Vive Pre. We and our partner Valve® have worked with thousands of developers and partners to create VR content across a wide spectrum of sectors; from gaming and entertainment to health, automotive, retail and education. We had an ambitious goal of fundamentally changing the way people communicate and interact with the world – forever. We stand on the precipice of a new era and Vive™ is creating a world where the only limit is human imagination.

UA HealthBox™ is the world's first connected fitness system that measures, monitors, and manages the most important drivers of health and fitness – sleep, fitness, activity and nutrition. The UA HealthBox includes a fitness band, heart rate monitor and a smart scale that all connect seamlessly with UA Record™ to provide insights that empower individuals to improve their health and fitness.

We will continue to challenge the status quo by introducing innovative products that deliver delightful user experiences. That being said, we will evaluate and invest resources carefully and wisely. We will continue to stream-line smartphone product lines and optimize cost structure. We'll continue to invest in digital marketing and cultivate the HTC value via more focus on brand and loyalty to grow our business and live up to our brand promise to both consumers and shareholders. We firmly believe our determination and expertise will continue to help us meet future challenges and make HTC the first choice among smart device brands.

Business Results

Market share is one of the Key Performance Indicators (KPI) in the industry. According to a Gartner report, HTC's 2015 smartphone market share was 1.3%. Competition is not only fierce, but also cut-throat; with just 6% separating number 3 from number 19 in the category.

Besides the core smartphone business, we have also received very positive responses in our virtual reality (VR), wearable as well as other Internet of Things (IoT) initiatives. We have had a strong start in 2016. At CES 2016 alone, HTC received 36 awards. 20 for HTC Vive Pre and 16 for UA HealthBox™. HTC Vive started shipping to consumers on April 5th, 2016, better yet; we sent an additional 7,000 units to developers. UA HealthBox was available in January in the U.S. on the HTC and UA websites, at Under Armour Brand House locations, and was schedule to roll out to additional US retailers as well as internationally throughout 2016. We hope to see meaningful revenue and profit contribution from these new products in 2016. As of December 31, 2015, HTC's 2015 revenue was at NT$121.7 billion with a gross margin of 18%.

Brand Strategy

While our brand is symbolized by our logo, its true power lies in what it represents: the resonance, meaning, and promise to our customers, our partners and employees. HTC continues to create a movement by enlisting these constituents, and winning hearts, minds and trust. Our strategy has been to intensify our focus as a brand that is benefits-based, and rooted in a call to action as captured in our brand promise.

In 2015, we restated our brand promise as the 'Pursuit of Brilliance', and replaced our old logo tagline ('Quietly Brilliant') with this more dynamic, aspirational objective. The 'Pursuit of Brilliance' serves as a mantra, a truism about the deep respect for the important place we hold in our customers' lives. Our pursuit of brilliance results in the best-designed and technologically advanced products that enable and empower our customers to amplify and share their ambitions, talents and skills with others, so they can be more effective, more brilliant in their own lives. As the best brands do, our brand serves as a mirror to the market and reflects their desires in unique ways. The 'Pursuit of Brilliance' is a promise that HTC will always empower our customers to pursue their own brilliance in big and small ways, every day. The emotional resonance we've developed with our customers is demonstrated in our commitment and hard work, innovating in ways that make them more creative, more connected, more deeply human. Through consistent and focused brand messaging, we are communicating with singular clarity of purpose, across our product portfolio.

2015 was an exciting and pivotal year for HTC as we expanded from producing and marketing world-class smartphones into the exciting technology of connected devices and virtual reality, with leading edge product offerings in the UA HealthBox™ and the HTC Vive™ respectively. We are strategically reinforcing the HTC brand across existing smartphones, while also leveraging our brand's reputation into new product categories. Our entry into these new and high growth categories provides us with fertile opportunities to augment the HTC brand story and introduce our brand to entirely new constituencies. More than ever, as we work to build our future, we revisit the defining touchstones that have built and sustained us through both rapid growth and challenging times: meaningful technological innovations, beautiful design, and outstanding user experiences. Through our growing product portfolio and increasing diversity of our product audiences, we aim to increase brand awareness and build greater confidence among current and new HTC customers.

Smartphones

By streamlining our smartphone lineup, we created a three-family product strategy (HTC flagship, HTC One, and HTC Desire families) to simplify and bring brand messaging into alignment, and enable us to better target and communicate selectively with our audiences. As smartphones are become increasingly perceived as commoditized, we continue to differentiate, evolve and articulate HTC's brand meaning to offer the market an appealing and unique identity. The HTC brand continues to reflect this through ever emotionally relevant, relatable and creative ways via messaging and consistent experiences.

For the HTC One M9 launch, we developed a new campaign entitled, "We Are One," which leveraged the power of storytelling to amplify the message of our connectiveness to each other. The social video campaign was effective at capturing real life, and served to get viewers connected on an emotional level with HTC. Using the hashtag '#HTCOneMoment', our social posts engaged top-performing organic content of the year. The HTC One M9 was portrayed as the critical lifestyle tool that enables profound human connection. We succeeded in hitting a nerve with the market and elicited positive engagement and interactions with our target, with more than 280,000 comments in social media channels. Additionally, key members of HTC's super-fan community, HTC Elevate, were seated in the front row of the launch event at Mobile World Congress 2015, followed thereafter by a larger meet-up that brought our most passionate fans together on the day of our big launch, making the magic of our announcements palpable, real and shareable.

In October, we introduced the HTC One A9, our mid-tier smartphone, with the campaign theme: 'Be Brilliant.' The HTC One A9 was the first smartphone in the market to feature the latest Google Marshmallow OS. Our strategy defined it as a real alternative to the usual competitive offerings; we created a smartphone that brings together the best of HTC with Google Android, and grants users ability to better control their smartphone experience. In order to drive awareness and appeal of the HTC One A9 with the media and consumer market, we teamed up with the Tidal music streaming service, celebrating their one millionth subscriber, social influencer outreach, including several featured musicians tweeting on behalf of the HTC One A9 and our launch. This highly anticipated, sell-out concert held at the Barclays Center in New York harnessed extraordinary global attention, and in using the universal appeal of live music as a way to showcase the HTC One A9's superior sound quality, camera and design, we received more than twice the coverage of the HTC One M9 launch.

Our social media objective was to create passionate social conversations around the HTC One A9. We created conversations for the HTC One A9 launch under the hashtag '#BeBrilliant', and naturally brought this brand message to life in social media as a series that evolved into a more feature-forward iteration, illustrating how the HTC One A9 enables users to pursue their brilliance and their own passions.

Connected Devices

HTC's connected device product strategy was reimagined in 2015 with the partnership with leading sports brand Under Armour®. Working closely, HTC teamed up our world-class design and engineering and innovative approach to product development with Under Armour's rapidly growing power brand in, and in-depth knowledge of, the health and fitness market. The first product of that collaboration, the UA HealthBox, launched at the Consumer Electronics Show in January 2016, and has built a strong brand presence in the connected health devices market, by providing comprehensive holistic information to users, help them be more productive, more results oriented, and in short, make their personal fitness more brilliant. The UA HealthBox earned 16 awards at CES and considerable praise from media and industry, especially as it competes with more established brands.

The UA HealthBox consists of a fitness band (UA Band™), UA heart rate monitor (UA Heart Rate™) , and a smart scale (UA Scale™), a comprehensive, elegantly designed digital dashboard that brings all goals and data into an actionable plan of fitness, sleep, activity and nutrition. These three devices all connected with UA Record™, that arms users with the information they need to create the lives they desire.

Brand building is strongly supported through HTC social channels. To promote the product launch at CES, we published a mix of product info, video content, sponsored athlete mentions, and awards highlights. Through launch week, our potential reach spiked over 18 million, and customer and press responses were positive.

Virtual Reality

HTC Vive™ is the new virtual reality (VR) product that has set the standard for the industry to follow. Developed in partnership with Valve®, the leading brand in PC gaming, Vive is the only room-scale consumer VR device on the market today. Acknowledging the critical importance of

this new vertical, we developed a comprehensive 2016 launch marketing programs and content partnerships for it, to focus and drive desired results. HTC Vive™ is truly the latest example of our deep commitment to our customers, to harness our ambition, as well as push boundaries of innovative technology to create, connect, and experience new realities.

The HTC Vive developer edition was launched at Mobile World Congress in 2015 to remarkable acclaim and winning 23 awards. At CES 2016, we introduced the HTC Vive Pre, the second developer edition with added features to further acclaim from industry pundits and the media alike. HTC stole the limelight from our major competitors in this space, which reconfirmed that our power position to be a leading pioneer in consumer VR. Vive earned 20 awards at CES 2016, including CES/Engadget's Best Gaming Product, and Best in Show awards from TechRadar, Mashable and TechSpot, and another 12 at MWC 2016, where we unveiled the consumer edition just prior to the opening of pre-orders at the end of February.

Social media activity around the Vive Pre was prolific, with overwhelmingly positive and enthusiastic responses. Social channels were especially excited about the new front-facing camera. Over the last year, Vive has been mentioned over 225,000 times with a reach of over 1.4 billion. In the month of January 2016 alone, Vive was mentioned on social channels 73,000 times with a potential reach of over 500 million. During CES, we increased our Twitter following 100% from 11,000 to 22,000, and continue to see a steady increase in followers. This has been boosted by our utilization of both social influencers and strong content that we have been creating around developers, the Vive truck tour, and events.

Our partnership with Valve®, continues to build and extend awareness in the devoted, hard-core gamers market. In 2015, HTC entered the world of eSports, quickly becoming a genuine part of the rapidly growing community of gamers via authentic social content, sensible product integration, savvy sponsorship and respect for this new and engaging world of competition. In support of this valuable and important market, HTC is sponsoring three incredibly popular and leading eSports teams; Team Liquid, Cloud 9 and Team Solomid.

Through a USA-wide HTC Vive Tour, we have brought Vive demos to thousands of consumers and media. VR developers have shown unbounded exuberance and enthusiasm for Vive, and

we are working with over a thousand developers who are creating original content in gaming as well as a wide range of potential uses. As part of this commitment, HTC is expanding into new scientific and business enterprise applications, and is already partnering with leading brands like Audi, Dassault Systèmes, and Autodesk.

With Vive making totally immersive VR a reality, HTC is set to blaze a new trail for the brand in the years ahead.

Social Brand Engagements

HTC continued to build upon its social media strategy to establish and cultivate meaningful relationships with opinion makers as well as prospective and current customers. We engage with global audiences via social channels, build and retain our tech-centric fan base, and extend the brand to lesser tech savvy web users. We are achieving our goals by developing relatable customer lifestyle moments into our sharing, at times that are relevant to our targets, and by recognizing that the social interactions our customers have with HTC are a never–ending opportunity to demonstrate our brand values in action. We believe our brand stands for more than any one particular product or category; rather, we stand for enabling users to be more creative, passionate and more brilliant in their daily lives.

Throughout the year of 2015, we maintained our commitment to being an always-on social brand, by living our brand promise in the real world. We're authentic and honest. HTC not only listens, we engage directly with our passionate followers. A snapshot of key metrics demonstrates our social success at reaching consumers in the social channels. In 2015, HTC amassed 704 million impressions from its global Facebook, Twitter, YouTube and LinkedIn accounts — an increase of more than 90% over 2014. HTC's global social channels added 852 thousand new followers and fans in 2015, spread across Facebook, Twitter, Instagram, Google+, YouTube and LinkedIn. HTC's global YouTube channel generated more than 19 million views in 2015. We are actively engaging the market in social media and continue to build success upon communicating with our key constituencies.

Progress in Research & Development

Smartphones

Since its inception, HTC has invested consistently to consolidate in-house R&D capabilities. Today, R&D professionals account for almost 30% of HTC's headcount, and annual R&D investments regularly represent 3 to 4 percent of total revenues. HTC products are frequent trailblazers, earning a long line of "firsts" that includes the world's first Windows Mobile and Android smartphones, first dual-mode GSM/WiMAX phone, first 3G/4G Android phone, and first LTE Android phone. HTC Sense™, launched in 2009, was a momentous breakthrough that revolutionized the mobile phone experience. In 2011, HTC launched several enhanced cloud and audio-visual services that enhance and enrich the HTC user experience.

HTC has earned its pioneering reputation through innovation and an exceptional understanding of industry and consumer trends. Nowhere is this more apparent than in the Android and Windows Phone markets. In 2011, with markets shifting up to 4G high-speed mobile networks, HTC launched HTC Thunderbolt and HTC Titan II - the world's first LTE Android and LTE Windows Phone smartphones. Milestones like these further highlight HTC's leadership in critical technologies.

HTC unveiled the HTC One family at the 2012 Mobile World Congress. This addition to HTC's portfolio further streamlined the user experience with unparalleled design aesthetics, with amazing camera and authentic sound. The HTC One was the only smartphone in its class with the all-new ImageSense™ to enhance image and video capture functions.

In order to further satisfy the different needs of the market, HTC in 2012 released multiple smartphones that combined performance and ergonomic design, such as the release of the first 4G LTE Windows Phone, named TITAN II. In addition, HTC also featured the critically acclaimed entry-level Desire series smartphones. In the high-end space, HTC released 5-inch full HD smartphones, such as the DROID DNA in partnership with US carrier Verizon, the HTC J Butterfly in cooperation with Japanese carrier KDDI, and the HTC Butterfly in China and Taiwan. Together with Microsoft, HTC released the Windows 8X and 8S. HTC continues to give consumers more choice by partnering with global technology leaders.

At a product launch held in London and New York in February of 2013, HTC unveiled the new flagship smartphone HTC One (later called the M7). The device disrupted the traditional mobile experience, and featured a seamless metal unibody design. The HTC One came with the latest HTC Sense that includes HTC BlinkFeed™, which gives the user a real-time dynamic homepage to access global and personal social networks news. Zoe™ shooting mode used HTC UltraPixel™-powered camera to bring image galleries to life, and redefined how people take pictures, play and share precious moments. In addition, HTC BoomSound™ provides the industry's best mobile audio experience, utilizing front-facing speakers and dual dynamic

microphones. Add to that a full HD screen, and users can immerse themselves in their music, movies, and games. In addition, HTC Sense TV™ allows for the control of most TVs, set-top boxes, and receivers by transforming the smartphone into a remote control. The HTC One M7 won the Best Smartphone of the Year at the 2014 MWC hosted in February by the GSMA as well as the iF Gold Design Award in Germany, among many other industry and media awards. These awards affirmed once more that design and innovation are a key part of HTC's DNA.

In March 2014, the latest flagship model HTC One M8 was released in London and New York. HTC One M8 elevated craftsmanship to a whole new level. The new one-piece metal casing covers 90% of the device, presenting an immense challenge to antenna design. After extensive design and calibration, HTC One M8 was the only phone in the world with an all-metal unibody that has passed all carriers testing and sold simultaneously through 230 carriers worldwide. The ultra-thin HTC One M8 with its curved edges and brushed metal finish offers the ultimate grip and visual aesthetics. The new generation of HTC BoomSound™ increased 3D sound performance by a further 25%, and the proprietary Duo Camera can instantly acquire depth-of-view information and provide super-fast focusing (300ms) to capture every exciting moment of the user. The UFocus™ function can be used to alter the focus of the images while all creative photo backgrounds and Seasons animations offer the user an incomparable photo experience. The new Zoe™ integrates all its functions even more intuitively and seamlessly into the snap-shot function. Combining Motion Launch™ gestures with the new Sense 6 (6th Sense) and Smart Sensor Hub, HTC One M8 is able to recognize gestures and touch control tracks to intelligently launch corresponding functions or apps. The HTC One M8 incorporated all of these functions without compromising the battery life. More demanding conditions and specifications extend battery life by 40% while the extreme power-saving function increases the standby time to two weeks. With all of these smart functions, the HTC One M8 undoubtedly is the pioneer and undisputed leader for the next generation of smartphone applications and user experience.

HTC Desire EYE was released in October 2014 in New York. In addition to 5.2-inch Full HD screen together with front/rear 13 million pixels camera, built-in exclusive front lens double-color temperature LED flash lamp is used. Amazing photo and image are available

through the Qualcomm Snapdragon 801 quad-core processor in addition to built-in self-timer tool for immediate editing. The dual front stereo speaker in conjunction with 3 microphones and Sense Voice enhanced features for HTC BoomSound™ bring you surprised audio and voice definition. Meanwhile, completely new HTC Eye™ Experience was released with a variety of high performance and useful camera features, comprising Face Tracking, Screen Share, Split Capture, Face Fusion, Live Makeup, Auto Selfie, Voice Selfie, Photo Booth, Crop-Me-In etc. As for artistic formation, HTC Desire EYE initiates Double Shot design for smooth curve, smooth surface and color contrast appearance to fit various styles. Moreover, the waterproof design of IPX7 is added to the artistic design of HTC Desire EYE. In addition to specially designed exclusive camera shutter key and shined HTC Dot View™ protective shell, the originally monotone phone becomes colorful.

At the same event in New York, we unveiled the HTC RE™ camera, a completely new, interesting and easy to use lifestyle camera. Lightweight at only 66g, a smart detector senses when the camera is picked up, and activates HTC RE into sleep mode, such that the user may press the shutter key for photography at any time. The intuitive single-key operation style allows the user to switch different modes (photography and recording) smoothly without cumbersome settings of camera that will distract the user. The built-in battery allows HTC RE to keep in sleep mode for two months, so that the user never has to worry about repetitive charging issues. Without dual viewfinder, HTC RE is lighter, yet it is easy for a user to take pictures and record videos without viewfinder. In order to keep integral image information, HTC RE camera collects more and broader image information easily through its 16 million pixels image sensor with unique 146°wide angle lens and 1/2.3" and f2.8 large aperture. More information can be accommodated easily especially in self-timer situations to avoid missing important people and views. In response to a variety of operation scenarios, HTC RE also meets the IPX7 waterproof grade for it to be operated within 1 meter under water. With the exclusive waterproof cover protective kit, the waterproof grade of IPX8 is upgraded to 3 meters, such that HTC RE can be used in water safely to take interesting vivid pictures. HTC RE can also pair with Android and iOS phones to stream images and photos to the phone. The user can edit them effortlessly and share by using a single key through HTC RE App, which is not only a content browser, but also a live viewfinder to map all things seen by HTC RE. After the pairing of device, all photos and videos will appear on the phone by simply activating HTC RE App. Furthermore, automatic backup of photos and videos in cloud is available for easy access and sharing anywhere. Time-lapse video of HTC RE can also be set up using HTC RE App to take professional and amazing time-lapse videos.

HTC and Google together released Nexus 9 tablet in October 2014. The 8.9-inch Nexus 9 has a well-sized 2K (2014 x 1536 pixels) IPS display to provide immersive video a 4:3 aspect ratio (length to width ratio) in conjunction with 7.95 mm ultra-thin body thickness together with tone rich HTC BoomSound dual front stereo speakers, so that the user may balance work and entertainment. The attach-to-go, responsive removable Bluetooth keyboard and protective cover allow you transform Nexus 9 to a portable workstation instantly. In conjunction with origami-based collapsible and flip-angle seat cover, the integral device integration provides Nexus 9 with mobility, so that the user can always keep productivity. With the optimal 64-bit NVIDIA Tegra K1 (dual 2.3 GHz Denver CPU and 192 core Kepler mobile GPU) processor, in conjunction with the always-on intuitive voice command and globally debuted 64-bit Android Lollipop OS, Nexus 9 has improved both productivity and tablet operation experience to a completely new level.

HTC continues challenging ourselves to aim higher. Building on the design DNA of its predecessors, the HTC One M9 combines the antenna and precision of HTC One M7 and the ergonomic curves of HTC One M8 in a seamless, elegant metal unibody. We achieved another industry first, applying a dual tone, dual finish combination to the body of our phone. The back panel is brushed with a gorgeous hairline finish, retaining the unique HTC look, while the sidewalls are polished to perfection with a mirror finish. Staying true to our design philosophy, we machined this phone from a solid piece of aluminum, to our iconic unibody design. The phone was received enthusiastically by press and fans.

In October 2015, HTC unveiled the latest addition to the award-wining HTC One family- HTC One A9. New curves, refined edges, and precision-cut ridges on the power button and the super-thin metal frame give the phone a smooth, lightweight feel. In a stunning fusion of metal and glass, a 5-inch, Full HD AMOLED screen cascades into the metal frame, offers brighter and more vivid colors for brilliant graphics and gaming, even in direct sunlight. Its main 13MP rear camera features Optical Image Stabilization (OIS), which automatically minimizes hand shake and corrects vibrations to give you a crystal-clear picture every time. Meanwhile, the front UltraPixel camera delivers the best self-portraits in any lighting condition, using HTC's UltraPixel sensor to capture 300% more light than conventional smartphone cameras. In addition, HTC One A9 offers an optional Pro mode to capture the perfect photo without being a photography expert. RAW capture, a tool used by professional photographers, can also be used for an unmatched level of detail and post-shot editing flexibility. Combined with a multi-directional fingerprint scanner located at the bottom of the screen, Android Pay makes purchasing items as secure and as easy as "tap, pay, done." Game changing audio has always been central to the HTC One family, and the HTC One A9 delivers amazing sound quality, with HTC BoomSound integrated into the headset combined with Dolby Audio™ surround technology, delivering immersive, vibrant sound that matches a live experience in your headphones by taking high-resolution audio to the next level.

In April 2016, HTC unveiled the new flagship smartphone, the HTC 10. With customer feedback an integral part of the development process combined with an obsessive attention to detail, the HTC 10 delivers everything that consumer would want from a flagship device. Inspired by light and sculpted to perfection, the HTC 10 employs new design approach where bold contours are carved out of solid metal. Capturing the light beautifully, the chamfered edges boast a slimmer and slender look with its full–glass front merging seamlessly into the metal body. With the world's first optically stabilized, larger aperture $f/1.8$ lenses on both the front and rear cameras, new larger sensors, 12 million of our new generation UltraPixels (1.55μm per pixel), faster laser autofocus powering the main camera and a wide angle lens and screen flash on the front UltraSelfie™ camera, HTC 10 delivers brilliantly sharp, low light and high–resolution photos whether behind or in front of the lens. The HTC 10 combines vivid 4K video with the world's first stereo, 24–bit, Hi–Res audio recording — capturing 256 times more detail than standard recordings, across twice the frequency range. Whilst the HTC 10 raises the bar on the hardware, we have also delivered what we believe to be best–in–class software by focusing on getting the funda-

mentals right. With apps that launch twice as fast and that perform to the highest standard and a next generation quad HD display that is 30% more colourful, creating a true cinematic feel, and that is 50% more responsive to touch than its predecessor, even the smallest and fastest of finger movements track perfectly. HTC 10 boasts the latest Qualcomm Snapdragon processor with enhanced 4G LTE, and each device comes with Boost+ which is designed to make your phone faster, to consume less power and to provide effective security and applications management features. Included in the box is the quick charge 3.0 Rapid Charger with improved thermal management that can charge the battery up to 50% in just 30 minutes – ideal for people who find their phone running low on juice before the end of the working day.

Connected Devices

HTC and Under Armour® unveiled UA HealthBox™ at CES in January 2016, the world's first connected fitness system that measures, monitors, and manages the most important drivers of health and fitness - sleep, fitness, activity and nutrition. Designed and manufactured by HTC and powered by UA Record™, UA HealthBox includes a fitness band, heart rate monitor and a smart scale that all connect seamlessly with UA Record to provide insights that empower individuals to improve their health and fitness. With an HTC smartphone, or other Android or iOS smartphone, UA Record serves as the dashboard for daily activities that dictate how you feel. Following the same philosophy HTC takes when designing smartphones, UA HealthBox removes the barriers and complexity of technology with a simple to set up and easy to use system.

UA Band™ is designed to be worn all-day, every day. It tracks daily activity, workouts and sleep. All day activity capture allows you to set a daily goal and track progress on the band. UA Band utilizes a seamless exterior shell with a display that is discreetly hidden under an outer layer allowing the technology to disappear when it is not in use. Designed with athletes in mind, the band offers an advanced workout mode with a display that stays on during the workout, as well as an LED that indicates heart rate zone when paired with UA Heart Rate™. UA Band comes in black with a red textured underside to allow for moisture wicking.

UA Heart Rate is a compact heart rate monitor with an innovative micro snap technology designed to make it undetectable during workouts. The chest strap and removable sensor helps individuals monitor intensity and train smarter. The UA Heart Rate was created to provide a calculation of calories burned. Combined with the UA Record app, UA Heart Rate allows you to customize your heart rate zones.

UA Scale™ is a beautifully crafted, Wi-Fi enabled scale with an iconic circular design. The scale utilizes a sheet of glass with advanced conductive paint technology that enables weight and body fat percentage readings. The hidden LED display behind the glass makes technology invisible when not in use. The scale can support up to eight users and syncs with the UA Record app for individuals to view trends with weight as part of their overall dashboard. UA Scale comes in black with a red textured underside.

Virtual Reality

In March 2015, HTC and Valve® partnered to unveil the HTC Vive™ virtual reality system, fulfilling the promises of creating fully immersive experience that change how we communicate, how we are entertained and how we learn and train. With a resolution of up to 2160 x 1200 pixels and a refresh rate of 90Hz, HTC Vive headset literally takes users to the virtual world before they know it. It stands out with its powerful positional tracking system and industry-leading room-scale experience that can track users' every move in the room utilizing laser sensing and tracking technology, along with instant feedback that enables users to find there's only a fine line between the virtual and the real world. Since its launch on the market, Vive has received numerous rewards, including "Best in Show" and "Best Wearable" awards in the 2015 Mobile World Congress (MWC).

In the Consumer Electronics Show (CES) in the U.S. in January 2016, HTC launched its second developer edition, HTC Vive Pre, which has revolutionary development in its appearance and capabilities and has taken a vital step further by taking the VR industry into the consumer market with its already matured technology. With a sleeker design and a brand-new headstrap, HTC Vive Pre provides greater stability and balance; the new system renders brighter displays and more subtle images to provide a deeper sense of immersion. Redesigned from an angled shape of the first developer version to a round and smooth style, HTC Vive Pre handheld controller looks more futuristic and provides a more ergonomic experience with a specially designed handle and selected materiel. It lasts for up to 4 hours in a single charge with rechargeable lithium batteries. Furthermore, the positional tracking technology of HTC Vive has been improved to provide a more stable tracking system that gives users the abilities to walk around and navigate naturally in the virtual world.

Building upon the innovative features that were introduced earlier, a whole new front-facing camera was created to blend in physical elements into the virtual world. The innovative "Vive Phone Services" gives users both the virtual world immersion and the real world connection by using a headset display to receive incoming calls and send replies for a totally different social experience. HTC Vive Pre has won 20 international accolades and awards in CES.

R&D Expenditures in Recent Years

Unit: NT$ millions

	2015	2014	2016Q1
Worldwide R&D Expenditures	13,728	13,047	2,957
As a Percentage of Worldwide Revenue	11%	7%	20%

Corporate Governance

HTC is committed to implementing good governance, effective risk management and information transparency. HTC policies related to these corporate governance are explained further below:

Independent Director Positions Created

In accordance with the Securities and Exchange Law, HTC elected two independent directors at its board re-elections in 2007, in order to strengthen the independence and functions of Directors and enhance the operational effectiveness of the Board.

Remuneration Committee Created

In compliance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company whose stock is listed on the Stock Exchange or Traded Over-the-Counter" as per Letter No.1000009747 issued by the Financial Supervisory Commission of the Executive Yuan on March 18, 2011, the Board of Directors resolved to adopt the Company's Compensation Committee Charter and the Committee shall consist of three members who are appointed by resolution of the board of directors. The current second remuneration committee members are independent director Mr. Chen-Kuo Lin; independent professional advisors Mr. Wei Ti-Hsiang and Mr. Yeong-Cheng Wu. The official functions of the Committee are to professionally and objectively evaluate the policies and systems for the compensation of HTC directors, supervisors, and managers, and submit recommendations to the Board of Directors for its reference in decision making.

Board of Supervisor Proceedings

Meetings of the Board of Supervisors take place every quarter, at which financial, legal, internal audit and other issues are reported. Issues reviewed by supervisors and certified public accountants include risk management, intercompany transactions, changes in accounting policies, assessments of IPR infringement risk, and reasonableness of provision and accrual items to be presented on financial reports.

Disclosure of Information & Financial Forecasts

HTC has been working diligently to enhance the timeliness and transparency of financial disclosures. In addition to online disclosure of important data related to HTC's business in accordance with regulations, quarterly earnings calls are held for investors every quarter, at which revenue, margin and expense of the prior quarter are provided. Investor teleconferences are also held to keep investors updated on the business operations. Apart from regular disclosures, HTC also participates actively in investor forums and conferences in Taiwan and overseas as well as proactively visits major investment houses and investors to enhance communication with the investment community.

Stable Dividend Policies

HTC maintains stable dividend policies. Factors considered in determining dividend distributions include current and future investment environments, capital needs, domestic and international competition, and budgetary considerations. Shareholder interests and the balance between dividend distributions vs. longer-term financial planning are also considered. The Board of Directors, in accordance with regulations, sets a distribution plan each year for submission to shareholders.

Major Suppliers / Customers Representing at Least 10% of Gross Purchase / Revenue for the Most Recent Two-Year Period

(1) Major suppliers representing at least 10% of gross purchase

Unit: NT$ millions

	2015		
Supplier Code	Amount	%	Relation to HTC
a	14,039	18	None
b	13,831	18	None
c	10,970	14	None
Others	37,953	50	
Total	76,793	100	

	2014		
Supplier Code	Amount	%	Relation to HTC
a	20,628	13	None
Others	144,056	87	
Total	164,684	100	

	2016Q1		
Supplier Code	Amount	%	Relation to HTC
b	1,400	15	None
Others	8,121	85	
Total	9,521	100	

(2) Major customers representing at least 10% of gross revenue

Unit: NT$ millions

	2015		
Customer Code	Amount	%	Relation to HTC
Major customers representing at least 10% of gross revenue	N/A	N/A	
Others	121,684	100	
Total	121,684	100	

	2014		
Customer Code	Amount	%	Relation to HTC
Major customers representing at least 10% of gross revenue	N/A	N/A	
Others	187,911	100	
Total	187,911	100	

	2016 Q1		
Customer Code	Amount	%	Relation to HTC
A	1,740	12	N/A
Others	13.081	88	
Total	14,821	100	

Production and Sales for the Most Recent Two-Year Period

(1) Production

Unit: 1,000 units / NT$ millions

	2015		
	Production Capacity	Production Quantity	Production Value
Smartphones	20,800	9,364	49,796
Total	20,800	9,364	49,796

	2014		
	Production Capacity	Production Quantity	Production Value
Smartphones	37,570	15,623	92,250
Total	37,570	15,623	92,250

Note : Production capacity represents the normal capacity of current production equipment after making adjustments for necessary production stoppages, non-work holidays, etc.

(2) Sales

Unit: 1,000 units / NT$ millions

	2015			
	Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value
Smartphones and other items (accessories)	2,084	17,624	60,183	102,464
Total	2,084	17,624	60,183	102,464

	2014			
	Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value
Smartphones and other items (accessories)	2,146	18,797	82,181	166,132
Total	2,146	18,797	82,181	166,132

Note: Main product item data not inclusive of income from maintenance / repairs or product development work.

Principal Contractual Agreements

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 agreements, as follows:

Contractor	Contract 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.
Microsoft	February 1, 2009 - March 31, 2015	Authorization to use embedded operating system; royalty payment based on agreement.
Qualcomm Incorporated.	December 20, 2000 to the following dates: a. If the Company materially breaches any agreement terms and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents. b. Any time when the Company is not using any of Qualcomm's intellectual property, the Company may terminate this agreement upon 60 days' prior written notice to Qualcomm.	Authorization to use CDMA technology to manufacture and sell units; royalty payment based on agreement.
Nokia Corporation	January 1, 2003 - December 31, 2016	Authorization to use wireless technology, like GSM; royalty payment based on agreement.
	January 1, 2014 - December 31, 2018	patent and technology collaboration; payment for use of implementation patents based on agreement.
InterDigital Technology Corporation	December 31, 2003 to the expiry dates of these patents stated in the agreement.	Authorization to use TDMA and CDMA technologies; royalty payment based on agreement.
KONINKLIJKE PHILIPS ELECTRONICS N.V.	January 5, 2004 to the expiry dates of these patents stated in the agreement.	GSM/DCS 1800/1900 patent license; royalty payment based on agreement.
MOTOROLA, Inc.	December 23, 2003 to the latest of the following dates: a. Expiry dates of patents stated in the agreement. b. Any time when the Company is not using any of Motorola's intellectual properties.	TDMA, NARROWBAND CDMA, WIDEBAND CDMA or TD/CDMA standards patent license or technology; royalty payment based on agreement.
Siemens Aktiengesellschaft	July 2004 to the expiry dates of these patents stated in the agreement.	Authorization to use GSM, GPRS or EDGE patent license or technology; royalty payment based on agreement.
IV International Licensing Netherlands, B.V.	November 2010 - June 2020	Authorization to use wireless technology; royalty payment based on agreement.
Telefonaktiebolaget LM Ericsson (PUBL)	2014.12.31 - 2016.12.31	Authorization to use wireless technology, like GSM; royalty payment based on agreement.

4

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

1. Information on the Company's Directors, Supervisors, General Manager, Assistant General Managers, Deputy Assistant General Managers, and Managers of All the Company's Divisions and Branch Units

(1) Directors and Supervisors:

1. Directors' and Supervisors' information (I)

2016.04.30 unit: Share, %

Title	Nationality/ place of Registration	Name	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding (Note)		Spouse & Minor Sharing (Note)		Other persons holdingshares in their name(Note)		Principal work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Other executives, Directors and Supervisors who are spouses or within second-degree of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairwoman	Republic of China	Cher Wang	2013.06.21	2016.06.20	1999.04.30	32,272,427	3.79%	32,272,427	3.90%	22,391,389	2.71%	0	0.00%	• Bachelor in Economics, University of California, Berkeley. • General Manager of the PC Division, First International Computer, Inc. (FIC)	• CEO and President, HTC Corporation • Chairwoman (Representative), H.T.C. (B.V.I) Corp. • Chairwoman (Representative), HTC Investment One (BVI) Corporation • Chairwoman, HTC I Investment Corporation • Chairwoman, HTC Investment Corporation • Director, High Tech Computer Asia Pacific Pte. Ltd. • Chairwoman (Representative), HTC VIVE Holding (BVI) Corp. • Chairwoman (Representative), HTC VIVE TECH (BVI) Corp. • Chairwoman, HTC VIVE TECH Corp. • Director, VIA Technologies, Inc. • Director, Formosa Plastics Corporation • Director, Way-Chih Investment Co., Ltd. • Director, Hsin-Tong Investment Co., Ltd. • Director, Kun-Chang Investment Co, Ltd.	Director	Wen-Chi Chen	Spouse
Director	Republic of China	HT Cho	2013.06.21	2016.06.20	2001.04.23	145,530	0.02%	96,530	0.01%	0	0.00%	0	0.00%	• Electronic Engineering, National Taipei Institute of Technology. • EMBA, National Chiao Tung University • President & CEO, HTC Corporation. • Consulting Engineer, Digital Equipment Corporation.	• Director, HTC VIVE TECH Corp. • Chairman, HTC Social Welfare Foundation. • Chairman, HTC Education Foundation. • Director, Chunghwa Telecom Foundation. • General Manager, Atrust Corporation • Director, China University of Technology • Director, Asia Pacific Fuel Cell Technologies, Ltd. • Chairman, Taiwan Chief Executive Officer Club for Social Benefit	None	None	None

(Continued)

2016.04.30 unit: Share, %

Title	Nationality/ place of Registration	Name	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding (Note)		Spouse & Minor Sharing (Note)		Other persons holdingshares in their name(Note)		Principal work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Other executives, Directors and Supervisors who are spouses or within second-degree of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Republic of China	Wen-Chi Chen	2013.06.21	2016.06.20	1999.04.30	22,391,389	2.63%	22,391,389	2.71%	32,272,427	3.90%	0	0.00%	• MSCS, California Institute of Technology. • President, Symphony Laboratories.	• Director, HTC VIVE TECH Corp. • President & Chairman, VIA Technologies, Inc. • Chairman (Representative), Xander International Corp. • Chairman (Representative), Chander Electronics Corp. • Non-executive Director, Television Broadcasts Limited • Director, Liann Yee Production Co., Ltd. • Director, Way-Chih Investment Co., Ltd. • Director, Hsin-Tong Investment Co., Ltd. • Director, Kun-Chang Investment Co, Ltd.	Chairwoman	Cher Wang	Spouse
Director	USA	David Bruce Yoffie	2013.06.21	2016.06.20	2011.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	• B.A. Brandeis University • M.A., Ph.D. Stanford University for academic qualification • Director, Charles Schwab • Director, Spotfire • Director, E Ink	• Max and Doris Starr Professor at Harvard Business School • Director, Intel Corporation • Director, The National Bureau of Economic Research • Director, Financial Engines, Inc. • Director, TiVo Inc.	None	None	None
Independent Director	Republic of China	Chen-Kuo Lin	2013.06.21	2016.06.20	2007.06.20	0	0.00%	0	0.00%	0	0.00%	0	0.00%	• Bachelor in Economics, National Taiwan University. • Advanced study at the Department of Economics, Oklahoma State University. • Advanced study at the Department of Economics, Harvard University. • Chairman, Board of Tunghai University. • Minister, Ministry of Finance, Executive Yuan. • Chairman, Taiwan External Trade Development Council.(TAITRA) • Chairman, Taiwan Asset Management Corporation. • Professor, Department of Economics in National Taiwan University. • Chairman, Taiwan-Hong Kong Economic and Cultural Cooperation Council	• Independent director and Compensation Committee member, HTC Corporation. • Independent director and Compensation Committee member, Taiwan High Speed Rail Corporation. • Chairman, Angel Hearts Family Social Welfare Foundation. • Chairman, New Mainstream Cultural Foundation.	None	None	None
Independent Director	Swiss Confederation	Josef Felder	2013.06.21	2016.06.20	2007.06.20	133,985	0.02%	229,985	0.03%	0	0.00%	0	0.00%	• Graduate of Advanced Management Program (AMP), Harvard Business School, Boston • Deputy Director, Crossair • Chief Executive Officer, FIG (Flughafen Immobilien Gesellschaft) • Chief Executive Officer, Unique (Flughafen Zurich AG)	• Independent director, Careal Holding AG, Zurich • Independent director, AMAG, Zürich • Independent director, Edelweiss Air AG, Zurich • Chairman, Gutsbetrieb Oetlishausen AG, Hohentannen • Chairman, Pro Juventute, Zurich • Independent director, Luzerner Kantonalbank AG, Lucerne • Chairman, Flaschenpost AG, Zürich • Chairman, The Nuance Group • Chairman and Independent director, Zino Davidoff SA, Fribourg • Chairman, Stöckli Swiss Sports AG, Wolhusen	None	None	None
Supervisor	Republic of China	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	2013.06.21	2016.06.20	1999.04.30 2006.04.13	43,819,290	5.14%	43,819,290	5.29%	0	0.00%	0	0.00%	• Ph.D in Material Science and D.Eng in Electrical Engineering, UCLA. • Executive Vice President, Lam Research Co., Ltd.	• Supervisor, HTC VIVE TECH Corp. • Director, IC Broadcasting Co., Ltd • Vice President, Via Technologies, Inc. • Director, Chinese Christian Faith, Hope and Love Foundation. • Director, Via Faith, Hope and Love Foundation. • Director, Liann Yee Production Co., Ltd.	None	None	None
Supervisor	Republic of China	Huang-Chieh Chu	2013.06.21	2016.06.20	2011.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	• MBA, University of Toronto, Canada • LL.B., Department of Law, National Taiwan University • Director and President, Taiwan Teleservices & Technologies Co., Ltd. • Supervisor, Taiwan Fixed Network Co., Ltd. • Vice President, Consumer Business Group of Taiwan Mobile Co., Ltd. • Vice President, Citibank, N.A., Taipei Branch • Director, KG Telecommunications Co., Ltd.	• Chief Administrative Officer, Via Faith, Hope and Love Foundation.	None	None	None

Note: Shareholding as of 2016.04.26

2. Major shareholders of Institutional Shareholders

2016.04.30

Name of Institutional Shareholders	Major shareholders of Institutional Shareholders
Way-Chih Investment Co., Ltd.	Chinese Christian Faith, Hope and Love Foundation
	Via Faith, Hope and Love Foundation

3. Major shareholder(s) to the company listed in the above table on the right hand column:

The Institutional Shareholder is a foundation, no major shareholders.

4. Directors' and Supervisors' Information (II)

2016.04.30

Conditions / Name		Meet one of the following professional qualification requirements, together with at least five years work experience			Conforms to criteria for independence (note)										Number of other public companies concurrently serving as an independent director
		An instructor (or higher) in a department of commerce, law, finance, accounting, or other academic departments related to the business of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in commerce, law, finance, accounting, or other areas relevant to the business of the company	1	2	3	4	5	6	7	8	9	10	
Chairwoman	Cher Wang			V							V		V	V	0
Director	HT Cho			V	V		V	V	V	V	V	V	V	V	0
Director	Wen-Chi Chen			V							V		V	V	0
Director	David Bruce Yoffie	V		V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Chen-Kuo Lin	V		V	V	V	V	V	V	V	V	V	V	V	1
Independent Director	Josef Felder			V	V	V	V	V	V	V	V	V	V	V	0
Supervisor	Way-Chih Investment Co., Ltd. (Representative: Shao-Lun Lee)				Not Applicable										
Supervisor	Huang-Chieh Chu			V	V		V	V	V	V	V	V	V	V	0

Note: Directors and Supervisors, during the two years before being elected or during the term of office, meet any of the following criteria:

(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor of the Company's affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children of minor age, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.
(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company.
(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. The same does not apply, however, in cases where the Compensation committee member exercises of power per the Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
(9) Not been a person of any conditions defined in Article 30 of the Company Law.
(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(2) General Manager, Assistant General Managers, Deputy Assistant General Managers, andManagers of all divisions and branch units:

2016.04.30 Unit: Share; %

Title	Nationality	Name	Date Elected	Shareholding (note)		Spouse & Minor Shareholding (note)		Other persons holding shares in their name (note)		Principal work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Managers with spouses or relatives within second-degree of kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO & President	Republic of China	Cher Wang	2015.03.20	32,272,427	3.90%	22,391,389	2.71%	0	0.00%	• Bachelor in Economics, University of California, Berkeley. • General Manager of the PC Division, First International Computer, Inc. (FIC)	• Chairwoman (Representative), H.T.C. (B.V.I) Corp. • Chairwoman (Representative), HTC Investment One (BVI) Corporation • Chairwoman, HTC I Investment Corporation • Chairwoman, HTC Investment Corporation • Director, High Tech Computer Asia Pacific Pte. Ltd. • Chairwoman (Representative), HTC VIVE Holding (BVI) Corp. • Chairwoman (Representative), HTC VIVE TECH (BVI) Corp. • Chairwoman, HTC VIVE TECH Corp. • Director, VIA Technologies, Inc. • Director, Formosa Plastics Corporation • Director, Way-Chih Investment Co., Ltd. • Director, Hsin-Tong Investment Co., Ltd. • Director, Kun-Chang Investment Co, Ltd.	Director	Wen-Chi Chen	Spouse
President of Global Sales & Chief Financial Officer, Smartphone & Connected Devices Business	Republic of China	Chialin Chang	2012.04.16	0	0.00%	0	0.00%	0	0.00%	• PhD in Electrical Engineering, Princeton University. • MBA, The Wharton School of the University of Pennsylvania. • Partner, Goldman Sachs. • Engineer, Motorola (US).	None	None	None	None
Chief Operating Officer	Republic of China	David Chen	2007.05.08	1,026,000	0.12%	244,000	0.03%	0	0.00%	• Bachelor in Electronic Engineering, National United College. • Principal Engineer, Digital Equipment Corporation.	• Chairman, HTC Communication Technologies (Shanghai) Limited • Chairman,HTC Electronics (Shanghai) Co., Ltd. • Chairman, High Tech Computer (SuZhou)Co., Ltd. • Chairman (Representative), Communication Global Certification Inc. • Chairman, HTC Communication Technologies (Beijing) Co. Limited • Director (Representative), HTC Communication Co., Ltd	None	None	None
Chief Technology Officer	Republic of China	WH Liu	2008.06.01	76,675	0.01%	0	0.00%	0	0.00%	• Master in Electronic Engineering, National Taiwan University of Science and Technology. • Senior Manager, WM System Architecture Design.	• Director (Representative), HTC Communication Technologies (Shanghai) Limited	None	None	None
Vice President	Venezuelan	Jason Mackenzie	2007.09.26	23,974	0.00%	0	0.00%	0	0.00%	• Bachelor in Business Administration, Point Loma Nazarene University. • Vice President, Siemens Communications.	• Director (Representative), HTC Communication Canada, Ltd. • Director (Representative), HTC Communications Solutions Mexico S.A. de C.V. • Director (Representative), HTC Servicios de Operation Mexico, S.A. de C.V.	None	None	None
President of North Asia	Republic of China	Jack Tong	2007.07.01	0	0.00%	0	0.00%	0	0.00%	• Bachelor in Civil Engineering, Feng Chia University. • Chief Executive Officer, Dopod International Corp.	• Chairman (Representative), HTC Communication Co., Ltd. • Director (Representative), HTC Vietnam Services One Member Limited Liability Company • Director, HTC Electronics (Shanghai) Co., Ltd. • Director (Representative), HTC HK, Limited • Director (Representative), HTC HIPPON Corporation	None	None	None
General Counsel	USA	Marcus Woo	2014.10.31	0	0.00%	0	0.00%	0	0.00%	• PhD in Law, Indiana University • Vice President, Chunghwa Picture Tubes	• Director (Representative), HTC Investment Corporation • Director (Representative), HTC I Investment Corporation • Director, HTC America, Inc. • Director, High Tech Computer Asia Pacific Pte. Ltd. • Director, S3 Graphics Co., Ltd. • Director, HTC Europe Co., Ltd.	None	None	None

(Continued)

2016.04.30 Unit: Share; %

Title	Nationality	Name	Date Elected	Shareholding (note)		Spouse & Minor Shareholding (note)		Other persons holding shares in their name (note)		Principal work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Managers with spouses or relatives within second-degree of kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President	Republic of China	Crystal Liu	2012.04.24	0	0.00%	0	0.00%	0	0.00%	• MBA, Oklahoma City University. • HR Director, DuPont • APAC Business Group HR Manager, Intel Microelectronics Asia Ltd. • HR Manager, BRS Nike Taiwan	• General Manager, HTC Middle East FZ-LLC	None	None	None
Vice President	Republic of China	Edward Wang	2009.03.10	3,000	0.00%	0	0.00%	0	0.00%	• MBA, Tunghai University. • VP, Hotung Group.	• Director (Representative), HTC Investment Corporation • Director (Representative), HTC I Investment Corporation • Director (Representative), HTC Holding Cooperatief U.A. • Director (Representative), HTC (Australia and New Zealand) PTY LTD • Director (Representative), HTC India Private Limited • Director (Representative), HTC Malaysia Sdn. Bhd. • Director (Representative), HTC Belgium BVBA/SPRL • Director (Representative), HTC Nordic ApS • Director (Representative), HTC Iberia S.L.U. • Director (Representative), HTC Poland sp zo.o. • Director (Representative), HTC Communication Canada, Ltd. • Director (Representative), HTC Communication Sweden AB • Director (Representative), HTC Luxembourg S.a.r.l. • Director (Representative), One & Company Design, Inc. • Director (Representative), HTC NIPPON Corporation • Director (Representative), HTC America Holding, Inc. • Director (Representative), HTC America Content Services, Inc. • Director (Representative), HTC America, Inc. • Director (Representative), Dashwire, Inc. • Director (Representative), Inquisitive Minds, Inc • Director (Representative), HTC Communication Co., Ltd • Supervisor (Representative), PT. High Tech Computer Indonesia • Director (Representative), HTC (Thailand) Limited • Director (Representative), HTC Middle East FZ-LLC • Director (Representative), HTC Myanmar Company Limited • Director (Representative), HTC Communications Solutions Mexico, S.A. de C.V. • Director (Representative), HTC Servicios de Operacion Mexico, S.A. de C.V. • Director (Representative), S3 Graphics Co., Ltd. • Director, High Tech Computer (SuZhou) Co., Ltd. • Director, HTC Communication Technologies (Beijing) Co. Limited • Director, HTC Electronics (Shanghai) Co., Ltd. • Director, HTC Europe Co., Ltd.	None	None	None
Associate Vice President	Republic of China	Hsiu Lai	2015.09.16	11,457	0.00%	0	0.00%	0	0.00%	• MBA, University of Southern California • Director of Finance & Accounting Division, LITE-ON TECHNOLOGY CORP	• Supervisor (Representative), Communication Global Certification Inc. • Director (Representative), HTC America Innovation, Inc. • Supervisor, HTC Corporation (Shanghai WGO) • Supervisor, HTC Electronics (Shanghai) Co., Ltd. • Chairwoman(Representative), Yoda Co., Ltd. • Supervisor (Representative), High Tech Computer (SuZhou) • Supervisor, HTC Communication Technologies (Beijing) Co. Limited • Supervisor, HTC Communication Co., Ltd. • Supervisor, HTC Communication Technologies (Shanghai) Limited	None	None	None

Note: Shareholding as of 2016.04.26.

(3) Remuneration paid during the most recent fiscal year to Directors, Supervisors, General Manager, and Assistant General Managers

1. Remuneration paid to Directors (including Independent Director)

2015; Unit: NT$ thousands

		Remuneration paid to Direcotrs										Compensation earned as employee of HTC subsidiary affiliates														
		Salary (A)(Note 1)		Retirement pay (B)		Remuneration (C) (Note 2)		Allowance (D) (Note 3)		Total Remuneration (A+B+C+D) as a percentage of net income (%)		Salary,Bonuses, and Allowance (E)(Note4)		Retirement pay (F)		Employee compensation (G) (Note 5)				Exercisable Employee Stock Options (H) (Note 6)		Restricted employee shares (Note 9)		Total Compensation (A+B+C+D+E+F+G) as a percentage of net income (%)		
																HTC		All Consolidated Entities (Note 7)								
Title	Name	HTC	All Consolidated Entities (Note 7)	HTC	All Consolidated Entities (Note 7)	HTC	All Consolidated Entities (Note 7)	HTC	All Consolidated Entities (Note 7)	HTC	All Consolidated Entities (Note 7)	HTC	All Consolidated Entities (Note 7)	HTC	All Consolidated Entities (Note 7)	Cash	Stock	Cash	Stock	HTC	All Consolidated Entities (Note 7)	HTC	All Consolidated Entities (Note 7)	HTC	All Consolidated Entities (Note 7)	Compensation paid to Directors from non-subsidiary affiliates (Note 8)
Chairwoman	Cher Wang	0	0	0	0	0	0	0	0	N/A	N/A	0	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	0
Director	HT Cho	2,650	2,650	0	0	0	0	0	0	N/A	N/A	0	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	0
Director	Wen-Chi Chen	0	0	0	0	0	0	0	0	N/A	N/A	0	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	0
Director	David Bruce Yoffie	12,789	12,789	0	0	0	0	0	0	N/A	N/A	0	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	0
Independent Director	Chen-Kuo Lin	3,500	3,500	0	0	0	0	0	0	N/A	N/A	0	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	0
Independent Director	Josef Felder	9,992	9,992	0	0	0	0	0	0	N/A	N/A	0	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	0

Note 1: Directors' compensation in the most recent fiscal year (including salary, allowances, severance pay, and various awards and bonuses)
Note 2: The amount proposed for distribution to Directors as compensation, as passed by the Board of Directors prior to the Shareholders' Meeting for the most recent fiscal year.
Note 3: Expenses relating to business execution by directors in the most recent fiscal year (includes transportation allowances, special allowances, various subsidies, accommodations, and personal cars).
Note 4: All salary, allowances, severance pay, various bonuses, cash rewards, transportation allowances, special allowances, various material benefits, accommodations, and personal cars received by Directors concurrently serving as employees (including those concurrently serving as General Manager, Assistant General Manager, or other managerial officers and employees) in the preceding fiscal year.
Note 5: Planned amount of employee compensation when Directors concurrently serving as employees (including those concurrently serving as General Manager, Assistant General Manager, or other managerial officers or employees) received employee compensation (including stock and cash) in the most recent fiscal year.
Note 6: Number of shares represented by employee stock warrants (not including the portion already exercised) received by Directors concurrently serving as employees (including those concurrently serving as General Manager, Assistant General Manager, or other managerial officers or employees) up to the date of printing of this annual report.
Note 7: Total amount of all remunerations paid to Directors by all consolidated entities (including HTC).
Note 8: Remunerations refer to salary, compensation, employee bonuses, and allowances relating to the conduct of business received by Directors in their capacity as Director, Supervisor, or managerial officer of a non-subsidiary affiliate.
Note 9: Since the Company did not issue restricted employee shares to directors up to the date of printing of this annual report, the number in this column is not applicable.

* Compensation information disclosed in this statement differs from the concept of income under the Income Tax Act. This statement is intended to provide information disclosure and not tax-related information.

2. Remuneration paid to Supervisors

2015; Unit: NT$ thousands

		Remuneration paid to Supervisors						Total Remuneration (A+B+C) as a percentage of net income (%) (Note 4)		Compensation paid to Supervisors from non-subsidiary affiliates (Note 5)
		Salary (A) (Note 1)		Remuneration (B) (Note 2)		Allowance (C) (Note 3)				
Title	Name	HTC	All Consolidated Entities (Note 4)	HTC	All Consolidated Entities (Note 4)	HTC	All Consolidated Entities (Note 4)	HTC	All Consolidated Entities (Note 4)	
Supervisor	Huang-Chieh Chu	1,750	1,750	0	0	0	0	N/A	N/A	0
Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	1,944	1,944	0	0	0	0	N/A	N/A	0

Note 1: Supervisors' compensation in the most recent fiscal year (including salary, allowances, severance pay, and various awards and bonuses)
Note 2: The amount proposed for distribution to Supervisors as remuneration, as passed by the Board of Directors prior to the Shareholders' Meeting for the most recent fiscal year.
Note 3: Expenses relating to business execution by Supervisors in the most recent fiscal year (includes transportation allowances, special allowances, various subsidies, accommodations, and personal cars).
Note 4: The total amount of all remunerations paid to Supervisors by all consolidated entities (including HTC).
Note 5: Remunerations refer to salary, compensation, and allowances relating to the conduct of business received by Supervisors in their capacity as Director, Supervisor, or managerial officer of a non-subsidiary affiliate.

* Compensation information disclosed in this statement differs from the concept of income under the Income Tax Act. This statement is intended to provide information disclosure and not tax-related information.

3. Remuneration paid to General Manager and Assistant General Managers

2015; Unit: NT$ thousands

Title	Name	Salary (A) (Note 1)		Retirement pay (B) (Note 2)		Bonus & Perquisite (C) (Note 3)		Employee profit sharing (D) (Note 4)				Total Remuneration (A+B+C+D) as a percentage of net income (%)		Exercisable Employee Stock Options (Note 5)		Restricted employee shares (Note 8)		Compensation paid to President & Vice Presidents from non-subsidiary affiliates (Note 7)
								HTC		All Consolidated Entities(Note 6)								
		HTC	All Consolidated Entities (Note 6)	HTC	All Consolidated Entities (Note 6)	HTC	All Consolidated Entities (Note 6)	Cash	Stock	Cash	Stock	HTC	All Consolidated Entities (Note 6)	HTC	All Consolidated Entities(Note 6)	HTC	All Consolidated Entities(Note 6)	
Former HTC CEO (Note a)	Peter Chou																	
President of Global Sales & Chief Financial Officer, Smartphone & Connected Devices Business	Chialin Chang																	
Chief Operation Officer	David Chen																	
Chief Technology Officer	WH Liu																	
Vice President	Jason Mackenzie																	
President of North Asia	Jack Tong																	
General Counsel	Marcus Woo																	
Vice President	Crystal Liu																	
Vice President	Edward Wang	102,284.51	171,180.09	34,463.70	34,792.18	87,535.85	87,535.85	NA	NA	NA	NA	NA	NA	9,330 (thousands shares)	10,730 (thousands shares)	1,042 (thousands shares)	1,042 (thousands share)	NA
Associate Vice President (Note b)	Hsiu Lai																	
Vice President (Note c)	Steve Wang																	
Vice President (Note d)	Simon Hsieh																	
Vice President (Note e)	CS Wang																	
Vice President (Note f)	Georges Boulloy																	
Vice President (Note g)	Simon Lin																	
President of EMEA (Note h)	Philip Blair																	
Associate Vice President (Note i)	James Chen																	

Note 1: General Manager and Assistant General Managers' compensations in the most recent fiscal year include salary, allowances, and severance pay.
Note 2: Pensions funded according to applicable law.
Note 3: Various awards, bonuses, transportation allowances, special allowances, special subsidies, accommodations, and personal cars by General Manager and Assistant General Managers in the most recent fiscal year. The appropriated employee incentive and retention bonuses are estimated amount.
Note 4: The amount proposed to distribute to General Manager and Assistant General Managers as employee compensation (including stock and cash), as passed by the Board of Directors prior to the Shareholders' Meeting for the most recent fiscal year.
Note 5: Number of shares represented by employee stock warrants (not including the portion already exercised) received by General Manager and Assistant General Managers up to the date of printing of this annual report.
Note 6: Total amount of all remunerations paid to General Manager and Assistant General Managers by all consolidated entities (including HTC).
Note 7: Remunerations refer to salary, compensation, employee bonuses, and allowances relating to the conduct of business received by General Manager and Assistant General Managers in their capacity as director, supervisor, or managerial officer of a non-subsidiary affiliate.
Note 8: Since the Company did not issue restricted employee shares up to the date of printing of this annual report, the number in this column is not applicable.
Note 9: This chart lists persons who have served as HTC's General Manager and Assistant General Managers on 31 December 2015.
Note a: Peter Chou was relieved from the position of insider manager on 8 July 2015
Note b: Hsiu Lai was appointed as insider manager on 16 September 2015.
Note c: Steve Wang was relieved from the position of insider manager on 15 April 2015
Note d: Simon Hsieh was relieved from the position of insider manager on 15 April 2015
Note e: CS Wang was relieved from the position of insider manager on 15 April 2015
Note f: Georges Goulloy was relieved from the position of insider manager on 15 April 2015
Note g: Simon Lin was relieved from the position of insider manager on 29 March 2016
Note h: Philip Blair was relieved from the position of insider manager on 17 March 2016
Note i: James Chen was relieved from the position of insider manager on 16 September 2015.

* Compensation information disclosed in this statement differs from the concept of income under the Income Tax Act. This statement is intended to provide information disclosure and not tax-related information.

Remuneration paid to General Manager and Assistant General Managers

Scale of remunerations to managers of the Company	Name	
	HTC (Note)	All Consolidated Entities (Note)
Under NT$ 2,000,000		
NT$ 2,000,000 - NT$ 4,999,999	4 (Note 1)	4 (Note 1)
NT$ 5,000,000 - NT$ 9, 999,999	6 (Note 2)	6 (Note 2)
NT$ 10,000,000 - NT$ 14, 999,999	2 (Note 3)	2 (Note 3)
NT$ 15,000,000 - NT$ 29, 999,999		1 (Note 4)
NT$ 30,000,000 - NT$ 49, 999,999	3 (Note 5)	4 (Note 6)
NT$ 50,000,000 - NT$ 99, 999,999		
Over NT$ 100,000,000		
Total	15	17

Note 1: Edward Wang, Crystal Liu, Hsiu Lai , James Chen
Note 2: WH Liu, Steve Wang, Simon Hsieh, CS Wang, Georges Boulloy, Simon Lin
Note 3: Jack Tong, Marcus Woo
Note 4: Philip Blair
Note 5: Peter Chou, Chialin Chang, David Chen
Note 6: Peter Chou, Chialin Chang, David Chen, Jason Mackenzie

4. Employee profit sharing granted to Management Team

None.

(4) Total remuneration as a percentage of net income as paid by the company, and by each other company included in the consolidated financial statements, during the past two fiscal years to its Directors, Supervisors, the General Manager, and Assistant General Managers, and description of remuneration policies, standards, packages, procedures for setting remuneration, and linkage to performance.

1. Total remuneration as a percentage of net income as paid by the company, during the past two fiscal years to its Directors, Supervisors, General Manager, and Assistant General Managers.

	Total remuneration as a percentage of net income				Increases or decreases % (Note)	
	2015		2014 (Note)			
Title	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities
Directors	N/A	N/A	1.98%	1.98%	N/A	N/A
Supervisors	N/A	N/A	0.25%	0.25%	N/A	N/A
President and Vice Presidents	N/A	N/A	8.67%	15.03%	N/A	N/A

Note: Since there's a net loss in fiscal 2015, the percentage in this column is not applicable.

2. HTC's reward programs and policies are designed to support HTC's business strategy and the focus of performance differentiation. Our reward program and package is designed to be competitive within the markets to engage and motivate our people for the long term successes. In additional to country's fix bonuses (two-month salary in Taiwan for example), the Board of Directors hold the review and approval for extra performance bonus by reflect the company's performance when applicable.

2. The State of the Company's Implementation of Corporate Governance:

(1) The state of operations of the Board of Directors:

The Seventh Board of Directors conducted 12(A) meetings in 2015. The Directors and Supervisors' attendance status is as follows :

Title	Name	Attendance in Person B	By Proxy	Attendance Rate in Person (%) 【B / A】	Notes
Chairwoman	Cher Wang	12	0	100%	
Director	Wen-Chi Chen	12	0	100%	
Director	HT Cho	10	2	83.33%	
Director	David Bruce Yoffie	4	8	33.33%	
Independent Director	Chen-Kuo Lin	12	0	100%	
Independent Director	Josef Felder	4	8	33.33%	
Supervisor	Wei-Chi Investment Co., Ltd. Representative: Shao-Lun Lee	12	N/A	100%	
Supervisor	Huang-Chieh Chu	12	N/A	100%	

Other matters to be included:

1. There was no independent director expressing opposition or reservation with respect to any Board of Directors meeting during the preceding fiscal year, and no written record or written statement of related board resolutions.

2. There was no Directors' abstention from discussion due to conflicts of interests in 2015.

3. Measures taken to strengthen the functionality of the Board of Directors and the status of implementation during current and preceding fiscal years:
   (1) At the time of end-of-term elections for Directors and Supervisors in the 2013 fiscal year, HTC selected two Independent Directors in accordance with the provisions of the Securities and Exchange Act in order to strengthen the independence and functions of Directors and enhance the operational effectiveness of the Board. In 2014, the"Corporate Governance Principles"were completed and adopted, guaranteeing that the Board of Directors has the authority to independently supervise corporate operations and to make all decisions necessary to fulfill its responsibilities to shareholders and to society.

   (2) In compliance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company whose stock is listed on the Stock Exchange or Traded Over-the-Counter" as per Letter No.1000009747 issued by the Financial Supervisory Commission of the Executive Yuan on March 18, 2011, the Board of Directors resolved to adopt the Company's Compensation Committee Charter and the Committee shall consist of three members who are appointed by resolution of the board of directors. The current second remuneration committee members are independent director Mr. Chen-Kuo Lin; independent professional advisors, Mr. Wei Ti-Hsiang and Mr. Yeong-Cheng Wu. The official functions of the Committee are to professionally and objectively evaluate the policies and systems for the compensation of HTC directors, supervisors, and managers, and submit recommendations to the Board of Directors for its reference in decision making.

   (3) Currently, prior to the establishment of the audit committee, some of the committee's functions are performed by the Supervisors meetings. Regular Supervisors meetings are convened on a quarterly basis to hear reports on important financial, legal, and internal audit matters. There is also a joint assessment between the Supervisors and CPA on the principles and appropriateness of various allowances and reserves in the financial statements.

   (4) HTC has also been endeavoring in recent years to enhance the timeliness and transparency of its information disclosure. In addition to making timely posting of important financial and business information on the Market Observation Post System, HTC also convenes online investor conferences on a quarterly basis to allow investors timely access to information on the company's operations and performance. In December 2008, the HTC Investor Relations Website was revised. A special corporate governance page was added along with disclosures of financial information. HTC achieved "A+" rating in information disclosure for the first time in the sixth Information Disclosure and Transparency Ranking organized by the Securities and Future Institute (SFI) and also rated "A+" for three consecutive years. HTC was recognized as one of the top 10 public companies with "A+" rating in the seventh evaluation and rated "A++" in the ninth, tenth and eleventh evaluation for listed/OTC companies. As of 2015, HTC has engaged in the second session of the"Corporate Governance evaluation", and achieved"A+" rating.

(2) Supervisor participation in Board of Directors meetings

The Seventh Board of Directors conducted 12 (A) meetings. The Supervisors' attendance status is as follows :

Title	Name	Attendance in Person B	Attendance Rate(%) 【B / A】	Notes
Supervisor	Wei-Chi Investment Co., Ltd. Representative: Shao-Lun Lee	12	100%	
Supervisor	Huang-Chieh Chu	12	100%	

Other matters to be included:

1. Composition and Responsibilities of Supervisors:
   The structure of the Supervisors' Meetings at HTC is well established and it carries out some functions at the audit committee.
   (1) Supervisor communication with employees and shareholders (e.g., channels and methods of communication) Supervisors can make use of channels such as Supervisors Meetings, Board of Directors meetings, Shareholders Meetings, and internal audit reports to communicate with management-level officers and with shareholders.

   (2) Supervisor communication with Chief Internal Auditor and CPAs (e.g., financial and operational matters on which they communicate, their methods, and results)

   HTC Supervisors communicate through their regular quarterly Supervisor Meetings with HTC's financial, legal, and internal audit officers, who report to the Supervisors on issues such as risk management, major litigations, and internal audit reports.

   Based on the principle of sound, conservative accounting, HTC's Supervisors and CPAs regularly undertake joint reviews of major account items in the financial statements to assess the reasonableness of basic assumptions underlying various allowances and reserves. Assessments are also performed and reserves taken against potential liabilities associated with intellectual property risks in order to reduce the impact on HTC's finances.

   Supervisors also hold regular private meetings with CPAs. Supervisors must first review and be satisfied with the CPA's independence and professional fees before such matters are submitted to the Board of Directors for resolution.

   In 2015, the management team continuously emphasized and provided full support on corporate governance. All departments in the company conducted risk-oriented internal control assessment to evaluate the controls' efficiency and effectiveness, for the purpose of improving the internal control system. In the area of internal control self-assessment, HTC has asked all departments to evaluate the efficiency and effectiveness of their controls' design and execution to ensure the concreteness and transparency of the internal control system statement. All departments were required to issue individual internal control system statements based on their assessment results and the company would issue the internal control system statement based on individual department assessment results.

2. If Supervisors in attendance at a Board meeting state opinions, the meeting date, session number, agenda, and result of resolutions must be noted, along with the company's handling of the Supervisors' opinions.

   There has been no instance of a Supervisor expressing a dissenting opinion regarding a Board resolution during the most recent fiscal year.

(3) The State of the Company's Implementation of Corporate Governance, departures of such implementation from The Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies, and reasons for departures.

Item	Implementation Status			Reason for Non-implementation
	YES	NO	Summary	
1. Whether the company has adopted and revealed principles for practice of corporate governance in accordance with "Corporate Governance Best Practice Principles for TWSE/ GTSM Listed Companies"?	v		In 2014, HTC adopted the"HTC Corporate Governance Principles". Its provisions are based on the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and are announced in the English and Chinese investor relations websites.	None
2. Shareholding Structure & Shareholders' Rights				
(1) Whether the company has the internal operation procedures of handling shareholder suggestions, questions, lawsuits or complaints, and proceed by complying with the procedures.	v		To protect shareholders' interests, HTC has appointed spokesperson and acting spokesperson to properly handle any questions, suggestions, or disputes involving shareholders.	None
(2) Whether the company understands the major shareholders and the ultimate owners of these major shareholders.	v		The Company has a good understanding of its major shareholders through shareholder registers provided by stock agents at book closures. HTC also provides information regularly on pledges and the increase and decrease in shareholdings of shareholders with a more than 10% stake in the company.	None
(3) Whether the company sets up and executing of risk management mechanism and "firewalls" between the company and its affiliates	v		The division of responsibilities between HTC and its affiliates with respect to management of personnel, resources, and finances is clear. Risk assessments are rigorously performed and appropriate firewalls have been established. HTC conducts business with affiliates based on the principles of fairness and reasonableness and fully observe the operating Procedures for transactions with Specific Companies, Enterprise Groups and Related Parties and other related regulations. Terms and conditions, pricing, and payment methods are clearly prescribed in contracts to avoid non-arms-length transactions and financial tunneling. When it is necessary to eliminate non-competition restrictions on directors and managerial officers, requests are duly submitted to the Shareholders' Meeting and Board for approval.	None
(4) Whether the company has adopted internal rules to forbid against use of unpublicized information in the market by internal staffs for purchase of priced stocks?	v		The company has adopted the"Operational Procedures for Handling Material Inside Information and Preventing Insider Tranding". It governs purchase and sale of priced stocks by internal staffs.	None
3. Composition and Responsibilities of the Board of Directors				
(1) Whether the Board of Directors has adopted guidelines for diversity of composing members and has put the guidelines into full practice?	v		In the "Principles for practice of corporate governance", the company has specified that knowledge, skills, and trainings be considered when nominating a Board member and Supervisor. Also in consideration is gender equality that contributes to diversity of Board members. Rules given in the principles should be carried out in full.	None
(2) Whether the company is willing to set up various other functional committees, in addition to the committees for salaries/compensations and auditing set up according to the law?		v	For the purpose of developing supervision functions and strengthening management mechanisms, the Board of Directors of the Company may, taking into account the size of the Board and the number of the Independent Directors, set up remuneration or any other functional committees.	Considering the number of the Independent Directors, HTC has only set up the remuneration committees.
(3) Whether the company has adopted rules and methods for assessment on performances of the Board that will be carried out annually on a regular basis?	v		The company has adopted"Rules Regarding Organization for the Salary and Compensation Committee"where rules and methods are specified for assessment on performance of the Board. Under periodic reviews are annual and long-term goals for performance of the Board, as well as policies, rules, standards, and structures for the salary and compensation.	None
(4) Whether the company will regularly assess independence of its certified accountants?	v		In 2008, HTC started to have its Supervisors review the independence of CPAs on an annual basis. Prior to submitting a proposal to change CPA to the Board, the CPA will be interviewed and his credentials reviewed by the Supervisors to assess his independence.	None

(Continued)

Item	Implementation Status			Reason for Non-implementation
	YES	NO	Summary	
4. Whether the company has established a channel for communicating with Stakeholders, set up a section for Stakeholders on the company website, and properly responded to important topics regarding corporate social responsibilities that Stakeholder care about?	v		HTC provides detailed contact information, including telephone numbers and email addresses, in the "contact us"section of its corporate website. We also have personnel in place to exclusively deal with messages to the spokesperson and investor mailboxes so that various interested parties will have channels to communicate with HTC.	None
5. Whether the company has delegated a professional shareholder services agency for handing AGM affairs?	v		The company has delegated CTBC Bank Co., Ltd. to be the shareholder service agency for handling AGM affairs.	None
6. Information Disclosure				
(1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance	v		HTC has both Chinese and English websites. HTC Investors pages provide information on financial and business and corporate governance, while PRODUCTS pages provide information relating to our products and services.	None
(2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	v		HTC has English and Chinese investor relations websites. Dedicated personnel have been assigned to collect and update information to websites. Chief Financial Officer Chialin Chang has been appointed spokesperson and a spokesperson email address has been established. An investor conference is convened online each quarter. Recording and presentation are posted on the company website after the conference.	None
7. Other important information helpful to understanding HTC's corporate governance practices (including but not limited in employee rights and interests, employee care, investor relations, supplier relations and rights of Stakeholders, professional development of the Board of Directors, Supervisors, and managerial officers, status of implementation of risk management policies and standards for measurement of risk, status of customer-protection policy implementation, and liability insurance provided by HTC to the Board of Directors and Supervisors) :	v		(1) Employee rights and interests and employee care HTC's employee code of conduct provides rules and guidelines for employees to follow when involved in company operations. All employees of the company and its branches and subsidiaries, regardless of their position, level, or location, need to abide by this code of conduct. Any unlawful conduct, either at the company or otherwise is prohibited. HTC is committed to providing a safe and healthy work environment, to respecting individuals and offering fair equality of opportunity, and to protecting company assets and personal information. In relations with customers and suppliers, HTC commits to maintaining long-term relationships on a fair and reasonable basis in order to create win-win partner relationships. In the Conflicts of Interest section in "HTC's Code of Conduct", HTC provides principles of conduct to guide employees. HTC's hiring policies comply with the relevant laws and regulations and provide fair opportunities to applicants. Hiring decisions are based on HTC's operational needs, nature of the work, and applicants' abilities. Fair opportunities are provided to both applicants and employees. There will be absolutely no discrimination on the basis of nonwork-related factors, such as race, skin color, social position, language, belief, religion, political attillation, family origin, gender, sexual orientation, marital status, appearance, facial features, mental or physical disabilities, previous union affiliation, or any other factor protected by government order. HTC management adheres firmly to the principles of respect for the individual, good faith, and responsibility. These principles are applied (but not limited) to recruitment, hiring, training, promotion, pay scales, benefits, transfers, and community activities. HTC is committed to providing employees with a working environment free of discrimination or harassment (including sexual harassment). Any form of speech or conduct intended to incite hatred, conduct which could lead to accidental injury, or discrimination, will be immediately reported to the responsible department for investigation and punishment. In addition to complying with legal requirements, HTC respects the privacy of its employees and protects their personal information, and never arbitrarily discloses personal data of employees. Employees are also expected to abide by this principle in their interactions, and to avoid discussing private matters or secret information of others (including but not limited to salary and bonus information).	

(Continued)

Item	Implementation Status			Reason for Non-implementation
	YES	NO	Summary	
7. Other important information helpful to understanding HTC's corporate governance practices (including but not limited in employee rights and interests, employee care, investor relations, supplier relations and rights of stakeholders, professional development of the Board of Directors, Supervisors, and managerial officers, status of implementation of risk management policies and standards for measurement of risk, status of customer-protection policy implementation, and liability insurance provided by HTC to the Board of Directors and Supervisors) :			(2) Investor relations HTC carries out its responsibility in the area of investor relations by endeavoring to enhance the transparency and timeliness of information disclosure. In addition to immediate announcement of material information and information disclosure, each quarter investor/press conferences are held, with an average of more than 100 institutional investors from Taiwan and abroad participating. Information is also uploaded to the company website simultaneously. In addition to the regularly scheduled information disclosures above, HTC also actively participates in investment seminars held by local and overseas securities firms and investor/press conferences; it also arranges meetings with domestic and foreign investors in order to further explain financial figures and operational results that have already been publicly released. Also, more than ten international securities houses routinely publish analyst reports on HTC, providing investors with independent, professional investment analyses. HTC's investor relations activities in 2015, were as follows: Throughout the year, HTC frequently participated in investor conferences in Taiwan, Hong Kong, London, and New York, and periodically visited main investors in the European, American and Asia regions. At the same time, foreign and domestic institutional investors and analysts frequently visit our investor relations department or contact it by phone. Going forward, HTC will continue to advance its work in every aspect of investor relations in order to fulfill the responsibilities of a listed company toward its investors and shareholders. (3) Supplier relations and rights of interested parties HTC has adopted "Procedures for Transactions with Specific Companies, Group Enterprises, and Related Parties and Supplier Integrity Commitment Letter"to guarantee the rights and interests of HTC and interested parties. Purchasing contracts are also signed with suppliers to govern to transactions and cooperative efforts to protect the lawful rights and interests of all parties. (4) Professional development of the Board of Directors, Supervisors, and managerial officers: HTC's Board of Directors and Supervisors voluntarily attend seminars held by professional training institutes as required by law and regulation. In addition, to further strengthen implementation of corporate governance, regular courses are also planned on finance, business, commerce, law, and accounting subjects that are related to corporate governance, as well as courses on internal control and responsibility in connection with preparation of financial reports. Details of professional development courses taken by the Board of Directors, Supervisors, and managerial officers for 2015 can be found in Appendixes 1 and 2. (5) Status of implementation of risk management policies and standards for measurement of risk: HTC has adopted relevant risk management policies and standards for measurement of risk, and has established a dedicated unit to carry out risk management and risk measurement. With respect to implementation, HTC has reassessed its business risks after transitioning into a brand company. Risk factors are also reflected in financial statement items such as bad debts and warranty reserves which are reviewed by Supervisors and CPAs to ensure they are reasonable and appropriate. HTC's management of potential risk associated with promotion of its global brand is explained below: 1. Exchange rate risk: Foreign exchange movements are monitored and managed / hedged by dedicated personnel. Reserves for on-book liabilities are valued at the exchange rate on the balance sheet date, reducing as much as possible the effects of currency fluctuations on HTC's business and finances. 2. Receivables risk: Receivables risk is managed effectively by the finance department to ensure receivables quality and lower the risk of bad debt. 3. Management of idle inventory: In addition to enhancing supplier management and demand forecast, idle inventory is attended to early and reserves for loss taken in an appropriate manner. 4. Global tax risk: To comply with global tax compliance, our company engaged with international tax advisory for periodical review. 5. Product design quality: To ensure quality of design, HTC has established a department for design quality, which is exclusively responsible for control and management of quality in hardware and software, product safety, and conformance with environmental regulations around the world. The department provides a complete range of product testing and certification. (6) Status of customer-protection policy implementation: HTC strictly abides by the contracts it signs with customers to protect consumer rights and interests. Regular deliberation on and assessment of the Product Warranty Reserve for after-sales services ensures that allocations made to such reserves are reasonably sufficient and warranty responsibilities of the Company are adequately expressed. (7) Liability insurance provided by HTC to the Board of Directors and Supervisors: Currently, HTC has purchased Liability Insurance for the Board of Directors, Supervisors, and key personnel (please see Appendix 3 for details), thereby transferring the risk arising from erroneous or improper conducts by Directors, Supervisors, or key personnel.	

(Continued)

Item	Implementation Status			Reason for Non-implementation
	YES	NO	Summary	
8. If the Company has a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the opinions of board of directors, evaluation results, major deficiencies or suggestions, and improvements are stated as follows:	v		As of 2015, HTC has not yet issued any corporate governance self-assessment report, but has engaged in the second session of the "Corporate Governance evaluation", and achieved "A+" rating. It has become a member of the ROC's Corporate Governance Association (CGA). Regular participation of its Board of Directors, Supervisors, and management-level personnel in the CGA's Board of Directors and Supervisors Association provides opportunities for exchanges with government, business, and academia on topics such as enterprise orientation, strategy development, operations and management, and financial, legal, and corporate governance issues, thereby strengthening HTC's enterprise management and corporate governance.	None

Appendix 1: Continuous Education/Training of the Board of Directors and Supervisors

Title	Name	Date of Training		Organization	Training	Hours	Notes
		From	To				
Independent Director	Chen-Kuo Lin	2016.03.04	2016.03.04	Taiwan Corporate Governance Association	Disputed Cases regarding Director's and Superviors' Respondibilitues for Financial Statements	3	
		2015.12.23	2015.12.23	The Company commissioned Taiwan Securities & Futures Institute (SFI)	Discussion on Issues of Human Resources and Merger Integration of Mergers and Acquisitions	3	
Supervisor	Huang-Chieh Chu	2016.03.04	2016.03.04	Taiwan Corporate Governance Association	Disputed Cases regarding Director's and Superviors' Respondibilitues for Financial Statements	3	
		2015.12.28	2015.12.28	Taiwan Corporate Governance Association	Mergers and Insider Trading	3	
Supervisor	Shao-Lun Lee	2015.12.28	2015.12.28	Taiwan Corporate Governance Association	Mergers and Insider Trading	3	

Appendix 2: Continuous Education/Training of Management Team

Title	Name	Date of Training		Organization	Training	Hours	Notes
		From	To				
General Counsel	Marcus Woo	2015.12.28	2015.12.28	Taiwan Corporate Governance Association	Mergers and Insider Trading	3	
Associate Vice President	Hsiu Lai	2016.03.14	2016.03.23	Accounting Research and Development Fundation	Professional Development Class for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges	30	

Appendix 3: Board of Directors, Supervisors and Key Personnel Liability Insurance

No	Insured Object	Insurance Company	Insured Amount	Insurance Period	Notes
1	All Directors, Supervisors and juristic person directors' representatives at investee companies and key personnel appointed by HTC	Fubon Insurance Co., Ltd.	US$: 35,000,000	From: 2014.03.15 To: 2015.03.15	
2	All Directors, Supervisors and juristic person directors' representatives at investee companies and key personnel appointed by HTC	Fubon Insurance Co., Ltd.	US$: 35,000,000	From: 2015.03.15 To: 2016.03.15	

(4) Formation, scope of duties and operation of the Compensation Committee

1. Compensation Committee Members' Information

2016.04.30

Condition / Title	Name	Meet one of the following professional qualification requirements, together with at least five years work experience: An instructor (or higher) in a department of commerce, law, finance, accounting, or other academic departments related to the business of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in commerce, law, finance, accounting, or other areas relevant to the business of the company	Conforms to criteria for independence (Note): 1	2	3	4	5	6	7	8	Number of other public companies concurrently serving as an Compensation Committee member	Notes
Independent Director	Chen-Kuo Lin	V		V	V	V	V	V	V	V	V	V	1	
Other	Yeong-Cheng Wu			V	V	V	V	V	V	V	V	V	0	Appointed on 2014.06.17
Other	Ti-Hsiang Wei			V	V	V	V	V	V	V	V	V	0	

Note: Compensation Committee members, during the two years before being elected or during the term of office, meet any of the following criteria:
(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children of minor age, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.
(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company.
(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
(8) Not been a person of any conditions defined in Article 30 of the Company Law.

2. The State of Operations of The Compensation Committee

1. Numbers of the Compensation Committee members: 3 persons.
2. Terms of Office of the Second Compensation Committee: from 27 September 2013 to 20 June 2016. The Compensation Committee conducted 2 (A) meetings in 2015.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person(%) (B / A)(Note)	Notes
Convener	Chen-Kuo Lin	2	0	100%	
Member	Yeong-Cheng Wu	2	0	100%	Appointed on 2014. 6.17
Member	Ti-Hsiang Wei	2	0	100%	

Other matters to be included:
1. There was no suggestion recommended by the Compensation Committee not being accepted or being amended by the Board of Directors during the preceding fiscal year.
2. There was no Compensation Committee member expressing opposition or reservation with respect to any Compensation Committee meeting during the preceding fiscal year, and no written record or written statement of related resolutions.

Note: Attendance rate in person(%) is calculated by the meeting times and the actual attendance during the incumbency of the Compensation Committee.

(5) HTC's exercise of corporate social responsibility:

Guidelines, measures, and conditions under which the company takes action with respect to environmental protection, community involvement, social contributions, social services, social welfare, consumer rights, human rights, and health and safety.

Item	Implementation Status: Yes	No	Summary	Reasons for discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies
1. Implementation of Corporate Governance				
(1) Whether the company adopted corporate social responsibility policies and systems, and its examination of the effectiveness of their implementation?	v		HTC's commitment to the development of corporate social responsibility is outlined on our global website (www.csr.htc.com). HTC has set out an employee code of conduct and supplier code of conduct, and policies relating to environmental safety and health, carbon reduction, energy management, etc. It is the duty of each department to implement and review the effectiveness of each policy.	None
(2) Whether the company holds the corporate social responsibility training and education periodically?		v	HTC holds training for new employees on their first day of work, introducing corporate policy, the employee code of conduct, environmental safety and health policy as well as our corporate social responsibility philosophy. Only not yet instituted is a periodical training on CSR.	The company does not have a periodical training on CSR.
(3) Whether the operational status of the unit established by the company with exclusive or concurrent responsibility for CSR matters. The higher-level management is authorized by the Board of Directors to handle the matter and report to the Board on its handling?		v	The CSR department is responsible for the planning and implementation of HTC's CSR activities, and attends Electronic Industry Citizenship Coalition (EICC) meetings on behalf of HTC. Promotion and enhancement of awareness internally and externally: 1. Audit suppliers to determine adherence to EICC guidelines. 2. Suppliers must sign HTC's Supplier Code of Conduct. 3. Periodic disclosure of HTC's corporate social responsibility operational status. The higher-level management has not yet been authorized by the Board of Directors to handle CRS-related matters, with no current practice of reporting to the Board on the handling of CSR.	The higher-level management has not yet been authorized by the company to handle CRS-related matters, with no practice of reporting to the Board on the handling of CSR.
(4) Whether the company adopted a fair and reasonable salary and compensation policy, integrated CSR into employee performance evaluation system, and instituted a clear and effective reward and punitive system?	v		The company has an open and transparent performance appraisal system. At the end of each year, as part of the employee's performance appraisal process, the employee must finalize next year's learning plan and also communicate next year's work goals as well as learning plan with their supervisor. Not only does this enhance the employee's professional skills, it also assists them to develop additional skills and knowledge. Only CSR has not yet been integrated into employee performance evaluation system. Also not yet instituted is a clear and effective reward and punitive system.	The company has instituted a fair and reasonable performance evaluation system that only CSR policy has not yet been integrated into.
2. Develop a sustainable environment				
(1) Whether the company exerts to improve its efficiency in the utilization of all resources and the use of recycled materials with low environmental impact?	v		In 2006 HTC began studying how to integrate the Life Cycle Thinking (LCT) concept into their development processes so as to provide R&D engineers with quantitative green information. In 2010 the company participated in a project led by the Ministry of Economic Affair's Industrial Development Bureau. This sustainable industrial development counseling project focused on the lifecycle inventory (LCI) of the supply chain and established a database of key components in products and their impact on the environment. R&D engineers can reference this information in the development of green products. In terms of packaging, HTC currently uses highly recycled packaging materials that are corrugated and renewable. Corrugated packaging is composed of 85-90% recycled pulp with the rest discarded after use. This type of packaging material is 100% recyclable and biodegradable. Renewable packaging is made of 65% sugar cane bagasse and 35% bamboo pulp. In terms of power usage, all of the power supplies that come with HTC's products conform to international standards such as the US Energy Star, California Energy Commission, and the EU Code of Conduct on Energy Efficiency of External Power Supplies. The company provides power supplies that have greater energy efficiency than required by the above measurement standards, thereby achieving both energy savings and carbon reduction.	None

(Continued)

Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Summary	Reasons for discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies
2. Develop a sustainable environment				
(1) Whether the company exerts to improve its efficiency in the utilization of all resources and the use of recycled materials with low environmental impact?	v		In 2013, we chose HTC One as its representative product. In a concerted effort with suppliers, HTC One was able to pass third party product verification, and became the first Smartphone to meet comprehensive international standards for carbon footprint and life cycle assessment, including ISO/TS 14067:2013, PAS 2050:2011,ISO 14040:2006,and ISO 14044:2006. In addition, the inks used to print HTC packaging are of low volatility or use soy ink that complies with the standards set by the American Soybean Association. HTC aims to minimize the impact of its packaging materials on the environment.	None
(2) Whether the company establishes of environmental management systems appropriate to the nature of its industry?	v		HTC has passed ISO14001:2004 certification to set criteria for environmental management systems and ISO14064:2006 certification to report greenhouse gas emissions and removal. In addition, HTC received ISO 50001 certification in 2011, using its energy management system and energy saving measures to increase energy efficiency and reduce greenhouse gas emissions.	None
(3) Whether the company pays attention to the effects of climate change on its operations, investigation of greenhouse gas affairs and its establishment of a company strategy for energy conservation and carbon and greenhouse gas reduction?	v		Beginning in 2008, HTC has publically reported and verified its Greenhouse Gas Emissions (GHG) inventories and set GHG emissions reduction goals for all production facilities in Taiwan. In 2010, with the support of third-party agencies, HTC began publically reporting its GHG inventories for its Mainland China factories. Through the implementation of ISO50001, energy management systems, and effective energy reduction measures, the company has been able to increase energy efficiency while reducing greenhouse gas emissions.	None
3. Protecting the public interest				
(1) Whether the company formulated its policies and procedures on management in accordance with relevant regulations and International Covenant on Civil and Political Rights?	V		HTC periodically holds labor coordination meetings, with a labor representative selected by employees in attendance. These meetings focus on the discussion of labor rights. HTC's employee code of conduct defines employees' legal rights, interests and establishes appropriate compliance measures.	None
(2) Whether the company has established an approach and channel for employee appealing and whether it is handled properly?	V		HTC operates an internal system to receive employee complaints. This system includes a hotline, mailbox, and e-mail address dedicated to receiving employee complaints and suggestions as well as a regularly convened joint labor-management committee. HTC regularly canvasses employee opinions. Results are made available to executives and managers and used to measure changes in employee satisfaction and commitment.	None
(3) Whether the company provides a safe and healthy work environment for its employees and its provision of health and safety education to its employees on a regular basis?	V		To ensure the health and safety of our employees, HTC annually commissions a qualified laboratory to conduct on-site environmental tests. The results of all tests surpass standards set by related regulations. To strengthen safety and health awareness, HTC provides new employees with three hours of safety and health training. Employees with special work requirements, such as the handling of organic hazardous solvents, will receive further training pertinent to the nature of their job. For new employees entering the factory, they will receive fire prevention training on a monthly basis.	None
(4) Whether the company has set up a system for the employees to communicate periodically and informed them through reasonable approaches about changes in operations that would cause a major impact?	V		A meeting for employee and employer is held every two months, and the meeting for the safety commission is held once every three months. All meeting minutes are posted on the company intranet (my HTC).	None
(5) Whether the company has established an effective plan for the employees in training and career development?	v		HTC values the development and cultivation of our employees. In order to fulfill the commitment to grow with our employees, HTC constructs systematic learning development blueprint that provides a comprehensive curricula covering professional, managerial and personal development as well as language courses and training for new employees. These programs help staff acclimate quickly to HTC's corporate culture and acquire essential knowledge and skills. We've introduced e-Learning and Mobile Learning platforms to make learning more convenient and flexible.	None

(Continued)

Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Summary	Reasons for discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies
3. Protecting the public interes				
(6) In regards to R&D, purchases, production, operation, and procedures of service, has the company formulated polices that would protect consumers' rights, as well as procedures for appealing?	v		HTC safeguards consumer rights and interests with various services and information. It provides channels of communication that allow consumers to contact HTC, including: ・the limited warranty sheet included in the HTC phone package ・Customer service contact numbers in all countries ・Customer service center contact info card in Taiwan ・Include the telephone numbers and methods of connecting to its dedicated customer service lines on its official Website ・Live customer chat service ・Customer service e-mail ・Home pickup and delivery service ・Customer service center address	None
(7) Whether the company complied with regulations and international norms on marketing and marking for its products and services?	v		HTC follows all related international norms and regulations on marketing and labeling for its products and services, in ways that also meet expectation of its customers.	None
(8) Before interacting with its suppliers, has the company reviewed and assessed records of these suppliers in regards to whether they had negatively impacted the environment and society in the past?	v		In December 2010, HTC joined the Electronic Industry Citizenship Coalition (EICC). Based on the EICC's Electronic Industry Code of Conduct, HTC defined its own version called the "HTC Electronic Supplier Code of Conduct". Based on HTC's Supplier Code of Conduct and the governing laws applicable to the Supplier's manufacturing plant, the company is able to conduct supplier audits within the scope of corporate social responsibility, including working conditions, environment, safety & health, integrity & ethics and related management systems In 2012, we included the issue of conflict minerals into the audit scope of supplier social responsibility. HTC does not support the purchase of conflict materials. To ensure that Gold (Au), Titanium (Ta), Tin (Sn), Tungsten (W) and other metals do not come from the Democratic Republic of Congo and other neighboring countries in the conflict minerals zone, HTC and its suppliers make the utmost effort to avoid using conflict minerals in the hopes of improving the negative impact this issue has brought forth. HTC supports the US Dodd-Frank Wall Street Reform and Consumer Protection Act H.R. 4173. HTC has also joined the EICC and Global e-Sustainability Initiative (GeSI)'s mining workgroup activities and aims to join the EICC-GeSI's mining source audit plan. We require that suppliers comply with HTC's conflict-free minerals procurement policy, which means that they must lower, reduce, and eliminate the use of conflict minerals. HTC requires suppliers to complete the "Metals Mining Source Survey" and sign a "Conflict-Free Minerals Warranty," which are both included in the Supplier Code of Conduct. Based on the Friends of the Earth (FoE) investigative report, the mining of tin on Banka Island in Indonesia is violating human rights and damaging the environment with catastrophic effects. To support this global environmental protection effort, we have checked our first tier suppliers and currently there is no direct use of this tin ore, but there is a portion that has indirectly come from Banka Island. We will be responsible for our supply chain management and ask that our suppliers to avoid using tin ore from this source. As Indonesia is still the main source for tin ore, it is currently not possible to completely avoid its use. In the meantime we have asked suppliers to sign a warranty declaration, which states that if they use tin from Banka Island it must not come as a result of labor rights violations, use of child labor and environmentally harmful activities. Suppliers must also take the responsibility to help alleviate the harmful effects that tin ore mining has had on the environment and people and to ensure the sustainable development of the environment. HTC will continue to promote responsible mineral sourcing, while tracking and monitoring our suppliers so that they may communicate and implement our conflict minerals procurement policies to upstream suppliers.	None

(Continued)

Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Summary	Reasons for discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies
3. Protecting the public interest				
(9) Whether the contract between the company and its major suppliers included clauses of termination and removal of the contract should the suppliers be involved in violation of its CSR policies that cause a major impact to the environment and society?	V		In December 2010, HTC joined the Electronic Industry Citizenship Coalition (EICC). Based on the EICC's Electronic Industry Code of Conduct, HTC defined its own version called the "HTC Electronic Supplier Code of Conduct". Based on HTC's Supplier Code of Conduct and the governing laws applicable to the Supplier's manufacturing plant, the company is able to conduct supplier audits within the scope of corporate social responsibility, including working conditions, environment, safety & health, integrity & ethics and related management systems	None
4. Enhancing information disclosure Status of disclosure on the company's website and MOPS of relevant and reliable information regarding corporate social responsibility.	V		HTC's commitment to corporate social responsibility is available on our global website (www.csr.htc.com), and HTC's CSR report is disclosed on MOPS.	None
5. For companies who follow the Listed Company Corporate Social Responsibility Code of Conduct as a guideline to setting its own Corporate Social Responsibility Code of Conduct, please describe any differences between operations and guidelines: HTC has yet to define a corporate social responsibility code of conduct.				
6. Any other important information that helps to understand corporate social responsibility practices HTC drafted its CSR report in 2014 and received the II Golden Award for manufacturers in Taiwan Corporate Sustainability Awards of 2014. HTC invites the Hsinchu Blood Donation Center to organize four blood drives every year. The annual blood donation target is over 1000 bags. The HTC Fund has established three Character and English Institutes in Hualian, Yunlin, and Chiayi. In 2013, HTC plans to add another school in Taitung. Additionally, in 2012 HTC extended outside of the education realm, using the influence of Character Education to move into other areas, which is evident from the development of Character Towns and Character Hospitals.				
7. If the company's products or corporate social responsibility reports have been confirmed by relevant institutions, please indicate: Report 1 GRI31 written guidelines have passed AA100 verification by an impartial third-party SGS and received the confirmation statement.				

(6) Status of HTC's Implementation of Ethical Corporate Management Best Practices and Adoption of Related Measures:

Status of Implementation of Ethical Corporate Management Best Practices

Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Summary	Reason for Non-implementation
1. Adoption of ethical corporate management policies and programs				
(1) Whether HTC discloses clearly for adopting ethical corporate management policies and procedures in its rules and external documents, and of the board of directors and the management in undertaking to rigorously and thoroughly enforce such policies.	V		HTC's Code of Conduct is a guideline to provide high ethical standards for all employees in conducting HTC business activities. This Code includes three major sections: the General Moral Imperative, Vendors/ Suppliers and Customers Relationship, and Conflict of Interests which covers HTC's ethical management policy. This Code is disclosed in the Annual report and on the investor website. The Board of Directors and the management all place the greatest importance on adopting the highest standards of integrity and ethics in corporate management and employee work conduct. Bribery, corruption, deception, and all other forms of improper conduct are prohibited.	HTC does not produce a Ethical Corporate Management Best Practice Principles per the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies. HTC adopted Code of Conduct for follow up.
(2) Whether the company adopts a program to prevent unethical conduct, including its operational procedures, guidelines for ethical conduct, punishment of violance and complaint system.	V		The Code of Conduct describes Corporate Confidentiality, Protection of Property, HTC's Assets, and Personal Information, standards for entertainment and Business Courtesies among All employees or their immediately family members, customers and suppliers/Vendors, Travel, Conflict of interest, Outside Employment and Inside Trading to prevent unethical conduct. HTC also provides dedicated e-mail for employee to complaint. The Code of Conduct is one of the courses in the new employee orientation and is declared in the e-learning courses. Further, in order to prevent insider trading, HTC invites legal professionals to provide trainings to managers. HTC also adopted the Corporation Rules for Donations Out of Income as the principle to approve and process Company's donation.	None
(3) Whether the company asserts, when establishing the program to prevent unethical conduct according to the article 7 of the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies, to address which business activities within its business scope pose higher risk of unethical conduct, and to adopt preventive measures against it.	V		Per the Code of Conduct, HTC will hold new employee orientation and ask employees to review the code periodically to prevent unethical conduct.	None
2. Enforcement of ethical corporate management				
(1) Whether the company exerts in its business activities to evaluate the counterparty the record of unethical conduct, and to include ethical conduct clauses in its business contracts.	V		When signing purchasing or engineering contracts with suppliers, HTC consistently requires the suppliers to cooperate by signing an Integrity Policy Statement or Supplier Integrity Commitment Letter, to expressly provide that its business partners will uniformly comply with national laws and refrain from using unethical conduct to gain advantages in business or work (for example by offering kickbacks, entertainment, or other improper benefits). The signed terms and conditions expressly stipulate that HTC will voluntarily terminate its dealings with any cooperating firm that violates the Integrity Policy. HTC will seek compensation for damages if any breach of commitment happens due to the violation of the policy in order to consistently maintain a relationship of integrity between HTC and its business counterpart.	None
(2) Whether HTC establishes and operates a dedicated (or part-time) unit with responsibility for the enforcement of ethical corporate management under the Board of Directors, and periodically report to the Board of Directors.	V		HTC has not established a dedicated (or part-time) unit with responsibility for the enforcement of ethical corporate management. Currently, HTC has adopted an employee code of conduct that sets rules for compliance by all division supervisors and employees in their execution of company operations, to prevent violations of ethical corporate management principles by HTC. We have a dedicated email: anti-corruption@htc.com to report any violations. When violations of the employee code of conduct occur or are suspected, the human resources and legal divisions will cooperate to investigate and then report to management so that necessary disciplinary measures can be taken. Also, HTC's internal auditors conduct routine audits of the work operations and internal control system operations of HTC's various divisions, and submit quarterly reports to the board of supervisors and the Board of Directors.	HTC has not established a dedicated (or part-time) unit with responsibility for the enforcement of ethical corporate management.

(Continued)

Item	Implementation Status Yes	No	Summary	Reason for Non-implementation
2. Enforcement of ethical corporate management				
(3) Whether the company has adopted the policies for preventing conflicts of interest and offering appropriate channels for stating opinions, and the operation thereof?	V		HTC has set out high ethical standards in its employee code of conduct Additionally, in its employment agreements and employee handbook, it expressly stipulates non-competition provisions for the period of employment, to prevent conflicts of interest. Unit supervisors and internal auditors can investigate and audit any questionable conduct in line with these policies. Also, in its Rules of Procedure for Board of Directors Meetings, it has duly set out a system for recusal and avoidance of conflicts of interest by directors, for compliance in the operations of the board of directors. HTC also has established channels for statements of opinions and reports of violations, by which employees may report any questionable conduct discovered.	None
(4) Whether the company establishes and operates the effective accounting systems and internal control systems for the enforcement of ethical corporate management, and of audits periodically by internal auditors or accounting firms?	V		HTC has established an accounting system that takes into account the characteristics of its industry and is based on applicable laws and regulations and generally accepted accounting principles. The system provides a basis for compliance in HTC's accounting affairs (including the types and formats of accounting evidence, account books, accounting classifications, and financial statements, and the rules and procedures for handling various kinds of accounting matters).The system enables the regular provision of reliable accounting information for reference by the management. The implementation of the operational procedures and rules of the accounting system ensures that HTC's business operations proceed according to rigorous procedural rules, with mutual checking and reconciliation between various operations, to prevent any occurrence of abuses, ensuring the security of HTC's assets. HTC has taken into account its overall operational activities in designing and faithfully implementing its internal control system. It regularly reviews the internal control system to ensure the continued effectiveness of its design and implementation in light of changes in HTC's internal and external environment. The internal auditors conduct scheduled or unscheduled site audits of audited units according to internal audit plans, and may require audited units to present documents, account books, and evidence to conduct document audits. When necessary, they also may conduct special audits of specific matters, and compile their work papers and related materials into reports and submit them to the board of directors.	None
(5) Whether the company holds internal or external education and training operations periodically?	V		Per the Code of Conduct, HTC will hold new employee orientation and ask employees to review the code periodically to prevent unethical conduct.	None
3. Status of reporting system for the company				
(1) Whether the company has adopted a system for reporting and rewarding , established a channel convenient for reporting, and assigned appropriate staffs responsible for handling issues for the reported parties?	V		HTC's employee handbook specifically provides that an employee who commits fraud, accepts bribes, misappropriate funds, or violates employmentperiod non-competition clauses will be sanctioned by dismissal from employment. Complaints can be channeled through HTC's internal division supervisors,human resources division, and internal auditors. Disciplinary measures are administered by the human resources department. HTC also has established channels for statements of opinions and reports of violations, by which employees may report any questionable conduct discovered.	None
(2) Whether the company has adopted a standard operating procedure for investigation of the reported matters, as well as relevant rules regarding confidentiality?	V		The company has adopted operating procedures and rules regarding confidentiality for investigation of the reported matters. Upon acquisition of relevant evidences, HTC will set up an investigation team to carry out corresponding procedures with a responsibility for maintaining	None
(3) Whether the company has adopted measures for protecting reporting parties from inappropriate treatment because of their acts of reporting?	V		HTC has a dedicated email: anti-corruption@htc.com Employees can use the email to report the case to the company with provision of relevant evidences. HTC will have its team carry out investigation with the reporting parties placed under protection.	None
4. Strengthening information disclosure				
(1) Whether the company builds the website and announces on MOPS for information disclosure related to ethical corporate management principles and effects?	V		HTC discloses its Code of Conduct on its investor's website both in Chinese and English, the Corporate Responsibility webpage also discloses Supplier Code of Conduct. Supplier's business shall be ethical.	None

(Continued)

Item	Implementation Status Yes	No	Summary	Reason for Non-implementation
5. HTC does not produce a Ethical Corporate Management Best Practice Principles per the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies. HTC adopted Code of Conduct to provide high ethical standards for all employees in conducting HTC business activities. All employees of HTC Corp., including branches and subsidiary companies, must follow these ethical standards regardless of the employees' position, grade level, and location. This Code includes three major sections: the General Moral Imperative, Vendors/Suppliers and Customers Relationship, and Conflict of Interests.				
6. Other important information helpful to understanding HTC's exercise of good faith in management: HTC has always upheld the five major ideals of honesty, humble, simplicity, energy, and innovation as its highest criteria for operations. Everyone within the company, from the highest levels to the lowest, is asked to strictly uphold the spirit of these five ideals, as well as abiding by all laws, regulations, and rules. HTC has also formulated internal rules to ensure the exercise of good faith in management and the observance of laws and regulations.				

(7) For information on HTC's Guidelines for Corporate Governance and other codes of practice, please refer to the HTC website at www.htc.com.

(8) Other important information helpful to understanding HTC's corporate governance:

HTC has continued to examine and revise or adopt new rules and procedures which will enhance the efficiency of its operations and strengthen risk management and corporate governance. Over the recent years, in line with the formulation or amendment of relevant securities laws and regulations, and in consideration of operational needs, HTC has adopted or revised its"Procedures for Board of Directors Meetings","Procedures for the Acquisition or Disposal of Assets","Procedures for the Handling of Derivatives Trading","Corporate Governance Principles","Procedures for Shareholders' Meetings","Bylaws for the Election of Directors and Supervisors", and"Compensation Committee Charter". In addition, it has also adopted the"Detailed Guidelines for the Handling of Derivatives Transactions","Credit Policy and Operation Procedures", and"Rules for Assignment of Directors and Supervisors at Investee Companies", and revise implementation rules that guide its internal operations, such as the"Specific Companies, Enterprise Groups and Related Parties","Budget Management Procedures","Corporate Bylaws for Subsidiaries"and"Operational Procedures for Handling Material Inside Information, and Prevention of Insider Trading".

(9) The state of implementation of HTC's internal control system:

1. Statement on Internal Control

HTC Corporation

Internal Control System Statement

Date: 02/29/2016

The Company states the following with regard to its internal control system for 2015, based on the findings of a self-assessment:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguarding of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Financial Supervisory Commission (hereafter, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has assessed the design and operating effectiveness of its internal control system according to the forementioned criteria.
5. Based on the findings of the assessment mentioned as of 12/31/2015, the Company believes that during the stated time period its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations and bylaws, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement has been passed by the Board of Directors Meeting of the Company held on 02/29/2016, in which all of the 6 attending directors affirmed the content of this Statement.

HTC Corporation. 宏達國際電子股份有限公司 Chairwoman: President:

2. External auditors' opinion on HTC's internal control: Not applicable.

(10) For the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report, there were no sanctions imposed upon the Company or its internal personnel.

(11) Material Resolutions of the 2015 Shareholders Meeting and Board of Directors Meetings during the most recent fiscal year and the current fiscal year up to the date of printing of this annual report.

Item	Date	Material resolutions	Note
Year 2015			
Board of directors meeting	2015.02.06	1. Adopted resolution for Company's 2015 first quarter summary financial forecast.	
Board of directors meeting	2015.03.06	1. Adopted resolution for the date, time and venue for the Company's 2015 Annual General Shareholders' Meeting, and the submission period and address for shareholders' proposals.	
Board of directors meeting	2015.04.15	1. Adopted resolution for fiscal 2014 Earnings Distribution Proposal. 2. Approved of the proposal to issue 7,500,000 new restricted employee shares. 3. Adopted resolution to amend the agenda for convening the 2015 Annual General Shareholders' Meeting of the Company.	
Board of directors meeting	2015.04.28	1. Adopted resolution for Company's 2015 second quarter summary financial forecast. 2. Adopted resolution for registering a change of share status to write-off 49,200 shares of the Company's restricted employee shares and setting the record date for the reduction of paid-up capital.	
Shareholders meeting	2015.06.02	1. Adoption of the Fiscal 2014 Business Report and Financial Statements. 2. Adoption of the Fiscal 2014 Earnings Distribution Proposal. 3. Approved of the proposal to partially amend the Articles of Incorporation. 4. Approved of the proposal to partially amend the Procedures for the Acquisition or Disposal of Assets. 5. Approved of the proposal to partially amend the Procedures for the Handling of Derivatives Trading. 6. Approved of the proposal to partially amend the Bylaws for the Election of Directors and Supervisors. 7. Approved of the proposal to issue 7,500,000 new restricted employee shares.	Please refer to the note for an execution summary of the material resolutions of the shareholders meeting
Board of directors meeting	2015.06.05	1. Adopted resolution for Company's 2015 second quarter summary financial forecast update.	
Board of directors meeting	2015.07.24	1. Adopted resolution for registering a change of share status to write-off 116,700 shares of the Company's restricted employee shares and setting the record date for the reduction of paid-up capital. 2. Adopted resolution for the date of record for the distribution of cash dividends, the closing period for the share transfer and the delivery date for the cash dividends.	
Board of directors meeting	2015.08.06	1. Adopted resolution for Company's 2015 third quarter summary financial forecast	
Board of directors meeting	2015.08.24	1. Adopted resolution for the repurchase of the Company's shares and cancellation of such shares.	
Board of directors meeting	2015.09.16	1. Adopted resolution for the change of the Company Accounting Officer	
Board of directors meeting	2015.10.30	1. Adopted resolution for registering a change of share status to write-off 408,700 shares of the Company's restricted employee shares and setting the record date for the reduction of paid-up capital.	
Board of directors meeting	2015.12.29	1. Adopted resolution for the sale of TY5 building in Taoyuan headquarters.	
Year 2016			
Board of directors meeting	2016.02.29	1. Adopted resolution for registering a change of share status to write-off 118,060 shares of the Company's restricted employee shares and setting the record date for the reduction of paid-up capital. 2. Adopted resolution for registering a change of share status to write-off 4,110,000 shares of the Company's treasury stocks and setting the record date for the reduction of paid-up capital.	
Board of directors meeting	2016.03.29	1. Adoption of Fiscal 2015 Deficit Compensation Proposal. 2. Adopted resolution to set the date, time and venue for the 2016 Annual General Shareholders Meeting, as well as the time period address for submission of shareholders' proposals, and time period and address for submission of shareholders' nominations.	

Note: HTC has acted upon and completed execution of resolutions adopted at 2015 regular shareholders meeting.

(12) Where, during the most recent fiscal year and current fiscal year up to the date of printing of this annual report, there was no Board of Director or Supervisor expressing a dissenting opinion with respect to a material resolution passed by the Board of Directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof.

(13) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer

Title	Name	Appointment Date	Effective Date	Type of the Change
President & CEO	Peter Chou	93.04.30	104.03.20	position adjustment
Vice President	James Chen	98.02.10	104.9.16	position adjustment

3. Information on CPA Professional Fees:

(1) Scale of information on CPA professional fees

Accounting Firm	Name of CPA	Audit Period	Note
Deloitte & Touche	Wen-Yea Shyu Kwan-Chung Lai	Years Ended December 31, 2015	

Scale of Fee		Item		
		Audit Fee	Non-Audit Fee	Total Fee
1	Under NT$2,000,000			
2	NT$ 2,000,000 - NT$ 3,999,999		V	
3	NT$ 4,000,000 - NT$ 5,999,999			
4	NT$ 6,000,000 - NT$ 7,999,999			
5	NT$ 8,000,000 - NT$ 9,999,999			
6	Over NT$ 10,000,000	V		V

(2) Information on CPA professional fees

1. **The amounts of both audit and non-audit fees as well as details of non-audit services are disclosed as follows:**

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					CPA's Audit Period	Note
			System Design	Company Registration	Human Resource	Others (Note)	Subtotal		
Deloitte & Touche	Wen-Yea Shyu Kwan-Chung Lai	11,770		285		2,410	2,695	Years Ended December 31, 2015	Transfer pricing report and international tax consultation

2. **The company does not change its accounting firm.**

3. **Audit fees paid for the current year are not lower than those for the previous fiscal year by 15 percent or more.**

4. The Company Replaces Its Certified Public Accountant Within the Last Two Fiscal Years:

(1) Former Certified Public Accountant:

Replacement Date	2014.10.31 (Date of Board Resolution)		
Replacement Reason	Due to internal adjustment of Deloitte & Touche, CPA Ming-Hsien Yang and CPA Wen-Ya Hsu are replaced by CPA Wen-Yea Shyu and CPA Kwan-Chung Lai as from the third quarter of 2014.		
Specify whether the appointment is terminated or not accepted by the appointer or CPA (Not applicable)	Situation \ Persons concerned	CPA	Appointer
	Voluntary termination of appointment		
	No further acceptance of (continuous) appointment		
Opinions and reasons for audit reports other than reports with unqualified opinions in the last two years	None		
Any disagreement with the issuer	Yes		Accounting principles or practices
			Disclosure of financial reports
			Scope or steps of audit
			Other
	No	V	
	Remarks		
Other disclosures (To be disclosed in accordance with Article 10.5(1).(iv) of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	None		

(2) Successive Certified Public Accountant

Accounting Firm	Deloitte & Touche
Name of CPA	Wen-Yea Shyu, Kwan-Chung Lai
Appointed Date	2014.10.31 (Date of Board Resolution)
Consultation about accounting treatment or applicable accounting principles for specific transactions and the possible opinion on the financial reports and the results thereof before appointment	None
Written opinions on discrepancy of opinions between the successive CPA and the former CPA	None

(3) The former CPA's written response to the matters referred to in Article 10.5(1) and 10.5(2).(iii) of the "Regulations Governing Information to be Published in Annual Reports of Public Companies" :

None.

5. The Company's Chairperson, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Has Not in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm.

6. Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent During the Most Recent Fiscal Year and the Current Fiscal Year up to the Date of Printing of This Annual Report.

(1) Changes in shareholdings of Directors, Supervisors, Managers, and Major Shareholders

Unit: Shares

		2015		2016.01.01 – 2016.04.26	
Title	Name	Change in quantity of shareholding	Change in quantity of pledged shares	Change in quantity of shareholding	Change in quantity of pledged shares
Chairwoman, CEO & President	Cher Wang	0	0	0	0
Director	HT Cho	(6,000)	0	0	0
Director	Wen-Chi Chen	0	0	0	0
Director	David Bruce Yoffie	0	0	0	0
Independent Director	Chen-Kuo Lin	0	0	0	0
Independent Director	Josef Felder	0	0	0	0
Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	0	0	0	0
Supervisor	Huang-Chieh Chu	0	0	0	0
President of Global Sales & Chief Financial Officer, Smartphone & Connected Devices Business	Chialin Chang	0	0	0	0
Chief Operation Officer	David Chen	560,727	(395,000)	0	0

(Continued)

Unit: Shares

Title	Name	2015 Change in quantity of shareholding	2015 Change in quantity of pledged shares	2016.01.01 – 2016.04.26 Change in quantity of shareholding	2016.01.01 – 2016.04.26 Change in quantity of pledged shares
Chief Technology Officer	WH Liu	18,000	0	0	0
Vice President	Jason Mackenzie	0	0	0	0
President of North Asia	Jack Tong	(8,858)	0	0	0
General Counsel	Marcus Woo	0	0	0	0
Vice President	Crystal Liu	0	0	0	0
Vice President	Edward Wang	3,000	0	0	0
Vice President (Note 1)	Hsiu Lai	18,500		(17,000)	
Vice President (Note 2)	Simon Lin	(250)	0	0	0
President of EMEA (Note 3)	Philip Blair	(2,821)	0	0	0
Associate Vice President (Note 4)	James Chen	(200)	0	N/A	N/A
Former HTC CEO (Note 5)	Peter Chou	(166,992)	0	N/A	N/A
President of South Asia (Note 6)	Jackson Yang	0	0	N/A	N/A

Note 1: Hsiu Lai was appointed as insider manager on September 16, 2015.
Note 2: Simon Lin was released as insider manager on March 29, 2016.
Note 3: Philip Blair was released as insider manager on March 17, 2016.
Note 4: James Chen was released as insider manager on September 16, 2015.
Note 5: Peter Chou was released as insider manager on July 8, 2015.
Note 6: Jackson Yang was released as insider manager on February 6, 2015.

(2) Stock transfer with related party:

None

(3) Stock Pledged with related party:

None

7. Related Party Relationship Among the Company's 10 Largest Shareholders.

2016.04.26

Name (Note 1)	Shareholding Shares	Shareholding %	Shareholding under spouse and children of minor age Shares	Shareholding under spouse and children of minor age %	Shareholding under the title of third party Shares	Shareholding under the title of third party %	Top 10 shareholders who are related parties to each other. (Note 2) Name	Relationship	Note
Way-Chih Investment Co., LTD. (Representative: Su-Lan Chiang)	43,819,290	5.29%	0	0.00%	0	0.00%	Way-Lien Technology Inc. Hon-Mou Investment Co., Ltd. Kun-Chang Investment Co, Ltd.	Same chairwoman Same chairwoman Same chairwoman	
Way-Lien Technology Inc. (Representative: Su-Lan Chiang)	38,588,231	4.66%	0	0.00%	0	0.00%	Way-Chih Technology Inc. Hon-Mou Investment Co., Ltd. Kun-Chang Investment Co, Ltd	Same chairwoman Same chairwoman Same chairwoman	
Cher Wang	32,272,427	3.90%	22,391,389	2.71%	0	0.00%	Wen-Chi Chen	Spouse	
Hon-Mou Investment Co., Ltd. (Representative: Su-Lan Chiang)	23,885,081	2.89%	0	0.00%	0	0.00%	Way-Chih Technology Inc. Way-Lien Technology Inc. Kun-Chang Investment Co, Ltd	Same chairwoman Same chairwoman Same chairwoman	
Wen-Chi Chen	22,391,389	2.71%	32,272,427	3.90%	0	0.00%	Cher Wang	Spouse	
Standard Chartered Bank custody for FIDELITY FUND	12,094,000	1.46%	0	0.00%	0	0.00%	None	None	
Standard Chartered Bank in custody for VANGUARD EMERGING MARKETS STOCK INDEX FUND	11,283,925	1.36%	0	0.00%	0	0.00%	None	None	
Kun-Chang Investment Co, Ltd. (Representative: Su-Lan Chiang)	9,322,824	1.13%	0	0.00%	0	0.00%	Way-Chih Technology Inc. Way-Lien Technology Inc. Hon-Mou Investment Co., Ltd.	Same chairwoman Same chairwoman Same chairwoman	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	7,576,792	0.92%	0	0.00%	0	0.00%	None	None	
CTBC Bank as custodian of HTC Corp. employees restricted stock (with voting right and entitlement to dividends)	7,176,790	0.87%	0	0.00%	0	0.00%	None	None	

Note 1: The top 10 shareholders shall all be listed; for institutional shareholders, the name of the entity and the name of its representative shall be listed separately.
Note 2: Mutual relationships of shareholders, including judicial and natural persons, shall be disclosed.

8. Total Number of Shares and Total Equity Stake Held in the Same Enterprise by the Company, its Directors and Supervisors, Managers Directly or Indirectly

2016.03.31 Unit: thousands Shares; NTD thousands; %

	Investments by HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
Long-term investments (Note)	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
H.T.C. (B.V.I.) Corp.	1,315,202 thousands Shares	100%	0	0%	1,315,202 thousands Shares	100%
Communication Global Certification Inc.	29,057 thousands Shares	100%	0	0%	29,057 thousands Shares	100%
High Tech Computer Asia Pacific Pte. Ltd.	714,534 thousands Shares	100%	0	0%	714,534 thousands Shares	100%
HTC Investment Corporation	30,000 thousands Shares	100%	0	0%	30,000 thousands Shares	100%
PT. High Tech Computer Indonesia	2 thousands Shares	1%	186 thousands Shares	99%	188 thousands Shares	100%
HTC I Investment Corporation	29,500 thousands Shares	100%	0	0%	29,500 thousands Shares	100%
HTC Holding Cooperatief U.A.	NTD13 thousands	0.01%	NTD5,652,318 thousands	99.99%	NTD5,652,331 thousands	100%
Huada Digital Corporation	25,000 thousands Shares	50%	0	0%	25,000 thousands Shares	50%
HTC Investment One (BVI) Corporation	333,733 thousands Shares	100%	0	0%	333,733 thousands Shares	100%
HTC (Australia and New Zealand) Pty. Ltd.	0	0%	400 thousands Shares	100%	400 thousands Shares	100%
HTC Philippines Corporation	0	0%	859 thousands Shares	100%	859 thousands Shares	100%
HTC (Thailand) Limited	0	0%	10,000 thousands Shares	100%	10,000 thousands Shares	100%
HTC India Private Limited	0	0%	500 thousands Shares	100%	500 thousands Shares	100%
HTC Malaysia Sdn. Bhd.	0	0%	25 thousands Shares	100%	25 thousands Shares	100%
HTC HK, Limited	0	0%	1,094,376 thousands Shares	100%	1,094,376 thousands Shares	100%
Yoda Limited	0	0%	NTD20,000 thousands	100%	NTD20,000 thousands	100%
S3 Graphics Co., Ltd.	0	0%	386,339 thousands Shares	100%	386,339 thousands Shares	100%
HTC Netherlands B.V.	0	0%	143,882 thousands Shares	100%	143,882 thousands Shares	100%
HTC South Eastern Europe LLC.	0	0%	0.15 thousands Shares	100%	0.15 thousands Shares	100%
HTC EUROPE CO., LTD.	0	0%	69,270 thousands Shares	100%	69,270 thousands Shares	100%
HTC Brasil	0	0%	1,987 thousands Shares	100%	1,987 thousands Shares	100%
HTC Belgium BVBA/SPRL	0	0%	18.55 thousands Shares	100%	18.55 thousands Shares	100%
HTC NIPPON Corporation	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
HTC France Corporation	0	0%	11,000 thousands Shares	100%	11,000 thousands Shares	100%
HTC Nordic ApS	0	0%	80 thousands Shares	100%	80 thousands Shares	100%
HTC Italia SRL	0	0%	NTD51,056 thousands	100%	NTD51,056 thousands	100%
HTC Germany GmbH	0	0%	25 thousands Shares	100%	25 thousands Shares	100%
HTC Iberia, S.L.U.	0	0%	3 thousands Shares	100%	3 thousands Shares	100%
HTC Poland sp. z o.o.	0	0%	4.7 thousands Shares	100%	4.7 thousands Shares	100%
HTC Communication Canada, Ltd.	0	0%	1,500 thousands Shares	100%	1,500 thousands Shares	100%
HTC Communication Sweden AB	0	0%	1,000 thousands Shares	100%	1,000 thousands Shares	100%

(Continued)

2016.03.31 Unit: thousands Shares; NTD thousands; %

	Investments by HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
Long-term investments (Note)	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
HTC Luxembourg S a r. l.	0	0%	12.5 thousands Shares	100%	12.5 thousands Shares	100%
HTC Middle East FZ-LLC	0	0%	3.5 thousands Shares	100%	3.5 thousands Shares	100%
HTC America Holding, Inc.	0	0%	358,617 thousands Shares	100%	358,617 thousands Shares	100%
HTC America, Inc.	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
One & Company Design, Inc.	0	0%	60 thousands Shares	100%	60 thousands Shares	100%
HTC America Innovation, Inc.	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
HTC America Content Services, Inc.	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
Dashwire, Inc.	0	0%	0.1 thousands Shares	100%	0.1 thousands Shares	100%
Inquisitive Minds, Inc.	0	0%	0.1 thousands Shares	100%	0.1 thousands Shares	100%
HTC Myanmar Company Limited	0	0%	100 thousands Shares	100%	100 thousands Shares	100%
HTC Vietnam Services One Member Limited Liability Company	0	0%	USD200 thousands	100%	USD200 thousands	100%
High Tech Computer (SuZhou) Co., Ltd.	0	0%	USD20,000 thousands	100%	USD20,000 thousands	100%
HTC Corporation (Shanghai WGQ)	0	0%	USD1,500 thousands	100%	USD1,500 thousands	100%
HTC Electronics (Shanghai) Co., Ltd.	0	0%	USD132,909 thousands	100%	USD132,909 thousands	100%
HTC Communication Co., Ltd	0	0%	USD127,500 thousands	100%	USD127,500 thousands	100%
HTC Communication Technologies (Shanghai Limited)	0	0%	USD4,000 thousands	100%	USD4,000 thousands	100%
HTC Communication Technologies (Beijing Limited)	0	0%	RMB10,500 thousands	100%	RMB10,500 thousands	100%
HTC VIVE Holding (BVI) Corp.	7,000 thousands Shares	100%	0	0%	7,000 thousands Shares	100%
HTC VIVE TECH (BVI) Corp.	0	0%	70,000 thousands Shares	100%	70,000 thousands Shares	100%
HTC VIVE TECH Corp.	0	0%	100 thousands Shares	100%	100 thousands Shares	100%

Note: Investments accounted for using the equity method.

9. Corporate Social Responsibility

As an international brand, HTC has joined the Electronic Industry Citizenship Coalition (EICC) to fulfill our corporate social responsibilities and respect international human rights. CSR is practiced in all routine operations.

(1) Employee health and care

HTC regards employees as a crucial asset. For this reason, we strive to create a working environment that is safe, comfortable and which inspires creativity. Ensuring the health of our employees has the highest priority, which we believe is critical to the success and sustainable development of the enterprise as a whole. HTC continues to help our employees maintain a proper life-work balance, as well as their mental and physical health. We have paid particular attention to four areas: health management, health enhancement, occupational health and employee assistance.

To fulfill our commitment to employees, a new staff clinic set up in March 2014 offers services such as health consultation, doctor's visits, physical therapy, and health management. The medical services include general clinics, family medicine, physical medicine and rehabilitation, physical therapy, laboratory medicine and radiology. Employees are entitled to benefits such as waivers on appointment fees and basic copays. This healthcare service is also available to families of employees, and even visitors and vendors, as a way to offer healthcare to all people in need of it. In 2015, the clinic served as many as 8,940 visits in Taoyuan, and 4,970 visits in Xindian.

HTC also partnered with the Hsinchu Lifeline Association to provide employees with psychological counseling and guidance with respect to working career, relationships, family and parenting, gender sentiments, mental illness and physical and mental stress. All employees are entitled to six free counseling sessions per year at the expense of the Company.

HTC employees are provided with a variety of different benefits. Subsidies and incentives are offered for participating in club activities to encourage employees to expand their life experience through exercise and engaging in recreational pursuits in their spare time. Many kinds of activities, family days, sporting competitions, art and cultural competitions are hosted to encourage a normal social life outside of work.

To offer healthy and satisfying food for employees, we have engaged experienced licensed chefs and dieticians to select suppliers that have passed certification for food quality excellence. The dieticians assist the dining center in designing healthy and delicious meals that meet nutrition standards and provide a high quality dining experience, including a wide variety of international cuisines. We strictly forbid the use of contaminated food by insisting on buying from those suppliers with certifications such as CAS, GMP, ISO, and HACCP. The procurement of branded food ingredients is prioritized. Procurement contracts are signed with each source and inspection certificates are confirmed. We do our best to support local producers.
To look after female employees and promote breast-feeding, HTC has set up 25 breast-feeding rooms and related facilities that offer mothers a comfortable nursing environment.

With the policy of dedication to sustainable environments, HTC is committed to deliver landscaped green spaces in both our Taipei and Taoyuan Headquarters, comprising 56,034 square meters of outdoor space, on which up to 810 Taiwan primitive trees are planted, such as Camphor Trees, Cypresses, Koelreuteria and Elegans. In addition, ecological ponds are constructed to improve and aid the complex optimization of environmental diversity. In order to improve the quality of working environments for employees, in relation to green ecology, plants, such as Pachira Aquatica and Epipremnum Aureum have been specifically chosen for their ability to purify indoor air; therefore, facilitating increased quality and ameliorating reduced carbon dioxide. Within working spaces, contemporary receptacles are arranged at an interval between 20 and 50 meters and are replaced regularly to provide a fresh, clean and hospitable working environments for employees.

HTC has responded to the government policy of non-smoking workplaces by directly formulating regulations regarding smoking, in accordance with which smoking is banned in all indoor areas. In addition, specialists, such as doctors, social workers and nurse practitioners, are employed to run smoking cessation courses for employees who smoke, as well as family members. Furthermore, trainees are comprehensively supported during and after courses in order to ensure employees are both encouraged and fully aided in their pursuit to quit smoking. Such deliverance of methods includes discussion and counselling, massage for relieving stress, and incentive-based provisions to award employees who successfully quit smoking.

(2) Health and safety

HTC has implemented the OHSAS 18001:2007 Occupational Health and Safety Management System to practice continuous improvement. To ensure a safe and healthy working environment for our employees, we engage with accredited labs to test the operating environment at our factories every year. To date, the test results have all exceed the relevant regulatory requirements.

To enhance the health and safety awareness of employees, HTC employees undergo three hours of health and safety training on arrival or during orientation. Employees working in special roles receive additional training for their specific working environment; for example, workers handling organic solvents receive hazard communication training. Firefighting exercises are carried out periodically.

HTC focuses on industrial technology and works in collaboration with different professional contractors to jointly develop innovative products. For trusted long-term contractor partners, we not only learn from each other but also place a strong emphasis on work safety. Proper safety measures ensure that everyone can make the most of their strengths and contribute to mutual success. For this reason, HTC inspects the health and safety management conditions at our contractors every year. A comprehensive labor health and safety management plan is then developed to effectively prevent the occurrence of occupational disasters.

Initiatives taken by HTC on contractor partners' safety and health management include: Conforming to health and safety regulations, risk reduction through hazard identification, hazard regulation and management, health and safety education and contractor management. Full stakeholder involvement mitigates the health and safety risks. New workers are warned about hazards before they enter a site. This includes familiarizing workers with the operating environment, manufacturing process safety regulations and the use of firefighting equipment.

(3) Supply chain partners

Suppliers are vital to the continued success of HTC and are also important partners in supporting our sustainable development. HTC is committed to fairness and legal compliance in all its conduct towards both consumers and suppliers and has invested consistently in building a win-win partnership with suppliers through mutual sharing, learning, and growth.

HTC was founded in Taiwan and is a Taiwanese company whose operations and procurement drives developments of related sectors. Except for certain key parts and components, HTC's general procurement policy is to use raw materials and equipment originating in Taiwan to the greatest extent possible. We not only require our suppliers to provide quality services and products, but also measure our supply chain against stringent ethical and environmental standards.

HTC joined the Electronic Industry Citizenship Coalition (EICC) in December, 2012, and drew up the HTC Supplier Code of Conduct based on the code of conduct issued by EICC. Apart from requiring suppliers to sign the HTC Supplier Code of Conduct, HTC also implemented CSR compliance audits for high-risk suppliers in accordance with the "HTC Supplier Code of Conduct" and relevant regulations governing supplier factories. The audits cover labor rights, labor conditions, environment, health and safety, integrity and ethics as well as the operation of related management systems. Apart from on-site audits, the HTC audit team also plays the role of consultant. Suppliers are provided with the latest information on labor conditions, environment, health and safety with a view to elevating them to first-rate sustainable suppliers.

In 2012, the issue of Conflict Minerals was included in our supplier CSR audits. On the purchase of mineral ores, HTC supports the use of non-conflict minerals; HTC and our suppliers do everything possible to ensure that metals such as Gold (Au), Tantalum (Ta), Tin (Sn) and Tungsten (W) used by HTC do not come from mines located in the conflict region of the Congo Republic.

HTC supports the U.S. "Dodd-Frank Wall Street Reform and Consumer Protection Act" (H.R. 4173). We have also joined the joint mining task force setup by the EICC as well as the Global e-Sustainability Initiative (GeSI), and plan to participate in the EICC/GeSI conflict-free smelter program. At HTC, we require suppliers to conform with our conflict mineral purchasing policy to reduce the use of conflict minerals. HTC requires suppliers to sign a "Conflict Minerals Survey Form" and a "Conflict-Free Material Assurance Letter" as part of our supplier CSR management process.

According to a report by Friends of the Earth (FoE), tin mining on Indonesia's Bangka Island has damaged human rights and the environment. HTC conducted an investigation of our tier-1 supply chain in response to this international environmental movement and found that while there was no direct use, there were some indirect sources that came from the tin mine on Bangka Island.

We will therefore accept the responsibility for supply chain management and require our suppliers to avoid its use. Indonesia however is a major supplier of tin ore and complete non-use may not be avoidable. HTC has now taken action by requiring suppliers to sign declarations of non-use. Even if they do use ore from tin mines on Bangka Island, it must be from mines that do not exploit workers, use child labor or cause environmental damage. HTC is committed to taking responsibility for helping to fix the devastating impact on the environment and people caused by tin mining in order to ensure the sustainable development of the environment.

HTC will continue to push for responsible ore purchasing and look forward to our suppliers communicating our conflict mineral-free purchasing policy to upstream suppliers.

(4) Environmental protection

4.1 Green products

We go far beyond applicable laws and regulations in the design and development of our sustainable products. Every stage of the process is given full Life Cycle Assessment (LCA) evaluation, and we break down the process into very detailed parts, to give our R&D team a complete picture of the complicated environmental considerations. We endeavor to minimize harm to the environment while making devices that will satisfy our consumers' needs. To achieve this, we strive, from the earliest design and development stages, to select materials for production with low environmental risk and to exclude all internationally restricted substances. We work diligently to reduce the use of environmentally harmful substances, to increase recyclability, improve the reuse of resources, and reduce the adverse effects our products have on the environment.

4.1.1 Sustainable design

HTC's sustainable design concept for products mainly emphasize three areas: (1) Enhancement of energy efficiency, (2) Recyclability, and (3) Reduction of hazardous substances with the serious intention to make our products truly 'green' and competitive.

a) Enhancement of energy efficiency

By applying the life cycle concept to electronic communications products, our analysis of the carbon footprint for mobile phone has found that the manufacturing process emits most of the greenhouse gases. We concentrate on energy-saving from the early design and research and development phase. All power supplies used for HTC products must comply with the relevant international energy consumption specifications, including Energy Star (U.S.), California Energy Commission (U.S.), Energy-related Products and are approved with energy efficiency verification by third-party verification companies. Moreover, the standby power of the power suppliers used for models promoted from 2013 may further achieve 0.03 W, the minimum energy consumption criterion.

HTC's R&D team has developed excellent power management models that allow phones to enter power saving standby mode in accordance with usage habits of consumers to prolong battery life. Some host models are equipped with ambient light detection systems to activate automatic backlight source adjustment function of LCD in relation to the operating environment; which facilitates comfortable reading environments, while also achieving energy savings and carbon reduction.

The HTC One M9 utilized 1.5 A charger, which has higher energy efficiency, and charging program for system optimization, so that unnecessary functions are turned off automatically during charging, for phones to enter standby mode with lower energy consumption so that unnecessary power consumption is reduced. By means of continuous measurement and improvement of energy consumption, the HTC One M9 consumes only 0.2 W (power down state) in standby mode when users unplug the phone after completing charging, and accordingly, improves energy consumption by 16% effectively in comparison with the HTC One M8.

We have continued to make inroads into enhancing energy efficiency in subsequent models, up to and including the 2016 flagship smartphone, the HTC 10, which has been engineered from the inside out to last longer. The HTC 10 features HTC's new Boost+ technology, which optimizes phone memory and manages apps to improve battery life by 30%, enabling up to two days' use per recharge.

b) Recyclability
Complete evaluation of a product for recyclability starts at an early stage of the R&D process. We conduct a simulation of disassembly and analyze the material composition of the product and relative recycling rate. In addition, we carry out a series of strategies such as material marking (as per the standards of ISO 11469 and ISO 1043) and component simplification and degree of ease of disassembly. The design of all current HTC products conforms to existing product recyclability requirements.

Recyclability is under consideration in material selection, and products are disassembled and analyzed by third-party fair organizations. Recycling rates of materials may achieve 75% ~ 85% for all current products, such as HTC One M9 or Desire 820, and exceed the material recycling rate criterion of WEEE directive of EU for phone product substantially. For example, the material recycling rate of the HTC One M9 is 82.9%, and that of the HTC Desire 820 is 82.3%.

To fulfill social responsibility as a manufacturer, in addition to complying with WEEE specifications required by the EU, HTC further promotes phone-related recycling programs in the United States and Canada respectively, and incentives with special offer cash discounts up to 300 USD for recycling old phones in order to contribute to reduced influence on the environments due to inappropriate disposal and treatment.

c) Reduction of hazardous substances
In 2005, HTC unveiled the world's first mass-produced RoHS-compliant PDA mobile phone. Today we require that all parts, components, modules and materials delivered to HTC meet a set of requirements which are even stricter. The restrictions on substances are not only limited to the six items controlled by RoHS but also comply with international environmental regulations and customer requirements. No Be-Cu compound has been contained in any HTC product since the end of 2015.

4.1.2 Sustainable packaging

HTC mobile phone products are packed using materials that make transportation safe and light to enable reduced fossil fuel use in transportation, as well as adding aesthetics to the products. We also consider the impact the packaging materials will have on the environment when they are discarded. The materials we use must be compliant with regulations, environmental friendly, and sustainable. In packaging design, consideration is given to the following:

a) Reduction of the amount of material used;
b) The use of biodegradable raw material;
c) Printing with environmental friendly ink (soy ink);
d) The facilitation of shipment;
e) Consumer education about recycling packaging material.

Packaging materials for HTC products are compliant with the EU directive on packaging (EU 94/62/EC) and the US requirement on packaging (individual state laws on toxics in packaging). All of the printing ink used in HTC product packaging has low volatility or makes use of soy ink that conforms to the American Soybean Association standards. These ensure that the environmental impact of packaging materials is minimized.

We try our best to use sustainable and reusable materials for packaging. If non-recycled paper must be used, HTC requires the supplier to provide paper certified by the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC). On the use of packaging, HTC now uses only highly-recyclable packaging materials of these two types:

- Lightweight, folded paper packaging bag design: from 70-80% recycled paper pulp, which is 100% recyclable after being discarded.
- Lightweight integrated packaging design: derived from 65% sugar cane bagasse and 35% bamboo pulp, it is 100% bio-degradable.

Sustainable Packaging for HTC's smartphones:

	2009 Hero Box	2013/2014 M7 BOX/M8 BOX	2015 M9 BOX
			
Size	183x89x60mm	160x160x28mm	160x160x28mm
Weight	170g	95g	81g
Eco features	· Packaging size is reduced by 50% · Printed with soy ink	· 98% of the packaging material is recyclable · Over 75% of the packaging material is derived from sugar cane bagasse and bamboo pulp · Printed with environmental friendly ink	· Packaging material is derived from sugar cane bagasse and bamboo pulp · Printed with single color, reducing the use of oil ink · Color used in the labels of upper box has been reduced from five colors to one color

Transportation Carbon Footprint for HTC's smartphones

	2009	2011	2012	2013-2014	2015
					
Total Weight (g)	170	120	65	80.2	80.2
Transportation Carbon Footprint (kg CO_2 eq)	1.63	1.15	0.62	0.77	0.77

4.1.3 Sustainable product

In 2013, the HTC One (M7), our flagship product, was selected to pass product carbon footprint verification by a third party verification organization under collaboration with suppliers. The HTC One (M7) became the first smartphone to comply with international standards, including ISO/TS 14067:2013, PAS 2050:2011, ISO 14040:2006 and ISO 14044:2006, with respect to carbon footprint and life cycle evaluations of products. In 2015, we completed product carbon footprint and life cycle evaluations for the HTC One M9 and the HTC Desire 820.

Recorded footprint related programs and reports

HTC has been analyzing the environmental influence of our products via life cycle evaluation since 2010. The action schemes in these years are as follows:

a) In 2010, HTC participated in the "Guidance Program of Information Disclosure for Environmental Product" held by the Industrial Development Bureau, Ministry of Economic Affairs, and completed Environmental Product Declaration (EPD) in cooperation with 19 suppliers.
b) In 2011, HTC participated in the "Guidance Program of Low Carbon Product Design System", and completed guidance of carbon footprint analysis and low carbon design for 15 main suppliers.
c) In 2013, HTC cooperated with 11 suppliers to complete the ISO/TS14067 product carbon footprint examination.
d) In 2014, the main action scheme directly focused on providing detailed data of life cycle examination analysis to main suppliers for setting up the objective to reduce carbon and the action scheme.
e) In 2015, HTC cooperated with 8 suppliers to complete the ISO/TS14067 product carbon footprint examination again.

4.2 Energy and climate change

HTC implemented the ISO 50001 energy management system in 2011 to gain a full picture of internal energy use, the relevant regulatory requirements and the energy baseline to provide a reference for our energy performance indicators as well as set short-, mid- and long-term improvement goals. In 2009, HTC introduced the GHG emission inventory and disclosure for factories and offices throughout Taiwan. To this end, we have devised a dual-aspect strategy composed of adopting an energy management system and performing energy-saving practices. On one hand we strive to optimize our management system to reduce energy consumption, and on the other we use energy-saving technology to improve the energy efficiency of our products.

Total greenhouse gas emissions by HTC were 42,489.88 t CO2e in 2015. The majority of emitted gas were CO2. It is notable that HTC's GHG emissions contained no PFCs, SF6, SOX or other waste gases, and HTC does not use any substances that might endanger the ozonosphere. Moreover, the cooling and air-conditioning systems in HTC's new building all use environment friendly coolant R-134a to further preserve the ozonosphere.

HTC is not a heavy energy consumer. However, within a manageable range of its operations, it is taking initiatives in realizing the concepts of energy-efficiency and reduction of carbon emission by utilizing renewable energy. We set up solar panels on top of our employee dormitory, where solar radiation could be converted to thermal energy for supply to water heating systems. The thermal energy would be stored in a tank for supply of hot water to showering equipment, effectively reducing our usage of natural gas.

With the effective use of solar optoelectronics, the total saving of natural gas for 2015 accounted for was 56,436 degrees, which translates to a reduction of 106,043 kg of CO_2 emission, equivalent to the amount of carbon absorbed by 5,892 trees.

Apart from the regular annual GHG emission inventory and verification, HTC also reports our planning and systems for carbon risk and carbon management on an annual basis in accordance with the requirements of the Carbon Disclosure Project (CDP).

4.3 Water resource management

Climate change due to global warming has become increasingly evident making the storage and distribution of water resources an important issue. At HTC, even though our production processes are not water intensive, we still strive to reduce water consumption during routine consumption encouraging our people to maintain good water management, recycling, and reuse.

All of the water consumed during our operations comes from tap water. As all factory production lines are dry processes that produce no industrial wastewater, water consumption is all from general office and domestic use by employees.

Owing to a significant area of green space and plants situated within factory perimeters, HTC achieves irrigation by using recycled sewage and retreatment optimization without increasing tap water usage. In 2015, the actual sewage recycling rate was 69%.

HTC also established a rainwater recycling system equipped with computer monitoring equipment to continuously summarize and monitor the rainwater recycling situation. Since August, 2013, collected rainwater and condensate water from air conditioners have been treated, which has been implemented in areas such as sanitation and in the irrigation of plants in order to effectively conserve water.

4.4 Waste reduction

HTC's main production process is the assembly of smartphones. The production process generates only tiny amounts of emissions from soldering. No NOx or SOx emissions are generated. The production process produces no hazardous waste. We have strengthened our waste management and disposal model in accordance with the internal "Industrial Waste Disposal and Management Procedure". We also practice thorough recycling and education. Proper disposal of waste ensures the cleanliness of the work environment and reduces environmental impact.

On the management level, we adhered to government regulations in contracting licensed waste disposal companies for proper waste disposal. Contractor trucks and disposal sites are also checked at irregular intervals.

In the factory, we have also introduced a waste reduction strategy in addition to everyday waste management. Waste classification and reduction education helps reduce waste at the source. Prioritization is given to reuse as well to improve the recycling rate of resources. The recycling rate reached 70.72% in 2015.

4.5 Green factory

When constructing our Taoyuan and Taipei buildings, we strived to achieve LEED (Leadership in Energy & Environmental Design) gold-level certification from USGBC, and implemented requirements from LEED into project planning, design, and construction work, and demanded that vendors of various types of projects comply with and implement those LEED requirements into every part of the construction procedure.

After simulation and analysis on energy, the design on energy efficiency contributed to 682,426.83 degree of reduction, compared to the baseline scenario, in usage of electricity for 2015.

(5) Social engagement: promotion of character education

5.1 HTC Foundation

The HTC Foundation defines "Character" as its core mission and strives to shape a character culture through character education. We start at the personal level to create a positive influence on the environment and society. In other words, character is used to improve our inner self, improve the social environment, and from there expand to include other people so that everyone can make a contribution to society and make the world a better place.

Our vision:
Everyone has a good personality.
People respect and support each other.
Let us make the planet lovely together.

Our mission:
Our mission is to instill the core values of integrity, honesty, care, love, positive thinking, and respect for natural resources through education.

Our accomplishments:
We embrace the humanitarian spirit of mutual aid and promote character education by helping schools carry out character education for children and youths, working with local governments on organizing community and urban character education, caring for disadvantaged families, and providing disadvantaged children with educational opportunities.

Building on the facilities in Hualien, Yunlin and Chiayi, the HTC Foundation plans to establish a fourth "Character & English Institute" in Taitung. These offer a series of courses designed to encourage and assist school leadership teams in Taiwan with the continued promotion and implementation of character and citizen education. Our goal is to help character education take root in every corner of Taiwan. Since 2012, we expanded beyond schools into character towns and character hospitals in order to expand the tangible influence of character education into other fields.

We hope that students can follow the principles of good character and positive thinking in making the right decisions and expressing themselves with the right words, actions and attitudes. In this way, they can become competitive citizens of good character.

5.2 Other social engagement and actions

5.2.1 Blood donation

HTC regularly cooperates with the Hsinchu Blood Center to organize blood drives four times every year. Many "hot-blooded" employees have cultivated the habit of regular blood donation since 2006 so they always roll-up their sleeves when they hear that the blood donation bus is coming. The enthusiastic participation of HTC employees has led to the company being presented with a certificate of excellence for blood donation every year by the Hsinchu Blood Center.

5.2.2 Sponsorship of students from poor families

The HTC Foundation for many years has looked after disadvantaged groups by providing scholarships and grants to students from poor families. Apart from providing education plans for continuous learning to help students learn through practice as well as build up their self-confidence and self-worth, HTC also works with students to cultivate the core values of honesty, integrity, love, respect, compassion, positive thinking and respect for natural resources. No effort is spared when it comes to community engagement and social service.

5.2.3 HTC child support club

The HTC Child Support Group was founded in 2006 as an employee initiative. The club organizes donation drives with all proceeds going to the Taiwan Fund for Children and Families to help sponsor children in need. In 2015, donations from 226 employees and the Employee Welfare Committee raised a total of NT$2,194,860. The money was used to sponsor 103 children including eight children in Guatemala, Indonesia, the Philippines, Senegal, Sri Lanka, Qirghiz and Paraguay.

5.2.4 HTC Power To Give

To take full advantage of communication technology in solving issues in the society, HTC piloted the "HTC Power To Give" project for public welfare in 2013. By partnering with Dr. David Anderson from University of California, Berkeley, HTC developed a cellphone app that enabled users of smartphones to share idle computing resources while charging their cellphones. This sharing of resources gave room to help answer major topics involving global humanity through studies in search for ways to heal cancer or Alzheimer's disease, supply of clean water, various plans for rehabilitation of environment and ecology, and exploration for signs of life in outer space.

5.2.5 Project to help remotely-located children fulfill their dreams

Major projects in 2015 included tours for selected elementary schools. These schools in the program are located in remote areas, with many children never having the opportunity to visit large cities. Their perspectives are limited to their environment, which tends to consist largely of countryside only. Their only source of exposure, contact and understanding is delivered through televised media and books. Children do have an interest in exploring Taipei as well as learning through the experience of different living environments. In order to expand the outlook of students, and to create new visions with respect to charity, we hope to act as the pilot to encourage and spread charity in the society; accordingly, there was a series of dream realization programs for Hualien, where students of the elementary schools were invited to list their wishes for a trip to the North of Taiwan for 3 days and 2 nights:

a) Taipei Zoo Tour for Ming-Li Elementary School, Hualien County: Students here wished for a visit to Taipei Zoo, which was followed on the second day by a visit to the Coca-Cola Company and Shayyerobot in Taoyuan, and baking cookies. On the third day, they visited the Presidential Palace and enjoyed a “Happy Lunch” at McDonald’s.

b) Tour of National Taiwan Science Education Center for Dayu Elementary School: Students wished for a visit to the National Taiwan Science Education Center in Taipei, which was followed on the second day by a visit to the Coca-Cola Company and Shayyerobot in Taoyuan, and baking cookies. On the third day, they visited the Presidential Palace and enjoyed a “Happy Lunch” at McDonald’s.

Another element of the project involved the provision of sports equipment. Baseball is a national sport in Taiwan, and is a common pastime in the West as a recreational activity. However, due to various factors and scarce resources, it is considered a luxury for children in remote areas to possess the required equipment for participation. Activities included:

a) Yuan-Cheng Elementary School, Yuli Township, Hualien County: Tsung-Yi Liu, the principal of Yuan-Cheng Elementary School, Yuli Township, Hualien County had the precise intention of collecting a set of baseball equipment in October 2014 for the immediate purpose of allowing his students to gain an overall understanding of baseball. Upon receiving this message, we materialized the realization with assistance from friends within the baseball (softball) circle. Through assistance provided by the coach of the baseball team of Guang Ming Junior High School, Taoyuan City and the director-general of Wugu Softball Alliance, a set of equipment was collected, and delivered to Yuan-Cheng Elementary School on March 11, 2015. The academic director and the director of general affairs accepted the donation as representatives. In total, 25 gloves, 5 bats, one striking helmet and 500 balls were donated.

b) Wanning Elementary School, Fuli Township, Hualien County: 37 pairs of sneakers and nets for practice field were donated.

Many students living in remote areas in Hualien have few opportunities to leave their hometown to explore natural landscape in other regions of Taiwan; therefore, the HTC public welfare team assisted Chuan-Li Chu, who recorded <3D Taiwan>, to visit elementary schools that have long been cared for by HTC in remote areas in Hualien and in Taitung, for a tour performance of which the outcome allowed students in remote areas to also experience beautiful natural landscape in Taiwan through the high technology of 3D action train.

5.2.6 Service for elderly by community volunteers

The service objects were approximately 50 elders from Dapeng New Community. In the introduction, our staff led and demonstrated for elders a step by step easy-to-learn anti-fall health exercise so as to bring closer the distance between our staff and the elders, followed by instructions on how to use smartphones. Initially, one volunteering staff introduced practical and easy operation/setting for phone functions, including “zoom in”, “voice input”, “Taipei Bus Inquiring APP” and “weather forecast”, in great detail, while all other staff were responsible for 1-on-2 close operation assistance.

5.2.7 Let love migrate - surprise shoe box

In the winter of 2015, the “Surprise Shoe Box Activity” was sponsored. HTC staff were asked to collect shoe boxes as gifts for 400 elementary/junior high school children of single-parent families living in remote mountain aboriginal tribes. Furthermore, HTC staff and vendors cooperated to deliver the shoes to the 400 children in person, in order to make these children of single-parent families appreciate the love behind the gift given to them.

5

CAPITAL AND SHARES

CAPITAL AND SHARES

1. Capital and Shares

(1) Capitalization:

2016.04.26 Unit: Share; NT$

		Authorized		Paid-in		Remark		
Month/ Year	Price	Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Other
03/1998	10	19,500,000	195,000,000	19,500,000	195,000,000	Cash offering	None	-
10/1998	10	200,000,000	2,000,000,000	100,000,000	1,000,000,000	Cash offering	None	Note 1
08/2000	40	200,000,000	2,000,000,000	125,000,000	1,250,000,000	Cash offering	None	Note 2
04/2001	163.5	200,000,000	2,000,000,000	127,600,000	1,276,000,000	Cash offering	None	Note 3
06/2002	10	200,000,000	2,000,000,000	162,720,000	1,627,200,000	Capitalization of profits	None	Note 4
09/2003	10	270,000,000	2,700,000,000	202,764,000	2,027,640,000	Capitalization of profits	None	Note 5
11/2003	131.1	270,000,000	2,700,000,000	217,164,000	2,171,640,000	Cash offering	None	Note 6
03/2004	10	270,000,000	2,700,000,000	218,731,347	2,187,313,470	Merger	None	Note 7
08/2004	10	450,000,000	4,500,000,000	271,427,616	2,714,276,160	Capitalization of profits	None	Note 8
01/2005	127.95	450,000,000	4,500,000,000	276,311,395	2,763,113,950	Conversion of ECB	None	Note 9
04/2005	127.95	450,000,000	4,500,000,000	288,763,321	2,887,633,210	Conversion of ECB	None	Note 9
09/2005	10	450,000,000	4,500,000,000	357,015,985	3,570,159,850	Capitalization of profits	None	Note 10
08/2006	10	550,000,000	5,500,000,000	436,419,182	4,364,191,820	Capitalization of profits	None	Note 11
04/2007	10	550,000,000	5,500,000,000	432,795,182	4,327,951,820	Capital reduction : Cancellation of Treasury Shares	None	Note 12
09/2007	10	650,000,000	6,500,000,000	573,133,736	5,731,337,360	Capitalization of profits	None	Note 13
08/2008	10	1,000,000,000	10,000,000,000	755,393,856	7,553,938,560	Capitalization of profits	None	Note 14
02/2009	10	1,000,000,000	10,000,000,000	745,393,856	7,453,938,560	Capital reduction : Cancellation of Treasury Shares	None	Note 15
08/2009	10	1,000,000,000	10,000,000,000	796,020,844	7,960,208,440	Capitalization of profits	None	Note 16

(Continued)

		Authorized		Paid-in		Remark		
Month/ Year	Price	Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Other
11/2009	10	1,000,000,000	10,000,000,000	788,935,844	7,889,358,440	Capital reduction: Cancellation of Treasury Shares	None	Note 17
04/2010	10	1,000,000,000	10,000,000,000	773,935,844	7,739,358,440	Capital reduction: Cancellation of Treasury Shares	None	Note 18
08/2010	10	1,000,000,000	10,000,000,000	817,653,285	8,176,532,850	Capitalization of profits	None	Note 19
07/2011	10	1,000,000,000	10,000,000,000	862,052,170	8,620,521,700	Capitalization of profits	None	Note 20
12/2011	10	1,000,000,000	10,000,000,000	852,052,170	8,520,521,700	Capital reduction: Cancellation of Treasury Shares	None	Note 21
10/2013	10	1,000,000,000	10,000,000,000	850,139,538	8,501,395,380	Capital reduction: Cancellation of Treasury Shares	None	Note 22
11/2013	10	1,000,000,000	10,000,000,000	842,350,538	8,423,505,380	Capital reduction: Cancellation of Treasury Shares	None	Note 23
02/2014	10	1,000,000,000	10,000,000,000	840,352,125	8,403,521,250	Capital reduction: Cancellation of Treasury Shares	None	Note 24
11/2014	10	1,000,000,000	10,000,000,000	830,352,125	8,303,521,250	Capital reduction: Cancellation of Treasury Shares	None	Note 25
11/2014	10	1,000,000,000	10,000,000,000	834,952,125	8,349,521,250	Issuance of Restricted Employee shares	None	Note 26
03/2015	10	1,000,000,000	10,000,000,000	828,038,125	8,280,381,250	Capital reduction: Cancellation of Treasury Shares	None	Note 27
05/2015	10	1,000,000,000	10,000,000,000	827,988,925	8,279,889,250	Capital reduction: Cancellation of Restricted Employee shares	None	Note 28

(Continued)

Month/ Year	Price	Authorized Shares	Authorized Amount	Paid-in Shares	Paid-in Amount	Remark: Sources of capital	Remark: Capital increase by assets other than cash	Remark: Other
08/2015	10	1,000,000,000	10,000,000,000	828,272,225	8,282,722,250	Issuance of Restricted Employee shares	None	Note 29
11/2015	10	1,000,000,000	10,000,000,000	827,863,525	8,278,635,250	Capital reduction: Cancellation of Restricted Employee shares	None	Note 30
01/2016	10	1,000,000,000	10,000,000,000	831,869,525	8,318,695,250	Issuance of Restricted Employee shares	None	Note 31
03/2016	10	1,000,000,000	10,000,000,000	827,641,465	8,276,414,650	Capital reduction: Cancellation of Treasury Shares and Restricted Employee shares	None	Note 32

Note 1: Approval Document No.:The 23 July 1998 Letter No. Taiwan-Finance-Securities-I-59976 of the Securities and Futures Commission (SFC), Ministry of Finance.
Note 2: Approval Document No.:The 21 July 2000 Letter No. Taiwan-Finance-Securities-I-59899 of the Securities and Futures Commission (SFC), Ministry of Finance
Note 3 Approval Document No.:The 13 April 2001 Letter No. Taiwan-Finance-Securities-I-118901 of the Securities and Futures Commission (SFC), Ministry of Finance
Note 4: Approval Document No.:The 30 April 2002 Letter No. Taiwan-Finance-Securities-I-119837 of the Securities and Futures Commission (SFC), Ministry of Finance
Note 5: Approval Document No.:The 28 July 2003 Letter No. Taiwan-Finance-Securities-I-0920133959 of the Securities and Futures Commission (SFC), Ministry of Finance
Note 6: Approval Document No.:The 06 November 2003 Letter No.Taiwan-Finance-Securities-I-0920146220 of the Securities and Futures Commission (SFC), Ministry of Finance
Note 7: Approval Document No.:The 16 January 2004 Letter No. Taiwan-Finance-Securities-I-0920162653 of the Securities and Futures Commission (SFC), Ministry of Finance
Note 8: Approval Document No.:The 09 July 2004 Letter No. Finance-Supervisory-Securities-I-0930130457 of the Securities and Futures Bureau of the Financial Supervisory Commission Executive Yuan
Note 9: Approval Document No.:The 14 January 2003 Letter No. Taiwan-Finance-Securities-I-09100169047 of the Securities and Futures Commission (SFC), Ministry of Finance
Note 10: Approval Document No.:The 12 July 2005 Letter No. Financial-Supervisory-Securities-I-0940128133 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 11: Approval Document No.:The 06 July 2006 Letter No. Financial-Supervisory-Securities-I-0950128723 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 12: Approval Document No.:The 25 January 2007 Letter No. Financial-Supervisory-Securities-III0960004848 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 13: Approval Document No.:The 12 July 2007 Letter No. Financial-Supervisory-Securities-I-0960036213 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 14: Approval Document No.:The 25 June 2008 Letter No. Financial-Supervisory-Securities-I-0970031749 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 15: Approval Document No.:The 16 December 2008 Letter No. Financial-Supervisory-Securities-III0970068202 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 16: Approval Document No.:The 9 July 2009 Letter No. Financial-Supervisory-Securities-0980034309 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 17: Approval Document No.:The 8 October 2009 Letter No. Financial-Supervisory-Securities-0980053814 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 18: Approval Document No.:The 9 March 2010 Letter No. Financial-Supervisory-Securities-0990010834 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 19: Approval Document No.:The 2 July 2010 Letter No. Financial-Supervisory-Securities-0990034358 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 20: Approval Document No.:The 30 June 2011 Letter No. Financial-Supervisory-Securities-1000030339 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 21: Approval Document No.:The 8 November 2011 Letter No. Financial-Supervisory-Securities-1000054193 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 22: Approval Document No.:The 23 September 2010 Letter No. Financial-Supervisory-Securities-09900541928 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 23: Approval Document No.:The 11 October 2013 Letter No. Financial-Supervisory-Securities-1020041961 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 24: Approval Document No.:The 12 January 2011 Letter No. Financial-Supervisory-Securities-1000000751 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 25: Approval Document No.:The 8 November 2011 Letter No. Financial-Supervisory-Securities-1000054193 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 26: Approval Document No.:The 19 August 2014 Letter No. Financial-Supervisory-Securities-1030031492 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 27: Approval Document No.:The 23 February 2011 Letter No. Financial-Supervisory-Securities-1010006478 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 28: Approval Document No.:The 19 August 2014 Letter No. Financial-Supervisory-Securities-1030031492 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 29: Approval Document No.:The 19 August 2014 Letter No. Financial-Supervisory-Securities-1030031492 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 30: Approval Document No.:The 19 August 2014 Letter No. Financial-Supervisory-Securities-1030031492 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 31 Approval Document No.:The 19 August 2015 Letter No. Financial-Supervisory-Securities-1040031777 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
Note 32: Approval Document No.:The 19 August 2014 Letter No. Financial-Supervisory-Securities-1030031492 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan
The 9 Novembe 2015 Letter No. Financial-Supervisory-Securities-1040044488 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan

2016.04.26 Unit: Share

Type of stock	Authorized Capital: Outstanding shares	Authorized Capital: Unissued Shares	Authorized Capital: Total	Remark
Common Stock	827,641,465	172,358,535	1,000,000,000	Of our authorized capital, 80,000,000 shares are reserved for the exercise of stock warrants, preferred shares with warrants, or corporate bonds with warrants

(2) Shareholder structure:

2016.04.26

Structure	Shareholder: Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Treasury stock (Note)	Total
Number of shareholders	2	12	290	784	126,143	0	127,231
Shareholding	955	14,408,086	148,270,564	222,901,269	442,060,591	0	827,641,465
Holding percentage	0.00%	1.74%	17.91%	26.93%	53.42%	0.00%	100.00%

Note: The treasury stocks were the restricted employee shares withdrawn by HTC without compensation.

(3) Distribution of ownership:

2016.04.26 Each share has a par value of NT$10

Shareholder Ownership (Unit : share)	Number of Shareholders	Ownership	Ownership (%)
1 - 999	25,989	3,174,854	0.38%
1,000 - 5,000	87,321	162,929,617	19.69%
5,001 - 10,000	8,057	61,430,984	7.42%
10,001 - 15,000	2,190	27,924,044	3.37%
15,001 - 20,000	1,255	22,980,878	2.78%
20,001 - 30,000	896	22,645,227	2.74%
30,001 - 40,000	429	15,428,007	1.86%
40,001 - 50,000	233	10,830,444	1.31%
50,001 - 100,000	439	31,096,818	3.76%
100,001 - 200,000	201	28,714,759	3.47%
200,001 - 400,000	92	25,162,145	3.04%
400,001 - 600,000	25	12,617,095	1.52%
600,001- 800,000	12	7,828,273	0.95%
800,001 - 1,000,000	13	11,539,431	1.39%
Over 1,000,001	79	383,338,889	46.32%
Total	127,231	827,641,465	100.00%

(4) List of principal shareholders:

Name of principal shareholders	2016.04.26 Each share has a par value of NT$10 Shares	
	Current Shareholding	Percentage
Way-Chih Investment Co., LTD.	43,819,290	5.29%
Way-Lien Technology Inc.	38,588,231	4.66%
Cher Wang	32,272,427	3.90%
Hon-Mou Investment Co., Ltd.	23,885,081	2.89%
Wen-Chi Chen	22,391,389	2.71%
Standard Chartered Bank custody for FIDELITY FUND	12,094,000	1.46%
Standard Chartered Bank in custody for VANGUARD EMERGING MARKETS STOCK INDEX FUND	11,283,925	1.36%
Kun-Chang Investment Co, Ltd.	9,322,824	1.13%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	7,576,792	0.92%
CTBC Bank in custody for restricted stock with voting rights for HTC Corp. employees	7,176,790	0.87%

(5) Share prices for the past two fiscal years, the Company's net worth per share, earnings per share, dividends per share, and related information:

Item			Year 2014	2015	2016.01.01-2016.03.31
Market price per share	Highest market price		180	161	136.5
	Lowest market price		118	40.35	70.2
	Average market price		140.01	96.52	75.71
Net worth per share (Note)	Before distribution		97.02	78.27	74.61
	After distribution		96.64	78.27(Note)	74.61
Earnings (loss) per share	Weighted average shares (thousand shares)		824,816	826,784	827,667
	Earnings (loss) per share		1.80	(18.79)	(3.16)
	Retroactively adjusted earnings (loss) per share		1.80	(18.79)(Note)	(3.16)
Dividends per share	Cash dividends		0.38	0(Note)	
	Stock dividends	Dividends from retained earnings	0	0(Note)	
		Dividends from capital surplus	-	-	
	Accumulated undistributed dividend		-	-	
Return on investment	Price/Earnings ration		77.78	NA	
	Price/Dividend ratio		368.45	NA	
	Cash dividend yield		0.03%	0%	

Note : 2016 pending on the approval of the Shareholders Meeting.

(6) Dividend policy:

1. Dividend policy:

Since the Company is in the capital-intensive technology sector and growing, dividend policy is set with consideration to factors such as current and future investment climate, demand for working capital, competitive environment, capital budget, and interests of the shareholders, balancing dividends with long-term financial planning of the Company. Dividends are proposed by the Board of Directors to the Shareholders' Meeting on a yearly basis. Earnings may be allocated in cash or stock dividends, provided that the ratio of cash dividends may not be less than 50% of total dividends.

According to the Company's Articles of Incorporation, earnings shall be allocated in the following order:

1. To pay taxes.
2. To cover accumulated losses, if any.
3. To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital.
4. To recognize or reverse special reserve return earnings.
5. The board of directors shall propose allocation ratios for any remainder profit after withholding the amounts under subparagraphs 1 to 4 above plus any unappropriated retained earnings of previous years based on the dividend policy above and propose such allocatioin ratio at the shareholders' meeting.

Note: The dividend policy above was amended in compliance with the Company Act of Taiwan. It was adopted by the Board on February 29, 2016 and will be submitted for approval at the Shareholders'Meeting on June 24, 2016.

2. Dividend distribution proposed at the most recent shareholder's meeting: (Proposal adopted by the Board pending approval by the Shareholders' Meeting.)

HTC will not distribute stock dividends at the 2016 Annual Shareholders' Meeting.

3. There is no material change in dividend policy.

(7) Impact of the stock dividend proposal on operational performance and earnings per share:

HTC will not distribute stock dividends at the 2016 Annual Shareholders' Meeting; therefore it is not applicable.

(8) Employee profit sharing and compensation for Directors and Supervisors:

1. Percentage and scope of employee profit sharing and Director and Supervisor remuneration as stipulated in the Company's Article of Incorporation.

If the Company makes profit for the current year, Company shall have minimum of 4% of such profit distributable as employees' compensation at in the form of stock or in cash as resolved by the board of directors. Employees of subsidiaries of the Company meeting certain specific requirements shall also be entitled to receive such stock or cash. Board of directors may resolve to distribute up to maximum of 0.25% of the profit of current year mentioned in preceding paragraph as remuneration to directors and supervisors. Proposed distribution of profit as employees' compensation and remuneration to directors and supervisors shall be presented at shareholders' meeting.

Note: The dividend policy above was amended in compliance with the Company Act of Taiwan. It was adopted by the Board on February 29, 2016 and will be submitted for approval at the Shareholders'Meeting on June 24, 2016.

2. Employee Compensation proposal adopted by the Board:

HTC will not distribute Employee Compensation at the 2016 Annual Shareholders' Meeting; therefore it is not applicable.

3. Distributions of 2014 employees compensation and remunerations for Directors and Supervisors:

Distributions of earnings in 2014

Date of the Board resolution		2014.04.15
Date of Annual Shareholders' Meeting		2014.06.02
Total stock bonus as employee bonus	Total Number of Shares	0
	Total Amount (NT$1,000)	0
Total cash bonus as employee bonus (NT$1,000)		88,333.5
Total employee bonus (NT$1,000)		88,333.5
Director' and Supervisors' Remuneration (NT$1,000)		0

(9) Share repurchases:

Share buy-back status	The twelfth time
Purpose of the share buy-back	To maintain credit of the company and interest of shareholders. According to the Regulations Governing Share Repurchase by Listed and OTC Companies, Article 2 requires off-setting of buy-back Treasury stocks.
Buy-back period	8/28/2015-9/9/2015
Buy-back price range	NT$45.3 – NT$54.8
Number of shares bought back	Common shares 4,110,000 shares
Total amount for buy-back shares	NTD 200,955,290
Cancellation of buy-back shares	Common shares 4,110,000 shares
Cumulative number of own shares held	0 share
Percentage of cumulative number of own shares to the total number of the Company's issued shares	0%

2. Issuance of Corporate Bonds

None

3. Status of Preferred Shares

None

4. Global Depository Receipts

2016.04.15

Issue Date			2003.11.19
Issuance and Listing			Luxembourg
Total amount			USD 105,182,100.60
Offering price per GDR			USD 15.4235
Units issued			9,015,121 units (note)
Underlying securities			Cash offering and common shares from selling shareholders
Common shares represented			36,060,497 shares (note)
Rights and obligations of GDR holders			Same as that of common share holders
Trustee			Not applicable
Depositary bank			Citibank, N.A.–New York
Custodian bank			Citibank Taiwan Limited
GDR$_S$ outstanding			682,620 units
Apportionment of expenses for issuance and maintenance			All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of GDR$_S$ were borne by HTC and the selling shareholders, while maintenance expenses such as annual listing fees and accounting fees were borne by HTC.
Terms and conditions in the deposit agreement and custody agreement			See deposit agreement and custody agreement for details
Closing price per GDR	2015	High	USD 20.32
		Low	USD 4.92
		Average	USD 12.40
	2016.01.01~ 2016.04.15	High	USD 15.32
		Low	USD 8.45
		Average	USD 10.29

Note: The total number of units issued includes the 6,819,600 units originally issued (representing 27,278,400 shares of common stock) plus additional units issued in stock dividends in past years on common shares underlying the overseas depositary receipts, as itemized below.

18 August 2004: dividends issued on common shares underlying the overseas depositary receipts in the amount of 216,088 additional units (representing 864,352 common shares)

12 August 2005: dividends issued on common shares underlying the overseas depositary receipts in the amount of 70,290 additional units (representing 281,161 common shares)

1 August 2006: dividends issued on common shares underlying the overseas depositary receipts in the amount of 218,776 additional units (representing 875,107 common shares)

20 August 2007: dividends issued on common shares underlying the overseas depositary receipts in the amount of 508,556 additional units (representing 2,034,224 common shares)

21 July 2008: dividends issued on common shares underlying the overseas depositary receipts in the amount of 488,656 additional units (representing 1,954,626 common shares)

9 August 2009: dividends issued on common shares underlying the overseas depositary receipts in the amount of 170,996 additional units (representing 683,985 common shares)

3 August 2010: dividends issued on common shares underlying the overseas depositary receipts in the amount of 311,805 additional units (representing 1,247,223 common shares)

26 July 2011: dividends issued on common shares underlying the overseas depositary receipts in the amount of 210,354 additional units (representing 841,419 common shares)

5. Employee Share Warrants

Employee share warrants are adopted to attract and retain important talent necessary for the company's development, and to increase employees' commitment and dedication to the company, so as to jointly benefit the company and its shareholders. The 2nd and 3rd Grants were approved by Financial Supervisory Commission, Executive Yuan on September 9, 2013 and August 19, 2014, and the total quantities of the current issue are 15,000,000 and 20,000,000 units, respectively. Each stock warrant unit may be used to purchase one share of common stock of HTC. The share purchase price shall be the closing price of HTC common stock on the date of issuance of the employee stock warrants.

(1) Issuance of employee share warrants and impact to shareholders' equity

2016.04.30 / Unit: share and NT$

Employee Stock Options Granted	2nd Grant	3rd Grant	4th Grant
Approval Date	September 9, 2013	August 19, 2014	August 19, 2014
Issue (Grant) Date	November 11, 2013	October 31, 2014	August 11, 2015
Number of Options Granted	15,000,000	19,000,000	1,000,000
Percentage of Shares Exercisable to Outstanding Common Shares	1.81%	2.30%	0.12%
Option Duration	The duration of the stock warrants is 7 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.
Source of Option Shares	New Common Share	New Common Share	New Common Share
Vesting Schedule(%)	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%
Shares Exercised	0	0	0
Value of Shares Exercised	NTD 0	NTD 0	NTD 0
Shares Unexercised	9,650,000 shares	13,084,400 shares	950,000 shares
Adjusted Exercise Price Per Share	NTD149	NTD134.5	NTD54.50
Percentage of Shares Unexercised to Outstanding Common Shares	1.17%	1.58%	0.11%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited

Note: The information is calculated based on the issued shares, 827,641,465.

(2) Employee stock options granted to management team and to top 10 employees

2016.04.30 / Unit: share and NT$

	Title	Name	Number of Option Acquired	Number of Option Acquired / Number of Option Issued (Note1)	Exercised				Unexercised			
					Number of Option	Exercise Price per Shares(NTD)	Option amount	Number of Option /Number of Option Issued (Note1)	Number of Option	Unexercised Price per Shares (NTD) (Note 4)	Option amount	Number of Option /Number of Option Issued (Note 1)
Managers	Former HTC CEO (Note 4)	Peter Chou	10,730,00 shares	1.30%	0 shares	NTD 0	NTD 0	0%	10,730,000 shares	NTD 149, NTD134.5 and NTD 54.5	NTD 1,469,260,000	1.30%
	President of Global Sales & Chief Financial Officer, Smartphone & Connected Devices Business	Chialin Chang										
	Chief Operating Officer	David Chen										
	Chief Technology Officer	WH Liu										
	Executive Vice President	Jason Mackenzie										
	President of North Asia	Jack Tong										
	General Counsel	Marcus Woo										
	Vice President	Crystal Liu										
	Vice President	Edward Wang										
	Associate Vice President	Hsiu Lai										
	Vice President (Note 5)	Steve Wang										
	Vice President (Note 6)	Simon Hsieh										
	Vice President (Note 7)	CS Wang										
	Vice President (Note 8)	Georges Boulloy										
	Vice President (Note 9)	Simon Lin										
	Vice President (Note 10)	Philip Blair										
	Vice President (Note 11)	James Chen										
Employee (Note 2)	Andre Loenne		1,932,000 shares	0.23%	0 shares	NTD 0	NTD 0	0%	1,932,000 shares	NTD 149, NTD 134.5 and NTD 54.5	NTD 216,733,000	0.23%
	Andrey Kormiltsev											
	Claude Zellweger											
	Drew Bamford											
	Faisal Siddiqui											
	Herman Chen											
	Johnson Chiang											
	Kim Dowung											
	Mark Moons (Note 12)											
	Peter Frolund Moeller											

Note 1: The information is calculated based on the issued shares, 827,641,465

Note 2: The top 10 employees are granted employee stock options are without managerial position.

Note 3: The unexercised price per shares is calculated by the unexercised option amount to unexercised number of options.

Note 4: Peter Chou was relieved from the position of insider manager on 8 July 2015.

Note 5: Steve Wang was relieved from the position of insider manager on 15 April 2015.

Note 6: Simon Hsieh was relieved from the position of insider manager on 15 April 2015.

Note 7: CS Wang was was relieved from the position of insider manager on 15 April 2015.

Note 8: Georges Goulloy was was relieved from the position of insider manager on 15 April 2015.

Note 9: Simon Lin was relieved from the position of insider manager on 29 March 2016.

Note 10: Philip Blair was relieved from the position of insider manager on 17 March 2016.

Note 11: James Chen was relieved from the position of insider manager on 16 September 2015.

Note 12: Mark Moos resigned on 31 October 2015.

6. New Restricted Employee Shares

(1) Issuance of restricted employee shares and impact to shareholders’ equity

2016.03.31/Unit: Share and NT$

2016.03.31/Unit: Share and NT$

Restricted Employee Shares Granted	1st Restricted employee shares	2nd Restricted employee shares	3rd Restricted employee shares
Approval Date	2014.08.19	2014.08.19	2015.08.19
Issue (Vest) Date	2014.11.02	2015.08.10	2015.12.23
Number of Restricted Employee Shares Issued	4,600,000 shares	400,000 shares	4,006,000 shares
Issued Price per Share	NTD 0	NTD 0	NTD 0
Percentage of Shares Exercisable to Outstanding Common Shares	0.56%	0.05%	0.48%
Vesting Conditions for Exercise of Restricted Employee Shares	1. An employee who remains employed at HTC after 1 year has elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than “Satisfactory,” will be eligible for vesting of an installment of 30% of the shares. 2. An employee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than “Satisfactory,” will be eligible for vesting of an installment of 30% of the shares. 3. An employee who remains employed at HTC after 3 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than “Satisfactory,” will be eligible for vesting of an installment of 40% of the shares.	1. An employee who remains employed at HTC after 1 year has elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than “Satisfactory,” will be eligible for vesting of an installment of 30% of the shares. 2. An employee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than “Satisfactory,” will be eligible for vesting of an installment of 30% of the shares. 3. An employee who remains employed at HTC after 3 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than “Satisfactory,” will be eligible for vesting of an installment of 40% of the shares.	1. An employee who remains employed at HTC after 1 year has elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than “Satisfactory,” will be eligible for vesting of an installment of 30% of the shares. 2. An employee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than “Satisfactory,” will be eligible for vesting of an installment of 30% of the shares. 3. An employee who remains employed at HTC after 3 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than “Satisfactory,” will be eligible for vesting of an installment of 40% of the shares.
Restrictions to the Rights of New Restricted Employee Shares	The shares to be issued and awarded to employees in the current issue are common shares. The rights and obligations associated with the shares are the same as those of other issued and outstanding common stock, except as specified as follows: 1. During the vesting period, an employee may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, new restricted employee shares. 2. During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues. The stock and cash dividends and cash rights issue subscriptions so obtained furthermore need not be placed in trust and shall not be restricted by the vesting period.	The shares to be issued and awarded to employees in the current issue are common shares. The rights and obligations associated with the shares are the same as those of other issued and outstanding common stock, except as specified as follows: 1. During the vesting period, an employee may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, new restricted employee shares. 2. During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues. The stock and cash dividends and cash rights issue subscriptions so obtained furthermore need not be placed in trust and shall not be restricted by the vesting period.	The shares to be issued and awarded to employees in the current issue are common shares. The rights and obligations associated with the shares are the same as those of other issued and outstanding common stock, except as specified as follows: 1. During the vesting period, an employee may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, new restricted employee shares. 2. During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues. The stock and cash dividends and cash rights issue subscriptions so obtained furthermore need not be placed in trust and shall not be restricted by the vesting period.
Custody of Restricted Employee Shares	1. After new restricted employee shares are issued, if the employee to whom shares have been awarded is an ROC national, the shares must immediately be deposited in trust. If the employee to whom shares are awarded is a foreign national, the shares must be placed in custody with a custodian bank. Further, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares. 2. During the period in which the new restricted employee shares are placed in trust, HTC shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, without limitation, the negotiation, signing, amendment, extension, rescission, and termination of the trust agreement, and giving of instructions for the delivery, utilization, or disposition of the assets in trust.	1. After new restricted employee shares are issued, if the employee to whom shares have been awarded is an ROC national, the shares must immediately be deposited in trust. If the employee to whom shares are awarded is a foreign national, the shares must be placed in custody with a custodian bank. Further, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares. 2. During the period in which the new restricted employee shares are placed in trust, HTC shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, without limitation, the negotiation, signing, amendment, extension, rescission, and termination of the trust agreement, and giving of instructions for the delivery, utilization, or disposition of the assets in trust.	1. After new restricted employee shares are issued, if the employee to whom shares have been awarded is an ROC national, the shares must immediately be deposited in trust. If the employee to whom shares are awarded is a foreign national, the shares must be placed in custody with a custodian bank. Further, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares. 2. During the period in which the new restricted employee shares are placed in trust, HTC shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, without limitation, the negotiation, signing, amendment, extension, rescission, and termination of the trust agreement, and giving of instructions for the delivery, utilization, or disposition of the assets in trust.
Procedures for Non-Compliance of the Conditions	1. If an employee voluntarily resigns or his or her employment is terminated or severed, then the vesting rights of any shares previously awarded to the employee but not yet vested shall be lost from the date of occurrence of the fact. HTC will withdraw and cancel the full number of the shares without compensation. 2. Any cash or property other than cash received as a return of share capital due to HTC having undergone a capital reduction during the vesting period: HTC will withdraw the full amount without compensation.	1. If an employee voluntarily resigns or his or her employment is terminated or severed, then the vesting rights of any shares previously awarded to the employee but not yet vested shall be lost from the date of occurrence of the fact. HTC will withdraw and cancel the full number of the shares without compensation. 2. Any cash or property other than cash received as a return of share capital due to HTC having undergone a capital reduction during the vesting period: HTC will withdraw the full amount without compensation.	1. If an employee voluntarily resigns or his or her employment is terminated or severed, then the vesting rights of any shares previously awarded to the employee but not yet vested shall be lost from the date of occurrence of the fact. HTC will withdraw and cancel the full number of the shares without compensation. 2. Any cash or property other than cash received as a return of share capital due to HTC having undergone a capital reduction during the vesting period: HTC will withdraw the full amount without compensation.
Withdrawal of New Restricted Employee Shares	786,570 shares	0 shares	128,500 shares
Unrestricted New Restricted Employee Shares	1,123,550 shares	0 shares	13,000 shares
Restricted New Restricted Employee Shares	2,689,880 shares	400,000 shares	3,864,500 shares
Percentage of Shares Unrestricted to Outstanding Common Shares	0.33%	0.05%	0.47%
Impact on Shareholders’ Equity	Dilution to shareholder’s equity is limited	Dilution to shareholder’s equity is limited	Dilution to shareholder’s equity is limited

(Continued)

Note: The information is calculated based on the issued shares, 827,641,465.

(2) Restricted employee shares to management team and to top 10 employees

2016.03.31/Unit: Share and NT$

	Title	Name	Number of Restricted Employee Shares Acquired	Number of Restricted Employee Shares Acquired / Outstanding Common Shares (Note1)	Unrestricted				Restricted			
					Number of Shares Restricted	Issued Price	Issued Amount	Restricted Employee Shares amount (Note1)	Number of Shares Restricted	Issued Price	Issued Amount	Restricted Employee Shares amount (Note1)
Managers	Former HTC CEO (Note 3)	Peter Chou	1,042,000 shares	0.13%	217,500 shares	NTD $0	NTD $0	0.03%	824,500 shares	NTD $0	NTD $0	0.10%
	President of Global Sales & Chief Financial Officer, Smartphone & Connected Devices Business	Chialin Chang										
	Chief Operating Officer	David Chen										
	Chief Technology Officer	WH Liu										
	President of North Asia	Jack Tong										
	Vice President	Crystal Liu										
	Vice President	Edward Wang										
	Associate Vice President (Note b)	Hsiu Lai										
	Vice President (Note 4)	Steve Wang										
	Vice President (Note 5)	Simon Hsieh										
	Vice President (Note 6)	CS Wang										
	Vice President (Note 7)	Simon Lin										
Employee(Note 2)	Arthur Hsieh		634,000 shares	0.08%	42,300 shares	NTD $0	NTD $0	0.01%	591,700 shares	NTD $0	NTD $0	0.07%
	Brian Chen											
	Frances Wang											
	HC Wang											
	Johnson Chiang											
	Jason Chen											
	Plutarch Lee											
	Raymond Pao											
	Sbin Lin											
	Singer Hsieh											

Note 1: The information is calculated based on the issued shares, 827,641,465
Note 2: The top 10 employees granted restricted employee shares are without managerial position.
Note 3: Peter Chou was relieved from the position of insider manager on 8 July 2015.
Note 4: Steve Wang was relieved from the position of insider manager on 15 April 2015.
Note 5: Simon Hsieh was relieved from the position of insider manager on 15 April 2015.
Note 6: CS Wang was relieved from the position of insider manager on 15 April 2015.
Note 7: Simon Lin was relieved from the position of insider manager on 29 March 2016.

7. Issuance of New Shares for Mergers and Acquisitions

(1) During the current fiscal year up to the date of printing of this annual report, the Company has not issued new shares for mergers and acquisitions.

(2) During the current fiscal year up to the date of printing of this annual report, the Board of Directors has not adopted any resolution to issue new shares for mergers and acquisitions.

8. Implementation of the Company's Funds Utilization Plan

The Company does not have unfinished funds utilization plans or plans that have not produced the desired benefits during the fiscal year up to the date of printing of this annual report.

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FINANCIAL STATUS, OPERATING RESULTS AND RISK MANAGEMENT

FINANCIAL STATUS, OPERATING RESULTS AND RISK MANAGEMENT

1. Financial Status

Unit: NT$ thousands

Item	2015	2014	Difference Amount	Difference %
Current Assets	86,439,402	110,286,950	(23,847,548)	(22)
Properties	15,432,130	23,435,556	(8,003,426)	(34)
Intangible Assets	5,561,444	7,209,291	(1,647,847)	(23)
Other Assets	21,960,107	22,906,477	(946,370)	(4)
Total Assets	129,393,083	163,838,274	(34,445,191)	(21)
Current Liabilities	64,473,478	83,258,739	(18,785,261)	(23)
Non-current Liabilities	127,510	246,162	(118,652)	(48)
Total Liabilities	64,600,988	83,504,901	(18,903,913)	(23)
Capital Stock	8,318,695	8,349,521	(30,826)	0
Capital Surplus	15,505,853	15,140,687	365,166	2
Retained Earnings	40,080,087	59,531,103	(19,451,016)	(33)
Other Equity	1,088,415	1,062,118	26,297	2
Treasury Stock	(200,955)	(3,750,056)	3,549,101	(95)
Non-Controlling Interest	-	-	-	-
Total Stockholders' Equity	64,792,095	80,333,373	(15,541,278)	(19)

* All numbers above are based on consolidated financial statements.

(1) Explanations for any material changes in HTC's assets, liabilities, and shareholders' equity in the most recent two fiscal years

Assets:

Current asset decreased from 2014 to 2015, mainly due to reduction in cash as we turned loss in 2015. Non-current assets also decreased owing to impairment assessment and strict control on capital expenditure.

Debt:

Liabilities decreased from 2014 to 2015, mainly due to reduction in related purchasing, royalties and operation related liabilities.

Shareholders' equity:

Shareholder's equity decreased as we recorded loss in 2015. The amount of treasury stocks also decreased because of the retirement of these treasury stocks.

2. Operating Results

Unit: NT$ thousands

Item	2015	2014	Difference	%
Revenues	121,684,231	187,911,200	(66,226,969)	(35)
Gross Profit	21,953,107	40,755,095	(18,801,988)	(46)
Operating (Loss) Profit	(14,203,146)	668,770	(14,871,916)	(2224)
Non-operating Income and Expenses	(1,378,394)	1,314,656	(2,693,050)	(205)
Net Income (Loss) Before Tax	(15,581,540)	1,983,426	(17,564,966)	(886)
Net Income (Loss) From Continuing Operations	(15,533,068)	1,483,046	(17,016,114)	(1147)
Non-Continuing Operations Loss	-	-	-	-
Net Income (Loss)	(15,533,068)	1,483,046	(17,016,114)	(1147)
Other Comprehensive Income And Loss For The Year, Net of Income Tax	(43,307)	873,654	(916,961)	(105)
Total Comprehensive Income For The Year	(15,576,375)	2,356,700	(17,933,075)	(761)
(Loss) Profit For The Year Attributable To Owners Of The Parent	(15,533,068)	1,483,046	(17,016,114)	(1147)
(Loss) Profit For The Year Attributable To Non-Controlling Interest	-	-	-	-
Total Comprehensive Income Attributable To Owners Of the Parent	(15,576,375)	2,356,700	(17,933,075)	(761)
Total Comprehensive Income Attributable To Non-Controlling Interest	-	-	-	-
Earnings Per Share	(18.79)	1.80	(20.59)	(1144)

* All numbers above are based on consolidated financial statements.

(1) Explanations for any material changes in HTC's revenues, operating income, and pre-tax income in the most recent two fiscal years

Revenues and gross profit for 2015 decreased from 2014 as a result of intensified competition in global smartphone market and product mix change. Despite a lowered operating expense, operating income for 2015 came in lower compared to 2014 as our business went through transition.

Non-operation income and expenses for 2015 decreased from 2014 due to impairment loss for some assets. Change in comprehensive income for 2015 was due to recognizing exchange differences on translation of overseas subsidiaries.

3. Cash Flows

(1) Analysis of change in cash flow for the most recent fiscal year

Item \ Year	2015	2014	%
Cash Flow Ratio (%)	(20.24)	(0.41)	(19.83)
Cash Flow Adequacy Ratio (%)	88.82	105.69	(16.87)
Cash Flow Reinvestment Ratio (%)	(16.91)	(0.36)	(16.55)

Explanation and analysis of change:

As we recorded loss in 2015, our net cash outflow from operating activities saw an increase from the previous year, leading to lowered cash flow ratio of -20.24%, cash flow adequacy ratio of 88.82% and cash flow reinvestment ratio of -16.91%.

(2) Cash flow analysis for the coming year

We expect our cash on-hand can fully support capital expenditures and all other cash needs in 2016.

4. The Effect on Financial Operations of Material Capital Expenditures During the Most Recent Fiscal Year

(1) Review and analysis of material capital expenditures and funding sources

1. Material capital expenditure and funding sources

None

2. Anticipated benefits

None

5. Investment Diversification in Recent Years

HTC's direct investment strategy focuses on the industry segments that enhance HTC's core businesses and long-term strategic developments. Evaluation analysis is based on industry dynamics, market competition, founding team experience, business model and risk analysis. The final goal is to make key strategic investments (via minority or control) in companies and industries that strengthen HTC's product and service offerings and its long-term competitiveness.

In order to build the virtual reality industry and ecosystem in relevance to the HTC Vive headset, HTC has invested in key strategic virtual reality companies in 2015. Key Investments include: WEVR with regards to virtual reality media networks, Surgical Theater in regards to its virtual reality applications in the medical industry, Steel Wool Games in regards to virtual reality gaming, High Fidelity in regards to virtual reality social media, and Larry Eric & Mo Co. in regards to virtual reality animation.

6. Competitive Advantages, Business Growth and Assessment of Risks

(1) Potential factors that may influence HTC's competitiveness/ business growth and related countermeasures

Critical competitive factors in HTC's industry include: 1) product R&D and innovation capabilities, 2) strategic partnerships with industry leaders and 3) accurate grasp of market trends. The following assesses HTC's competitiveness in terms of factors deemed to support and detract from HTC achieving its business goals.

• Factors favorable to HTC growth

(1) Partnerships with industry leaders help HTC drive industry trends

HTC has always developed smartphone products in close cooperation with industry leaders such as Google®, Microsoft®, Qualcomm® as well as the world's leading telecom operators. Examples include HTC's launch of the world's first Windows Mobile smartphone and first Android smartphone. Our strong partnerships deliver greater choice to consumers while continuing to drive industry innovation.

(2) Long-term cooperative relationships with telecom providers keep HTC abreast of consumer demand

HTC promotes products directly to mass-market consumers via long-term, unique relationships with the world's largest telecommunications service providers that include the four big mobile operators in the United States, five major operators in Europe and several fast growing carriers in Asia. These relationships not only keep HTC abreast of user demand but also allow HTC to better tailor its products and services to the needs of each carrier partner.

(3) Diverse and growing universe of mobile digital services drives smartphone market penetration

New mobile phone operating systems such as Android and iOS, which permit easy app store downloading of social networking, shopping, travel, game and other software, are attracting even more consumers to the ranks of smartphone users. Smartphone industry is now in the strong growing stage, and telecom operators' aggressively rollout of 4G fastest mobile Internet networks to stimulate growth even further. These developments should all have a positive impact on HTC business growth prospects.

(4) Instilling a positive corporate culture enhances organizational flexibility and responsiveness

HTC promotes a unique corporate culture that is designed to instill passion for innovation and commitment to the highest quality. Our lack of barriers between departments promotes synergy and dynamism even further. High criteria of design and manufacture capabilities have been certified by numerous international management requirements, including ISO 9001, TL 9000, and IECQ QC 0800000. Outstanding in-house research and development capabilities give HTC the competitive edge to reach the market first with many industry leading innovations and features.

(5) Comprehensive domestic industry base supports current and future growth needs

Active government and private sector efforts to grow the domestic high tech sector in recent decades have given Taiwan a strong foundation of skilled researchers and technicians. Taiwan is further benefiting from the increase of industry supply and support systems and industry clustering effects. In addition to making it easier for us to recruit and retain personnel, these developments allow us to cooperate with domestic and international suppliers in order to lower purchase costs and respond even faster to industry trends and changes in.

- **Factors adverse to the achievement of HTC growth goals and relevant countermeasures**

Many current and potential competitors are now active in the smartphone market looking to benefit from the rapid growth and demand of smartphone technologies. Competition is expected to continue to intensify as the smartphone user base grows, smartphone functions and features increase, and smartphone model lifecycles shorten. The following outlines HTC measures and response to such challenges.

(1) We work actively to establish HTC's brand value, enhance global brand recognition and preference, and leverage effective brand management activities and product promotions to establish the HTC brand as consumers' "first choice" in smartphones.

(2) We emphasize innovation to maintain a leading competitive edge. Product differentiation and innovations in user experience allow us to develop a wide range of products tailored to meet diverse consumer needs. HTC SenseR is designed with customer at the center to make mobile phones more intuitive and easy to use.

(3) We upgrade our materials requirement planning (MRP) system to improve our ability to manage material inventories, anticipate future demand in order to drive efficient inventory costs and reduce inventory devaluation risks. We continue to build and diversify supplier relationships to enhance supply stability. Our objectives are consistent and uninterrupted supply of all materials. HTC's leadership in the industry helps ensure that suppliers accommodate and meet HTC priorities in expanding market sales. This helps mitigate risks related to reliance on overseas suppliers for critical components. We also cultivated strategic business relationship with our suppliers.

(4) Improve working efficiency to ensure maximizing the productivity in each stage; strengthen time management, standardize work operation, practice total quality management, follow the policy of continuous improvement, and reduce the unnecessary waste to enhance the competitiveness effectively.

(5) As the fastest growing sector of Taiwan's economy, the electronics industry requires a steady stream of human resources. Downsizing in the manufacturing sector has increased the difficulty in hiring entry-level workers. HTC plans to continue to hire foreign workers and work with schools to help increase domestic hiring in the future.

(2) Risk factors

The following describes identified risks and rela]ted mitigating measures.

1. Interest, forex, and inflation rate risks and mitigating measures

Impact on HTC profitability:

Item	2015 (NT$1,000 or %)
Net Interest Income	411,846
Net Forex Income	689,281
Net Interest Income as percentage of Net Revenue	0.34%
Net Interest Income as percentage of Earnings Before Tax	-2.65%
Net Forex Income as percentage of Net Revenue	0.57%
Net Forex Income as percentage of Earnings Before Tax	-4.43%

Note: Calculated on HTC consolidated financial numbers

Working capital required to support the expansion of HTC business operations has over recent years been supplied exclusively from internal finances. As the corporation has not taken out long-term loans, fluctuations in interest rates have had no effect on the Company's liabilities. HTC is prudent in its financial policies, and our asset allocation decisions prioritize security and fluidity, with most funds kept in time deposit accounts. In 2015, HTC interest income totaled NT$ 412 million.

HTC's revenues are denominated primarily in US dollars (USD) and euros (EUR). Manufacturing costs are denominated primarily in US dollars. Forex fluctuations have the potential to impact HTC revenues, operating costs and operating profits. Apart from efficient management of the quality and payment cycles of its foreign currency denominated accounts receivable, HTC uses forward exchange contracts to minimize its forex risk. At the close of 2014, financial derivatives held by HTC related to exchange risk were valued at USD 194.7 million, GBP 11.5 million, JPY 454 million, CNH 374.5 million and SGD

206 million. Fair value of the derivatives changes as a result of forex fluctuations. A decrease of 1% in the quoted exchange rate of any one of the abovementioned currencies against the NT dollar would result in a derivatives holding gain to HTC of approximately NT$50,978 million.

During 2015, the US dollar appreciated from 1:31.7 against the NT dollar to approximately 1:33. Net exchange income earned during 2015 totaled NT$411.846 million. Under effective management by the Company, negative effects of exchange rate fluctuations on profits in recent years have been minimal.

Inflation in Taiwan was approximately -0.3% in 2015. Inflation rates in North American and European markets were also relatively negligible. Overall, inflation had no significant impact on HTC profits.

2. Risks associated with high-risk/high-leveraged investment; lending, endorsements, guarantees for other parties and financial derivative transactions

HTC does not engage in high-risk ventures or highly leveraged investments. Loaning of funds takes place only between HTC subsidiaries. All such arrangements must be reviewed and approved by the board of directors in accordance with the Operational Procedures for Fund Lending and Rules for Endorsements and Guarantees. HTC engages in derivative products trading only to mitigate forex risks arising from foreign currency assets and liabilities. All derivative trading is conducted according to stipulations written in the Procedures for Acquisition or Disposal of Assets.

3. Future R&D plans and anticipated R&D expenditures

The Company's R&D programs for the most recent fiscal year primarily focus on research and development of applications related to the user experience and mobile data services, and on providing product-related technical support and after-sales service.

In addition to further developing its existing smartphone product line, the Company will continue to research and develop technologies that enhance the user experience, such as wide-angle front camera technologies that allow users to have an ever-more perfect self-shooting experience by enabling the lens to image a broader background. The Duo Camera boasts a depth sensor that enables a wide range of beautiful images and better user experiences. The high efficiency, low distortion headphone amplifiers and built-in speakers make the sound even more stunning. Developing and enhancing all new Smart Sensor Hub provide users new and more intuitive user experiences and provide more health information by improving fitness and sport application through the full integration with HTC BlinkFeed™. HTC is also exploring dual card, dual mode capabilities that permit dual card users to answer incoming calls whether surfing the Internet or downloading information, while the phone smoothly juggles all the necessary systems. Through HTC's advanced technologies users will continue to enjoy richer, more personalized mobile phone experiences. In addition, through more open developing functions and environments (HTCDev), developers from all over the world can utilize the powerful hardware/software functions of HTC smartphone such as strong computing processor, best camera and sound effects, smart sensor, best HTC Sense™ and HTC BlinkFeed to develop applications that enable users to have more and best user experiences.

Since the launch of the widely acclaimed HTC Vive, we've been working relentlessly aiming to bring the most immersive experience for our customers and to shape the future of virtual reality industry. We look to build HMD of higher resolutions and lighter weight to provide an even more immersive user experience. We are also working with various partners to build a VR platform that brings out the advantages of both software and hardware. In the past, HTC changed the world of mobile communication with leading technologies; in the future, HTC will continue to change people's lives in the virtual world.

Starting 2014, HTC has devoted a lot of resources on developing R&D talents and technological innovations, with a current count for R&D staffs representing close to 30% of the total worldwide staff count. Its investment on R&D resources represents approximately 11% of its operating income. HTC will continue to devote more R&D resources on various new products and technologies. In the future, virtual reality, wearables and IoT devices will be the focus, in addition to continuous innovation on major smart handheld products and continued refinement on user experiences. This signifies that HTC will offer a future product line that is rich with selections and closely match users' needs by penetrating into everyone's daily life and providing more information to the users. These smart products and technologies will also push the HTC brand to a higher position, further strengthening the company's long-term competitiveness.

4. Effects of domestic / foreign government policies and regulations on HTC finances and response measures

he Financial Supervisory Committee (FSC) of the Executive Yuan has required all listed companies in Taiwan to prepare financial statements in accordance with the International Financial Reporting Standards (IFRSs) starting from January 1, 2013. HTC has established an IFRSs project team and has launched the project plan for its IFRSs adoption. In addition, the progress of such adoption is regularly reported to the Board.

As of December 31, 2012, all potential significant difference between IFRSs and current accounting policy had been identified. Full disclosure of the IFRSs main content and implementation status were included in the footnote of the 2011 annual consolidated financial statements and the 2012 interim and annual consolidated financial statements. Starting from 2013, HTC has prepared financial statements in accordance with IFRSs.

The Taiwan "National Health Insurance Act" was amended on January 26, 2011, to create an obligation to fund the health insurance scheme by paying an extra 2% "supplementary premium" (based on 2% of the total profit sharing and variable bonus) plus the basic premium charge. Such extra 2% "supplementary premium" will be incurred in connection with future payouts of profit sharing and variable bonus and increase the operation cost of the Company. HTC has studied the implications of this new amendment and has taken the necessary managerial precautionary steps with respect to such amendment.

5. Effects on HTC finances of changes in technology and industry trends and response measures

Wireless telecommunications is an important growth sector within the IT industry and the smartphone is its flagship product. Responding to rapid mobile internet growth and communication technology migration to 3G/4G, HTC has leveraged outstanding R&D capabilities in partnerships with global

telecom leaders to launch numerous "world firsts" that include the world's first Windows Mobile, Android, dual mode GSM/WiMAX, and LTE Android mobile phones. The launch of a diverse range of products through many carriers worldwide has built up HTC's significant position in the global telecommunications industry and created exceptional business opportunities. In the meantime, in order to timely respond to the fast-growing and coming to mature LTE technology and market, HTC continues to invest more developing resources to ensure HTC devices to fully meet the demands of global telecom carriers to ensure HTC's leadership position in 4G market and technology. HTC will continue to use its resources to develop new technologies and enhance the holistic user experience in order to deliver products and services that fit all high-end, mid-end, and low-end segment market demands.

6. Effect of changes in the company's corporate image on the company's crisis management protocol and mitigating measures

HTC maintains high professional ethics and effective control over its operations. Corporate honesty and ethics rules effectively bar all in the HTC organization from engaging in dishonest or unethical practices.

7. Anticipated benefits / potential risks related to mergers and acquisitions and mitigating measures

Mergers and acquisitions in recent years have focused on raising overall product value and enriching the HTC user experience. All such activities have been funded internally. Future mergers and acquisitions will be conducted after careful consideration of expected benefits and in accordance with all relevant government laws and corporate regulations.

8. Anticipated benefits / potential risks of HTC plant expansion plans and mitigating measures

In response to global market demand for smartphone devices and connected devices, in addition to the continuous review and improvement of manufacturing processes to improve production capabilities, quality, and cost savings, the margin of low and middle price tier smartphone is getting lower. The professional assemble subcontractor in both production line deployment and production skills can easily create economy of scale. Therefore HTC considers outsourcing OEM/ODM production of some low-price tier smartphone to create price competitiveness. There is no demand for plant expansion.

9. Concentration risks associated with goods received and sold and mitigating measures

Purchases:

The skills and capabilities of materials components suppliers are maturing in step with mobile phone technologies. Growing opportunities to source materials from multiple suppliers reduce the risk of overreliance on one or several suppliers. HTC also purchases in volume to reduce unit costs and optimize cost structures.

Sales:

HTC products are distributed across the Americas, Europe and Asia primarily through major carriers and local retail channels. The influence of carriers can be expected to rise in the new age of 3G/4G wireless standards, which is expected to benefit HTC product penetration. Apart from working with current customers to expand markets and strengthen strategic partnerships, HTC continues to discuss potential cooperative projects with leading IT and telecom companies in order to remain at the fore of market trends. HTC is also developing the HTC brand and strengthening relationships with channel retailers in order to reduce business and sales concentration risks.

10. Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or otherwise changed hands and mitigating measures being or to be taken:

As of the printing of this annual report date, no transfer of significant portions of HTC share rights has occurred with respect to any director, supervisor, or major shareholder holding more than a 10 percent stake in the company.

11. Effect upon and risk to the company associated with any change in governance personnel or top management and mitigating measures being or to be taken:

There is no change on management team in the past 1 year.

12. 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) In April 2015, NTT DOCOMO ("NTT") has filed a lawsuit against the Company in the District Court of Mannheim, Germany, alleging that the Company infringed three LTE and one UMTS standard essential patents owned by NTT. In January and February 2016, the Mannheim Court has found that the Company smartphone sold in Germany infringe one UMTS and one LTE Germany parts of European patents owned by NTT, and granted an injunction against the Company in the first decision. The litigation between the Company and NTT are still ongoing. In order to protect the interests of the Company, customers and consumers, the Company appealed the above-mentioned decisions immediately.

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

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

13. Other important risks and mitigating measures being or to be taken

None.

14. Risk management organization structure

Responsible/Implementation Unit	Control Item	Implementation Tasks
Legal Department	Contractual and Legal Risk	Manage overall corporate contractual risk
Finance and Accounting Division	Business Strategy and Financial Risks	Responsible for capital allocation and management investment planning, customer credit control, operational analysis, and cost analysis
Internal Audit	Internal Control Risk	Assess comprehensiveness and effectiveness of internal control systems
Product Division	Product Trend Risk	Identify future product development trends and customer demands
Design Quality & Engineering Service Division	Product Design and Quality Risks	Ensure design quality of HTC products with regard to hardware, software and product safety
Manufacturing Operation Center	Production Quality Risk	Enhance production quality
Customer Service and Quality Assurance Division	Product Quality Risk	Provide after-sales service and enhance the quality of such

7. Other Important Matters

(1) Certification details of employees whose jobs are related to the release of the company's financial information

	Number of Employees	
Certification	Finance and Accounting Division	Internal Audit
Certified Public Accountants (CPA)	2	2
Internal Auditor	-	3
US Certified Public Accountants (US CPA)	2	1
China Certified Public Accountants (China CPA)	-	1
Certified Internal Auditor (CIA)	-	3
Chartered Financial Analyst (CFA)	2	-
Financial Risk Manager (FRM)	2	-
Certified Fraud Examiner (CFE)	-	2

AFFILIATE INFORMATION AND OTHER SPECIAL NOTES

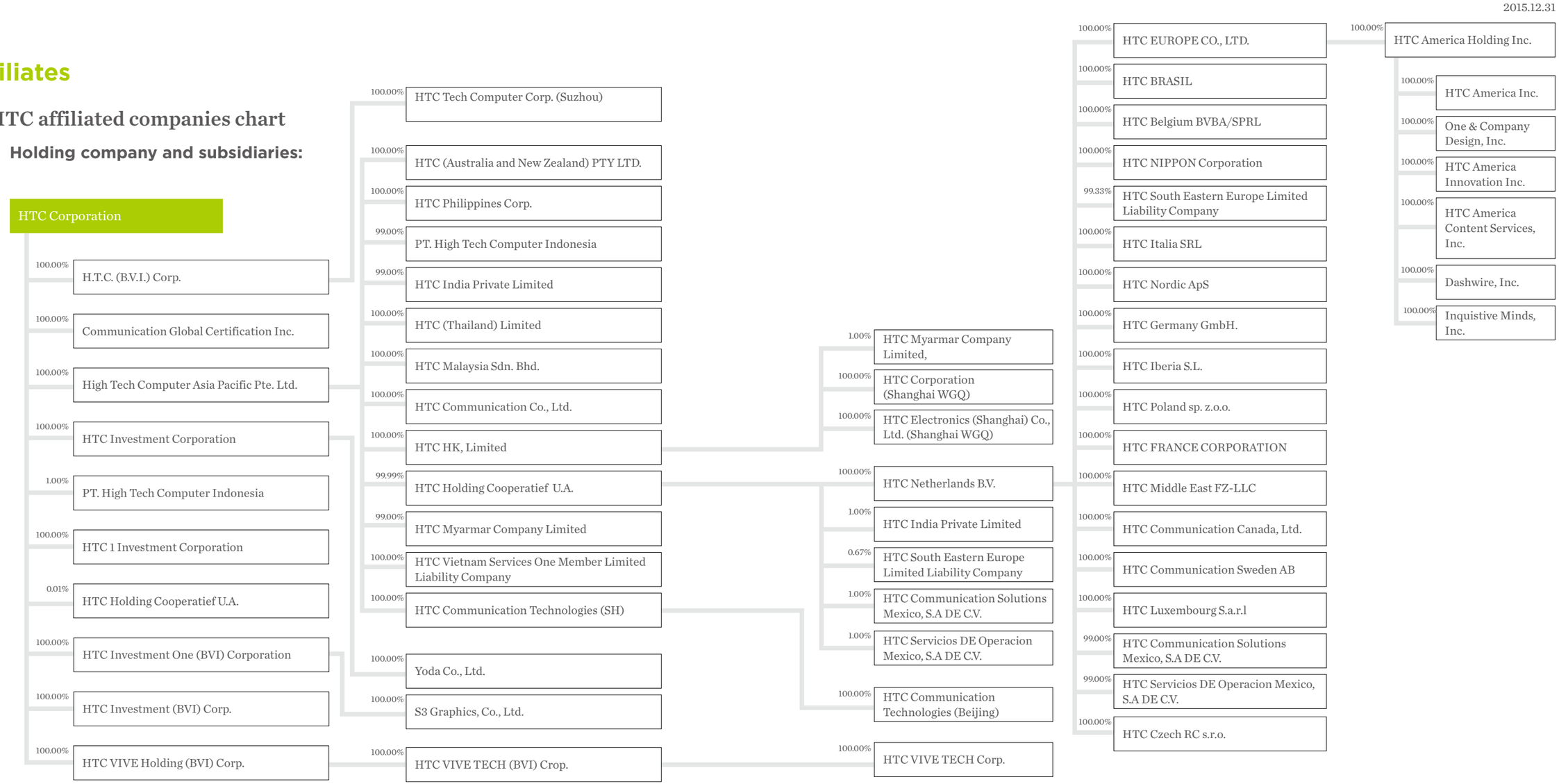
AFFILIATE INFORMATION AND OTHER SPECIAL NOTES

1. Affiliates

(1) HTC affiliated companies chart

1. Holding company and subsidiaries:

2015.12.31



2. Reciprocal affiliation: None

(2) HTC affiliated companies

2015.12.31; Amount in thousands

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Investor:				
HTC Corporation	1997.05.15	No.23, Xinghua Rd., Taoyuan City, Taoyuan County 330, Taiwan, R.O.C.	NTD8,318,695	Principally engaged in the design, manufacture and marketing of PDA phones, smartphones and handheld devices, as well as the provision of related technologies and after services
Investee:				
H.T.C. (B.V.I.) Corp.	2000.08.01	3F, Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 4,348,314 (USD 131,520)	International holdings
Communication Global Certification Inc.	1998.09.01	4F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 290,568	Import of controlled telecommunications radio frequency devices and information software services
High Tech Computer Asia Pacific Pte. Ltd.	2007.07.12	111 Somerset Road, #11-01 Triple One Somerset, Singapore 238164	NTD21,961,052 (SGD 937,838)	Global investing activities, marketing, repair and after-sales services
HTC Investment Corporation	2008.07.24	1F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 300,000	General investing activities
HTC 1 Investment Corporation	2009.09.14	4F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 295,000	General investing activities
HTC Investment One (BVI) Corporation	2011.06.20	3F, Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 11,033,880 (USD 333,733)	Holding S3 Graphics Co., Ltd. and general investing activities
HTC Investment (BVI) Corp.	2015.07.29	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 297,558 (USD 9,000)	General investing activities
HTC VIVE Holding (BVI) Corp.	2015.08.31	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 1,157 (US D35)	International holdings
HTC Tech Computer Corp. (Suzhou)	2003.01.01	Suzhou Industrial Park, China	NTD 661,240 (USD 20,000)	Manufacturing and sale of smart handheld devices and electronic components
HTC (Australia and New Zealand) PTY LTD.	2007.08.28	Suite 1103, Level 11, 100 Miller Street, North Sydney, Australia	NTD 96,673 (AUD 4,000)	Marketing, repair and after-sales services
HTC Philippines Corporation	2007.12.06	UNIT 32 3/F WORLDNET BUSINESS CENTER ZETA BLDG 191, SALCEDO ST LEGASPI VILLAGE, MAKATI CITY 1229	NTD 6,612 (USD 200)	Marketing, repair and after-sales services
PT. High Tech Computer Indonesia	2007.12.03	PLAZA SEMANGGI 7th Floor, unit No. Z07-006 Kawasan Bisnis Granadha Jl. Jend. Sudirman Kav. 50 Jakarta -12930 Indonesia	NTD 4,078 (IDR 1,699,313)	Marketing, repair and after-sales services
HTC (Thailand) Limited	2007.11.06	No. 53 Sivayathorn Building, 14th Floor, Room No. 1401, Wittayu Road, Lumpini Sub-district, Patumwan District, Bangkok, Thailand	NTD 22,903 (THB 25,000)	Marketing, repair and after-sales services
HTC India Private Limited	2008.01.30	Unit No.4, Ground Floor, BPTP Park Centra, Sector 30, NH8, Gurgaon 12200, Haryana, India	NTD 2,497 (IDR 5,000)	Marketing, repair and after-sales services

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC Malaysia Sdn. Bhd.	2007.11.07	Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia	NTD 1,925 (MYR 250)	Marketing, repair and after-sales services
HTC Communication Co., Ltd.	2008.12.29	2F South, No.1000, Xinmiao Village, Kangqiao Town, Pudong New Area, Shanghai, China	NTD 4,215,405 (USD 127,500)	Sale of smart handheld devices and electronic components
HTC HK, Limited	2006.08.26	Unit A, 32/F, @ Convoy, 169 Electric Road, Hong Kong	NTD 4,668,499 (HKD 1,094,376)	Global investing activities, marketing, repair and after-sales service
HTC Holding Cooperatief U.A.	2009.08.18	Secoya Building, Papendorpseweg 99, 3528 BJ, Utrecht, Netherlands	NTD 6,330,651 (EUR 175,234)	International holdings
HTC Communication Technologies (SH)	2011.08.01	Room 102, No.2, Boujun Road, Zhang Jiang Hi-Tech Park, Shanghai, China	NTD 132,248 (USD 4,000)	Design, research and development of application software
HTC Myarmar Company Limited	2013.07.31	No. 174-182, Pansodan Road (Middle Block), Kyauktada Township, Yangon, Myanmar	NTD 2,514 (MMK 98,978)	Marketing, repair and after-sales services
HTC Vietnam Services One Member Limited Liability Company	2014.09.27	No. 1-5, Le Duan Street, Beb Nghe Ward, District1, Ho Chi Minh City, Vietnam	NTD 6,218 (VND 4,230,000)	Marketing, repair and after-sales services
S3 Graphics Co, Ltd.	2001.01.03	P.O. Box 709 George Town Grand Cayman	NTD 10,183 (USD 308)	Design, research and development of graphics technology
Yoda Co., Ltd.	2012.09.24	4F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 20,000	Restaurants and parking lot business, and building cleaning services
HTC Corporation (Shanghai WGQ)	2007.07.09	6A, No.288, Hedan Rd., Waigaoqiao Free Trade Zone, Shanghai, China	NTD 49,593 (USD 1,500)	Repair and after-sales services
HTC Electronics (Shanghai) Co., Ltd.	2007.01.22	Room 123, No. 2502, Hunan Road, Kangqiao Industrial Zone, Nanhui District, Shanghai, China	NTD 4,394,237 (USD 132,909)	Manufacture and sale of smart handheld devices and electronic components
HTC Communication Technologies (Beijing)	2014.06.04	Floor 4 401 South Zone, No.7, Courtyard 1, Zhongguancun East Road, Haidian District, Beijing	NTD 52,836 (RMB 10,500)	Design, research and development of application software
HTC Netherlands B.V.	2009.11.11	Secoya Building, Papendorpseweg 99, 3528 BJ, Utrecht, Netherlands	NTD 5,198,002 (EUR 143,882)	Global investing activities, marketing, repair and after-sales service
HTC EUROPE CO., LTD.	2003.07.09	Salamanca Wellington Street Slough Berkshire England SL1 1YP	NTD 3,396,832 (GBP 69,270)	Global investing activities, marketing, repair and after-sales service
HTC BRASIL	2006.10.25	Rua James Joule, No.92, Suite 82, 7th Floor, Edificio Plaza.1, in the City of Sao Paulo, State of Sao Paulo.	NTD16,586 (BRL 1,987)	Marketing, repair and after-sales services
HTC Belgium BVBA/SPRL	2006.10.12	Havenlaan 86/c , box 204 – 1000 Brussels	NTD 686 (EUR 19)	Marketing, repair and after-sales services
HTC NIPPON Corporation	2006.03.22	13F, Ark Mori Building, 1-12-32 Akasaka, Minato-ku, Tokyo Japan	NTD 2,747 (JPY 10,000)	Sale of smart handheld devices and electronic components
HTC FRANCE CORPORATION	2010.04.02	47-49 rue de Sevres 92100 Boulogne-Billancourt France	NTD 397,395 (EUR 11,000)	Marketing, repair and after-sales services

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC South Eastern Europe Limited Liability Company	2010.04.27	Kifissias 90, Marousi 15125, Athens, Greece	NTD 163 (EUR 4.5)	Marketing, repair and after-sales services
HTC Nordic ApS.	2010.07.01	c/o Redmark, Sommervej 31 C, Hasle, 8210 Aarhus V	NTD 387 (DKK 80)	Marketing, repair and after-sales services
HTC Italia SRL	2007.02.19	Viale dell' Esperanto, 71 00144 Roma	NTD 361 (EUR 10)	Marketing, repair and after-sales services
HTC Germany GmbH.	2010.09.06	4th Floor, Zeil 83 60313 Frankfurt am Main	NTD 903 (EUR 25)	Marketing, repair and after-sales services
HTC Iberia S.L.	2010.10.08	Avda. de la Industria 4, Natea Business Park, Edif 3. planta 3 D 28108 Alcobendas, Madrid Spain	NTD 108 (EUR 3)	Marketing, repair and after-sales services
HTC Poland sp. z o.o.	2010.09.01	ul. Postępu 21B 02-676 Warszawa Poland	NTD 1,987 (PLN 234)	Marketing, repair and after-sales services
HTC Communication Canada, Ltd.	2011.01.25	2900-550 Burrard Street,Vancouver BC V6C 0A3, Canada	NTD 49,593 (USD 1,500)	Marketing, repair and after-sales services
HTC Communication Sweden AB	2011.09.26	C/o Revideco AB Drottningholmsvägen 22 112 42 Stockholm	NTD 3,932 (SEK 1,000)	Marketing, repair and after-sales services
HTC Luxembourg S.a.r.l.	2011.05.31	9, rue Gabriel Lippmann, L-5365 Munsbach, Grand Duche de Luxembourg	NTD 452 (EUR 12.5)	Online/download media services
HTC Middle East FZ-LLC	2012.07.08	3701A&3704A, 37 Floor, Business Central Towers, Dubai, United Arab Emirates	NTD 31,504 (AED 3,500)	Marketing, repair and after-sales services
HTC Communication Solutions Mexico, S.A DE C.V.	2015.04.01	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	NTD 95 (MXN 50)	Marketing, repair and after-sales services
HTC Servicios DE Operacion Mexico, S.A DE C.V.	2015.04.01	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	NTD 95 (MXN 50)	Human resource management
HTC Czech RC s.r.o.	2015.06.01	Lidická 700/19, Veveří, 602 00 Brno, Česká republika	NTD 33,039 (CZK 24,715)	Sale of smart handheld devices and electronic components
HTC America Holding Inc.	2010.04.23	13920 SE Eastgate Way, Suite 400 Bellevue, Washington 98005	NTD 7,707,612 (USD 233,126)	International holdings
HTC America Inc.	2003.01.06	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 4,562,556 (USD 138,000)	Sale of smart handheld devices and electronic components
One & Company Design, Inc.	2003.10.04	2700 18th Street San Francisco, CA,USA, 94110	NTD 1,190 (USD 36)	Design, research and development of application software
HTC America Innovation Inc.	2010.04.23	13920 SE Eastgate Way, Suite 400 Bellevue, Washington 98005	NTD 99,186 (USD 3,000)	Design, research and development of application software
HTC America Content Services, Inc.	2011.03.28	13920 SE Eastgate Way, Suite 400, Bellevue, WA 98005	NTD 168,616 (USD 5,100)	Online/download media services
Dashwire, Inc.	2006.08.11	936 N. 34th Street, Suite 200 Seattle, WA 98103	NTD 0.003 (USD 0.0001)	Cloud Synchronization Technology design and management
Inquisitive Minds, Inc.	2008.12.04	655 W Evelyn Ave, Suite 3, Mountain View, CA94041	NTD 0.033 (USD 0.001)	Development and sale of Digital Education Platform
HTC VIVE TECH (BVI) Corp.	2015.08.31	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 1,157 (USD 35)	International holdings
HTC VIVE TECH Corp.	2015.12.21	8F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 1,000	Research, development and sale of virtual reality devices

Note: Paid-in capital is translated at the exchange rates prevailing on 2015.12.31.

(3) Common shareholders of HTC and its subsidiaries or its affiliates with actual deemed Control:

None.

(4) Industries covered by the businesses operated by all affiliates and intra-firm division of labor:

(1) Industries covered by the businesses operated by all affiliates:

Principally engaged in the design, manufacture and marketing of PDA phones, smartphones and handheld devices, as well as the provision of related technologies and after-sales services.

(2) Division of labor among all affiliates:

The controlling company, HTC Corporation, is the primary R&D and manufacturing base and provider of technical resources. For its affiliates:

1. The primary business of H.T.C. (B.V.I.) Corp., HTC America Holding Inc., and HTC Holding Cooperatief U.A. is international holdings.
2. Communication Global Certification Inc. engages in the import of controlled telecommunications radio frequency devices and information software services.
3. The primary business of HTC Investment Corporation and HTC I Investment Corporation is general investing activities.
4. High Tech Computer Corp. (Suzhou) and HTC Electronics (Shanghai) Co., Ltd. engage in the manufacture and sale of smart handheld devices.
5. HTC Corporation (Shanghai WGQ) engages in detect, after-sales services, and technical Advisory of smart handheld devices.
6. HTC Communication Co., Ltd. engages in the sale of smart handheld devices.
7. HTC BLR, HTC America Innovation Inc., One & Company Design Inc., HTC Communication Technologies (Beijing) and HTC Communication Technologies (SH) engage in design, research and development of application software.
8. HTC America Inc., HTC NIPPON Corporation, and HTC Russia LLC. engage in the sale of smart handheld devices and electronic components.
9. High Tech Computer Asia Pacific Pte. Ltd., HTC HK, Limited, and HTC Netherlands B.V., and HTC EUROPE CO., LTD. engage in global investing activities, marketing, repair and after-sales service.
10. HTC America Content Services, Inc. and HTC Luxembourg S.a.r.l. engage in online and download media services.
11. Dashwire, Inc. engages in design and management of cloud synchronization technology.
12. Inquisitive Minds, Inc. is mainly engaged in development and sale of digital education platform.
13. HTC Investment One (BVI) Corporation is mainly engaged in acquisitions and general investment for S3 Graphics Co., Ltd.
14. The primary business of S3 Graphics Co, Ltd. is design, research and development of graphics technology.
15. Yoda Co., Ltd. is mainly engaged in restaurant and parking lot business as well as building cleaning services.
16. HTC Servicios DE Operacion Mexico, S.A DE C.V. is mainly engaged in human resource management.
17. HTC VIVE TECH Corp. is mainly engaged in research, development and sale of virtual reality devices.
18. The remaining companies engage in marketing, repair and after-sales services.

(5) Information of Directors, Supervisors, and Presidents of HTC affiliated companies

2015.12.31 Unit: NT$ thousands, except shareholding

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
Investor:				
HTC Corporation	Chairwoman	Cher Wang	32,272,427 shares	3.90%
	Director	Wen-Chi Chen	22,391,389 shares	2.70%
	Director	HT Cho	96,530 shares	0.01%
	Director	David Bruce Yoffie	-	-
	Independent Director	Chen-Kuo Lin	-	-
	Independent Director	Josef Felder	229,985 shares	0.03%
	Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	43,819,290 shares	5.29%
	Supervisor	Huang-Chieh Chu	-	-
Investee:				
H.T.C. (B.V.I.) Corp.	Chairwoman	HTC Corporation Representative: Cher Wang	1,315,201,760 shares	100.00%
Communication Global Certification Inc.	Chairperson	HTC Corporation Representative: David Chen	29,056,807 shares	100.00%
	Director	HTC Corporation Representative: Simon Hsieh, Hsiu Lai	29,056,807 shares	100.00%
	Supervisor	HTC Corporation Representative: Ken Wang	29,056,807 shares	100.00%
High Tech Computer Asia Pacific Pte. Ltd.	Director	HTC Corporation Representative: Cher Wang, Marcus Woo, Lim Tiong Beng	714,534,059 shares	100.00%
HTC Investment Corporation	Chairperson	HTC Corporation Representative: Cher Wang	30,000,000 shares	100.00%
	Director	HTC Corporation Representative: Edward Wang, Marcus Woo	30,000,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Ken Wang	30,000,000 shares	100.00%
HTC 1 Investment Corporation	Chairperson	HTC Corporation Representative: Cher Wang	29,500,000 shares	100.00%
	Director	HTC Corporation Representative: Edward Wang, Marcus Woo	29,500,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Ken Wang	29,500,000 shares	100.00%
HTC Investment One (BVI) Corporation	Director	HTC Corporation Representative: Cher Wang	333,733,246 shares	100.00%
HTC VIVE Holding (BVI) Corp.	Director	HTC Corporation Representative: Cher Wang	35,000 shares	100.00%

(Continued)

2015.12.31 Unit: NT$ thousands, except shareholding

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
HTC Tech Computer Corp. (Suzhou)	Chairperson	H.T.C. (B.V.I.) Corp. Representative: David Chen	USD 20,000 thousands	100.00%
HTC (Australia and New Zealand) PTY LTD	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Edward Wang, James Chen, Elson Pow	400,000 shares	100.00%
HTC Philippines Corporation	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Chou, Fred Liu, Majorie L. Elic, Juancho S. Ong, Edgardo C. Abenis	858,765 shares	100.00%
PT. High Tech Computer Indonesia	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Jackson Yang	185,625 shares	99.00%
	Director	HTC Corporation Representative: Jackson Yang	1,875 shares	1.00%
	Supervisor	High Tech Computer Asia Pacific Pte. Ltd. Representative: Edward Wang	185,625 shares	99.00%
	Supervisor	HTC Corporation Representative: Edward Wang	1,875 shares	1.00%
HTC (Thailand) Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Faisal Siddiqui, Edward Wang	10,000,000 shares	100.00%
HTC India Private Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Edward Wang, James Chen, Faisal Siddiqui	495,000 shares	99.00%
	Director	HTC Holding Cooperatief U.A. Representative: Edward Wang, James Chen, Faisal Siddiqui	5,000 shares	1.00%
HTC Malaysia Sdn. Bhd.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Edward Wang, Faisal Siddiqui, Yeoh Cheng Lee, Abd Malik Bin A. Rahman	25,000 shares	100.00%
HTC Communication Co., Ltd.	Chairperson	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chia-Lin Chang	USD1 27,500 thousands	100.00%
HTC HK, Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Jack Tong, Abraxas Limited	1,094,375,526 shares	100.00%
HTC Holding Cooperatief U.A.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Edward Wang, J. J. van Ginkel	EUR 175,234 thousands	99.99%
	Director	HTC Corporation Representative: Edward Wang, J. J. van Ginkel	EUR 0.28 thousands	0.01%
HTC Communication Technologies (SH)	Chairperson	High Tech Computer Asia Pacific Pte. Ltd. Representative: David Chen	USD 4,000 thousands	100.00%
HTC Myanmar Company Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Edward Wang, James Chen	99,000 shares	99.00%
	Director	HTC HK Limited Representative: Edward Wang, James Chen	1,000 shares	1.00%

(Continued)

2015.12.31 Unit: NT$ thousands, except shareholding

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
HTC Vietnam Services One Member Limited Liability Company	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Jack Tong	USD 200 thousands	100.00%
S3 Graphics Co, Ltd.	Director	HTC Investment One (BVI) Corporation Representative: Edward Wang, Marcus Woo	386,338,516 shares	100.00%
Yoda Co., Ltd.	Chairperson	HTC Investment Corporation Representative: Hsiu Lai	20,000 thousands	100.00%
HTC Corporation (Shanghai WGQ)	Executive Director	HTC HK, Limited Representative: Georges Boulloy	USD 1,500 thousands	100.00%
HTC Electronics (Shanghai) Co., Ltd.	Chairperson	HTC HK, Limited Representative: David Chen	USD 132,909 thousands	100.00%
HTC Communication Technolegy (Beijing) Co., Ltd	Chairperson	HTC Communication Technologies (Shanghai Limited) Representative: Peter Chou	RMB 10,500 thousands	100.00%
HTC Netherlands B.V.	Representative	HTC Holding Cooperatief U.A.	143,881,816 shares	100.00%
HTC EUROPE CO. LTD.	Director	HTC Netherlands B.V. Representative: Edward Wang, Marcus Woo	69,270,132 shares	100.00%
HTC BRASIL	Representative	HTC Netherlands B.V.	1,987,399 shares	99.99%
	Representative	HTC Cooperatief U.A.	1 share	0.01%
HTC Belgium BVBA/SPRL	Director	HTC Netherlands B.V. Representative: Gilbert Ng, Edward Wang, TMF Management	18,549 shares	100.00%
HTC NIPPON Corporation	Director	HTC Netherlands B.V. Representative: Jack Tong, Hiroshi Tamano, Edward Wang	1,000 shares	100.00%
HTC France Corporation	President	HTC Netherlands B.V. Representative: Philip Alan Blair	11,000,000 shares	100.00%
HTC South Eastern Europe Limited Liability Company	Administrator	HTC Netherlands B.V. Representative: Nikitas Glykas	149 shares	99.33%
	Administrator	HTC Holding Cooperatief U.A. Representative: Nikitas Glykas	1 share	0.67%
HTC Nordic ApS	Director	HTC Netherlands B.V. Representative: Philip Alan Blair, Edward Wang	80,000 shares	100.00%
HTC Italia SRL	Director	HTC Netherlands B.V. Representative: Philip Alan Blair	EUR 10 thousands	100.00%
HTC Germany GmbH	Director	HTC Netherlands B.V. Representative: Philip Alan Blair	25,000 shares	100.00%
HTC Iberia S.L.U.	Director	HTC Netherlands B.V. Representative: Philip Alan Blair, Edward Wang	3,006 shares	100.00%
HTC Poland sp z o.o.	Director	HTC Netherlands B.V. Representative: Philip Alan Blair, Edward Wang	4,687 shares	100.00%
HTC Communication Canada, Ltd.	Director	HTC Netherlands B.V. Representative: Jason Makenzie, Edward Wang	1,500,000 shares	100.00%

(Continued)

2015.12.31 Unit: NT$ thousands, except shareholding

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
HTC Communication Sweden AB	Director	HTC Netherlands B.V. Representative: Philip Alan Blair, Edward Wang	1,000,000 shares	100.00%
HTC Luxembourg S.a.r.l.	Director	HTC Netherlands B.V. Representative: Edward Wang,	12,500 shares	100.00%
HTC Middle East FZ-LLC	Director	HTC Netherlands B.V. Representative: Philip Alan Blair, Edward Wang	3,500 shares	100.00%
HTC Communication Solutions Mexico, S.A DE C.V.	Director	HTC Netherlands B.V. Representative: Jason Buchanan Mackenzie, Edward Wang	49,500 shares	99.00%
	Director	HTC Holding Cooperatief U.A. Representative: Jason Buchanan Mackenzie, Edward Wang	500 shares	1.00%
HTC Servicios DE Operacion Mexico, S.A DE C.V.	Director	HTC Netherlands B.V. Representative: Jason Buchanan Mackenzie, Edward Wang	49,500 shares	99.00%
	Director	HTC Holding Cooperatief U.A. Representative: Jason Buchanan Mackenzie, Edward Wang	500 shares	1.00%
HTC Czech RC s.r.o.	Director	HTC Netherlands B.V. Representative: Bruce Lee	CZK 25,300 thoudands	100.00%
HTC America Holding, Inc.	Director	HTC EUROPE CO. LTD Representative: Edward Wang	358,617,151 shares	100.00%
HTC America, Inc.	Director	HTC America Holding, Inc. Representative: Peter Chou, Chia-Lin Chang	1,000 shares	100.00%
One & Company Design, Inc.	Director	HTC America Holding, Inc. Representative: Edward Wang	60,000 shares	100.00%
HTC America Innovation, Inc.	Director	HTC America Holding, Inc. Representative: James Chen	1,000 shares	100.00%
HTC America Content Services, Inc.	Director	HTC America Holding, Inc. Representative: Edward Wang	1,000 shares	100.00%
Dashwire, Inc.	Director	HTC America Holding, Inc. Representative: Edward Wang	100 shares	100.00%
Inquisitive Minds, Inc.	Director	HTC America Holding, Inc. Representative: Edward Wang	100 shares	100.00%
HTC VIVE TECH Corp.	Chairperson	HTC VIVE Holding (BVI) Corp. Representative: Cher Wang	100,000 shares	100.00%
	Director	HTC VIVE Holding (BVI) Corp. Representative: Wen-Chi Chen	100,000 shares	100.00%
	Director	HTC VIVE Holding (BVI) Corp. Representative: HT Cho	100,000 shares	100.00%
	Supervisor	HTC VIVE Holding (BVI) Corp. Representative: Shao-Lun Lee	100,000 shares	100.00%

(6) Operational highlights of HTC affiliated companies

Unit: NT$ thousands

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
Investor:								
HTC Corporation	$ 8,318,695	$ 127,475,021	$62,682,926	$64,792,095	$ 117,083,037	($ 13,625,809)	($ 15,533,068)	($ 18.79)
Investee:								
H.T.C. (B.V.I.) Corp.	4,348,314	3,311,970	-	3,311,970	14,716	14,641	15,127	0.01
Communication Global Certification Inc.	290,568	424,600	23,703	400,897	241,031	(2,603)	2,159	0.07
High Tech Computer Asia Pacific Pte. Ltd.	21,961,052	32,595,309	50,833	32,544,476	290,106	(1,112,761)	(551,782)	(0.77)
HTC Investment Corporation	300,000	287,316	130	287,186	2,669	2,522	2,293	0.08
HTC 1 Investment Corporation	295,000	262,126	130	261,996	1,409	1,262	1,047	0.04
HTC Investment One (BVI) Corporation	11,033,880	5,003,823	-	5,003,823	22,547	(1,180,160)	(1,179,498)	(3.53)
HTC Investment (BVI) Corp.	297,558	638,990	-	638,990	340,602	340,522	352,105	107.38
HTC VIVE Holding (BVI) Corp.	1,157	1,142	-	1,142	-	-	-	-
HTC Tech Computer Corp. (Suzhou)	661,240	790,222	245	789,977	155	(3,497)	15,800	-
HTC (Australia and New Zealand) PTY LTD.	96,673	258,719	47,518	211,201	220,893	10,466	8,450	21.13
HTC Philippines Corporation	6,612	6,593	-	6,593	-	-	-	-
PT. High Tech Computer Indonesia	4,078	40,003	13,143	26,860	25,757	1,222	2,410	12.82
HTC (Thailand) Limited	22,903	57,129	11,153	45,976	38,237	1,821	1,496	0.15
HTC India Private Limited	2,497	604,220	501,193	103,027	1,227,656	58,548	48,045	96.09
HTC Malaysia Sdn. Bhd.	1,925	30,208	6,502	23,706	44,988	2,144	5,588	223.52
HTC Communication Co., Ltd.	4,215,405	6,602,065	1,608,879	4,993,186	4,948,482	62,026	(615,456)	-
HTC HK, Limited	4,668,499	8,487,898	62,403	8,425,495	173,385	(50,032)	(68,366)	(0.06)
HTC Holding Cooperatief U.A.	6,330,651	12,116,573	4,890	12,111,683	-	(586,758)	(568,019)	-
HTC Communication Technologies (SH)	132,248	634,143	280,669	353,474	999,192	75,313	63,252	-
HTC Myarmar Company Limited	2,514	2,503	-	2,503	-	-	-	-
HTC Vietnam Services One Member Limited Liability Company	6,218	16,725	10,292	6,433	36,936	1,895	1,409	-
S3 Graphics Co, Ltd.	10,183	88,774	-	88,774	22,534	22,534	22,785	0.06
Yoda Co., Ltd.	20,000	28,135	6,482	21,653	85,573	1,459	1,275	-
HTC Corporation (Shanghai WGQ)	49,593	151,431	35,265	116,166	199,535	9,502	15,028	-
HTC Electronics (Shanghai) Co., Ltd.	4,394,237	8,155,671	221,875	7,933,796	2,145,902	(261,709)	(76,222)	-
HTC Communication Technologies (Beijing)	52,836	85,837	18,579	67,258	221,906	14,517	8,486	-
HTC Netherlands B.V.	5,198,002	12,253,806	138,248	12,115,558	75,380	(746,396)	(549,102)	(3.82)
HTC EUROPE CO., LTD.	3,396,832	10,350,901	505,672	9,845,229	2,994,557	449,772	393,571	5.68
HTC BRASIL	16,586	21,537	4,612	16,925	7,676	385	333	0.17
HTC Belgium BVBA/SPRL	686	134,500	15,220	119,280	67,496	3,022	3,136	169.06
HTC NIPPON Corporation	2,747	781,847	665,973	115,874	2,525,079	27,236	13,828	13,828.00

(Continued)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
HTC FRANCE CORPORATION	$ 397,395	$ 68,223	$ 39,160	$ 29,063	$ 113,754	$ 15,621	$ 13,223	$ 1.20
HTC South Eastern Europe Limited Liability Company	163	6,190	1,154	5,036	27	(128)	(125)	(833.33)
HTC Nordic ApS.	387	27,549	17,780	9,769	48,667	2,857	2,455	30.69
HTC Italia SRL	54,552	76,752	45,238	31,514	53,753	1,504	(319)	-
HTC Germany GmbH.	903	119,005	29,051	89,954	191,299	29,230	18,976	759.04
HTC Iberia S.L.	108	31,463	5,916	25,547	53,975	2,862	1,952	650.67
HTC Poland sp. z o.o.	1,987	5,025	2,398	2,627	32,434	1,498	(45)	(9.57)
HTC Communication Canada, Ltd.	49,593	88,826	14,536	74,290	162,401	7,733	1,419	0.95
HTC Norway AS.	-	-	-	-	-	-	(247)	-
HTC Russia LLC.	-	-	-	-	-	(34)	(35)	-
HTC Communication Sweden AB	3,932	8,933	3,139	5,794	10,755	512	205	0.21
HTC Luxembourg S.a.r.l.	452	241,675	27,825	213,850	-	(78,606)	(1,187,185)	(94,974.80)
HTC Middle East FZ-LLC	31,504	169,770	126,484	43,286	358,424	4,631	2,781	794.57
HTC Communication Solutions Mexico, S.A DE C. V.	95	10,922	8,077	2,845	14,080	476	556	14.63
HTC Servicios DE Operation Mexico, S.A DE C. V.	95	4,852	1,199	3,653	11,774	287	198	5.21
HTC Czech RC s.r.o.	33,039	49,150	14,214	34,936	30,884	1,044	1,822	-
HTC America Holding Inc.	7,707,612	8,655,115	65,308	8,589,807	357,038	305,683	305,512	0.85
HTC BLR	-	-	-	-	-	-	1,247	-
HTC America Inc.	4,562,556	15,785,650	8,941,627	6,844,023	33,558,542	445,061	315,342	315,342.00
One & Company Design, Inc.	1,190	56,995	70	56,925	-	(2,460)	(3,933)	(65.55)
HTC America Innovation Inc.	99,186	890,490	447,538	442,952	1,354,460	64,498	36,561	36,561.00
HTC America Content Services, Inc.	168,616	35,665	332,967	(297,302)	-	(697)	(637)	(637.00)
Dashwire, Inc.	0.003	4,034	61,712	(57,678)	179	(1,089)	(661)	(6,610.00)
Inquisitive Minds, Inc.	0.033	52,786	9,159	43,627	46,648	2,630	8,559	85,590.00
HTC VIVE TECH (BVI) Corp.	1,157	1,142	-	1,142	-	-	-	-
HTC VIVE TECH Corp.	1,000	1,000	-	1,000	-	-	-	-

Note: Authorized capital and the balance sheet foreign exchange rate is based on the exchange rate on the balance sheet date. The foreign exchange rate for the income statement is based on the weighted average exchange rate for the given period.

- **Consolidated financial statements of HTC affiliated companies**

  Pursuant to the "Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliations" and to Letter No. Taiwan- Finance-Securities-04448 of the Securities and Futures Commission, Ministry of Finance, HTC shall prepare the affiliates' consolidated financial statements and issue the declaration of Attachment 1 of that Letter. That declaration has already been issued by HTC and placed on page 1 of the affiliates' financial statement; please refer to it there.

- **Affiliates report**

  There were no circumstances requiring preparation of an Affiliates Report.

2. Private Placement Securities in 2015 and as of the Date of This Annual Report:

None.

3. Status of HTC Common Shares and GDRS Acquired, Disposed of, and Held By Subsidiaries in 2015 as of the Date of This Annual Report:

None.

4. Any Events in 2015 as of the Date of This Annual Report: That Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 3 of Article 36 of Securities and Exchange Law of Taiwan:

None.

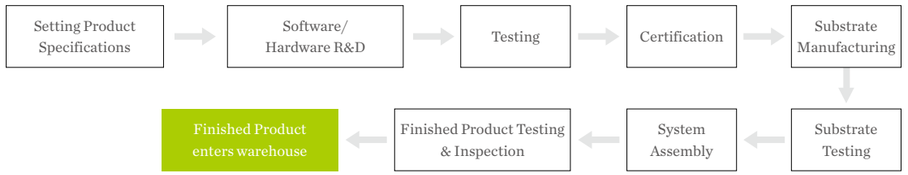
5. Other Necessary Supplement:

(1) Key functionalities and manufacturing processes for primary product lines:

HTC's primary products are converged devices designed on Android Phone operating systems (OS), with connected devices and virtual reality systems. HTC products support voice communication, mobile Internet, multimedia, global positioning service (GPS), personal data assistant (PDA), e-mail, instant data search, financial transaction services and other mobile digital services.

Communication speed has evolved from 3G to 4G (LTE Long Term Evolution) and the evolution toward wireless broadband and the increase of wireless bandwidth in order to satisfy customers' various needs through faster speed.

The workflow for handheld devices, connected devices, and virtual reality system, from R&D through production, is as follows:



(2) Environmental protection expenditures

HTC primarily manufactures smartphone. With regard to production processes, airborne pollutants are generated only during soldering and solid wastes at various production stages. HTC's production processes do not generate wastewater.

HTC places a high priority on effectively managing wastes generated by operations and consistently allocates significant funds to install and maintain pollution prevention facilities and retain professional staff. HTC provides offsite training for staff to acquire licenses needed to operate pollution control equipment. HTC further implements internal training programs and conducts audits to ensure relevant pollution control mechanisms operate properly and effectively. HTC regularly contracts independent licensed inspectors to review its operational environment. Audit and inspections of HTC facilities conducted since HTC was founded confirmed that company operations comply with relevant government rules and regulations.

HTC is certified OHSAS18001:2007 occupational health and safety management system, ISO 14001:2004 environmental management, ISO 14064-1:2006 greenhouse gas emission standards and ISO50001:2011 energy management standard. Certification-mandated procedures and requirements further reduce HTC pollution emissions and energy consumption and move us forward toward clean production objectives.

1. Losses (including financial compensation) and fines due to pollution incidents from the start of the most recent fiscal year and as of the date of this annual report:

HTC has not been fined or penalized for pollution by environmental authorities.

2. Future strategies (inclusive of environmental protection facility improvements) and possible expenditures:

a. Continue to strengthen the operations management on environmental protection equipment in order to comply with government rules and regulations and reduce accidents and abnormalities;
b. In addition to regular management of disposables, our policy for reduction of these disposables is carried out through categorization and education in order to reduce production of the disposables from their source. Meanwhile, reusability received priority in consideration and further categorization on the rear end is added to increase the reusability of recycled resources.
c. Continue promoting ISO 14001 environmental management, ISO 14064-1 technical and administrative measures and ISO50001 energy management standard to maximize clean production benefits.
d. Major planned environmental expenditures over the next 2 years include:

Unit: NT$ thousands

Item \ Fiscal Year	2016	2017	2018
Anticipated Equipment Purchases / Expenditures	1. Energy efficient lighting system 2. Water conservation facilities 3. Energy efficient air conditioning equipment 4. Inverters for elevators & air compressors 5. Waste water reprocess to provide for campus watering system and ecological pond 6. Water / power conservation promotion activities 7. Garbage reduction and recycling promotion activities 8. Campus greening efforts	1. Energy efficient lighting system 2. Energy efficient air conditioning equipment 3. Inverters for air compressors 4. Waste water reprocess to provide for campus watering system 5. Water / power conservation promotion activities 6. Garbage reduction and recycling promotion activities 7. Campus greening efforts	1. Energy efficient lighting system 2. Water conservation facilities in pantry, shower rooms and toilets 3. Water/power conservation promotion activities 4. Implementation of energy-saving equiopments 5. Waste water facilities 6. Rainwater recycling
Anticipated Benefits	1. Reduce energy consumption by using LED lighting system 2. Pantry, washroom, and bathroom efficient water saving utilities 3. Energy efficient air conditioning equipment 4. Reduce energy consumption through the inverters for elevators & air compressors 5. Promote general waste reduction & recycling 6. Conserve water resources 7. Reduce waste volumes by promoting garbage reduction and recycling 8. Reduce energy consumption through campus greenification	1. Reduce energy consumption by using LED lighting system 2. Energy efficient air conditioning equipment 3. Reduce energy consumption through the inverters for air compressors 4. Promote general waste reduction & recycling 5. Conserve water resources 6. Reduce waste volumes by promoting garbage reduction and recycling 7. Reduce energy consumption through campus greenification	1. Reduce energy consumption by using motion sensing lighting system 2. Deploy efficient water saving utilities in pantry, shower rooms and toilets 3. Conserve water resource 4. Reduce energy consumption through the inverters for elevators & air compressor 5. Reinforce waste system 6. Recycle rainwater for use at toilets
Expenditures (estimated)	12,000	10,500	9,430

3. Environmental protection and employee health & safety measures

Environmental protection:

HTC is committed to operating healthy and safe work environments. HTC adheres to all local environmental protection regulations. Cardboard boxes, containers and plastic packaging material are collected and separated for recycling. HTC requires suppliers to comply with EU WEEE and RoHS environmental requirements in order to reduce industrial waste, prevent pollution, and offer consumers products that reflect HTC's low environmental impact commitment.

Through green purchases followed by acquisition of raw materials or energy-efficient equipment, savings on use of energy and resources, as well as decrease in pollution on the environment, are made possible for fulfilling duties, such as reducing volume of the disposables, reusing recycled materials, and reducing the volume of carbon, for protection of the environment.

HTC is committed to environmental responsibility and monitors its greenhouse gas sources and emissions in compliance with ISO 14064-1 standards. HTC also follows ISO 50001 energy management standards to promote effective energy management, and to achieve long-run sustainability and competitiveness.

Associated procedures include:

a. Track greenhouse gas emission to monitor type and amount of energy resources currently being used. Use data to draft action plan for energy conservation;
b. Recertification of greenhouse gas records conducted by licensed, independent certification agency annually (certificate issued);
c. Voluntarily release annual greenhouse gas emissions data to the public through international non-profit organizations, CDP.

Employee health and safety (H&S):

In accordance with contents of the plan for management of occupational health and safety (H&S), the company will comply with H&S regulations by identifying hazards in order to carry out key tasks such as reducing risks, specifying a standard for management of dangerous and hazardous materials, offering guidance about H&S, and promoting vendor management. All of these tasks will be implemented into "H&S organizations", "H&S management", "education and training on H&S", "standard operating procedures and analysis for work safety", "H&S inspections", "emergency response", and "H&S activities" in order to achieve engagement by all parties for a reduced risk on H&S. HTC is certified under OHSAS18001. New employees receive health and safety education training related to HTC's work environment and production processes. HTC also holds regular fire safety drills to ensure all employees are with familiar fire prevention and suppression facilities and equipment.

Employees are the most valuable assets for HTC. To safeguard the health of our employees, the task of our health center works toward "health management", "promotion of health", "occupational health", and "employee assistant plan" for our employees, in a hope that this employee clinic (an affiliated infirmary at HTC) would offer services such as ensured doctor visits, prescriptions, health consultation, physical therapy, physical checkup, lab examination, and radiological examination service for our colleagues. For employees with mid-to-high level risk of health issues after recent health check-ups, the center will arrange treatment and follow-ups from doctors and nursing staffs at the center.

Assistance will be offered with necessary courses on health, accurate information on health management, and development of normal living habits for individual employees in order to foster the ability of self-management on health for those employees and realize a complete healthcare system.

Green product research and development

Complying with each region's related regulation and client's request, HTC prepares budgets for our products to go through green production certification, such as toxic-free substances testing, UL Environment certification as Platinum level, and energy efficiency certification.

During the stage of product design and development, materials with lower environmental risk were carefully selected based on the precautionary principle to make sure it met worldwide regulations for forbidden materials. We are also taking the initiatives in finding ways to reduce use of materials that are harmful to the environment. Through a concept of design based on increase of recycling rate, reusability of resources would be enhanced for a reduced impact on the environment.

(3) Labor relations management

HTC offers employees opportunities to develop professional skills and knowledge; sharpen proactive and positive attitudes toward professional responsibilities; internalize serious and responsible work values; adopt honest and forthright work habits and pursue excellence in all tasks and responsibilities in order to create an exceptional work environment. We provide our employees with engaging challenges as well as skills / knowledge of value to their career growth. We firmly believe that a positive, energetic work environment boost morale and innovation.

1. Employee recruitment

Hiring and retaining exceptional employees is a key objective of HTC's human resources strategy. We are an equal opportunity employer and recognize the practical benefits that employee diversity brings to HTC's corporate culture and to our innovative spirits. HTC hires new employees through open selection procedures, with candidates offered positions based on merit. We permit no discrimination based on ethnicity, skin color, social status, language, religion, political affiliation, country / region of origin, gender, sexual orientation, marital status, appearance, disability, professional association membership or other similar considerations not relevant to job performance. HTC works through cooperative programs with universities, internship programs and summer work programs to provide work opportunities to a large number of students each year. In addition, we actively restructure our work environment to provide more job opportunities for disability so they can also have the great o pportunity to develop their talents.

2. Employee development

HTC values the development and cultivation of our employees. In order to fulfill the commitment to grow with our employees, HTC constructs systematic learning development resources that provide a comprehensive curricula covering professional, managerial and personal development. These programs help staff acclimate quickly to HTC's corporate culture and acquire essential knowledge and skills. We've introduced e-Learning and Mobile Learning platforms, e-Library as well as language courses and training for employees to make learning more convenient and flexible. Further, HTC sponsors regular seminars and workshops as part of its development initiatives. Globally recognized experts share insights into market trends, the latest technologies and technology trends, combining with cultural and artistic sensibilities to lead HTC staff to face global technology development and challenges confidently.

Personnel talent is HTC's most precious assets. It is also HTC's long-term commitment to every employee. In 2015, total training related expenditure were NT$12 million and training hours were 258,245 hours.

3. Employee benefits and employee satisfaction

HTC's work environment is geared to challenge, stimulate and fulfill our employees. We maintain various outreach initiatives designed to motivate employees, enhance employee benefits and facilitate greater dialogue between the company and its workforce.

Comprehensive employee benefits

HTC provides coverage of its employees under both the National Labor and National Health Insurance programs, and it provides employees with annual vacation travel allowance, regular physical examinations, regular departmental lunches, cash bonuses for Taiwan's three main annual festivals, cash for weddings / funerals, subsidies for club activities, access to employee exercise facilities and various exercise classes, massage service, library, and book store coupons.

Open and responsive lines of communication

HTC operates an internal system to receive employee complaints. This system includes a hotline, mailbox, and e-mail address dedicated to receiving employee complaints and suggestions as well as a regularly convened joint labor-management committee. HTC regularly canvasses employee opinions. Results are made available to executives and managers and used to measure changes in employee satisfaction and commitment.

Regular activities and events

HTC holds regular sports rallies, family days, athletic competitions and artistic / literary contests to increase opportunities for employees to enjoy informal interactions outside of their regular work.

Employee awards

On the basis of motivation and talent retention concept, HTC implements incentive and retention program. HTC rewards individual employees who submit proposals for practical improvements or earn patent awards. HTC also provides cash awards for the best entries in an annual competition designed to solicit quality improvement ideas.

4. Employee retention

Specialist Retention Plan:

Incentives are offered to employees with special and critical skills to keep them with the company and ensure they benefit from the results of their efforts.

Long service awards:

Awards are presented at a company-wide ceremony that recognizes employees who have provided with 5-year, 10-year and 15-year of services.

Internal transfer assistance:

In order to help enhance employees' professional experience and career planning, HTC provides assistance to facilitate employee transfers within the company.

5. Compensation and retirement benefits

HTC employees earn market-competitive salaries that take into consideration academic background, work experience, seniority and current professional responsibilities / position level. The amount of annual employee performance bonuses is proposed by the president and approved by the board of directors based on current year business performance. Additionally, HTC appropriate a percentage of annual earnings bonuses to employee approved by the board of directors and adopted by shareholders' meeting. Performance and earnings bonus are allocated based on work performance and relative level of contribution in order to motivate employees effectively.

HTC's retirement policy has been in place, as required by law, since the company was founded. Starting in November 1999, HTC began to contribute an amount equal to 2 percent of each employee's salary into his / her individual corporate retirement fund. This system was replaced in 2004 when HTC began contributing an amount equal to 8 percent of each employee's salary into a general labor retirement fund managed by a labor retirement fund supervisory board. With the enactment of the new retirement system on 1 July 2005, employees hired under the previous retirement scheme that opted not to switch to the new retirement system were permitted, with supervisory approval, to adjust the current 8 percent contribution downward to 2 percent.

6. Labor negotiations and measures to protect employee rights

HTC is committed to fostering an atmosphere of trust in its labor relations and places great importance on internal communications. Labor relations meetings are convened once every two months (at least 6 regular meetings per year), with labor represented by seven elected employee representatives. Meeting minutes are kept to ensure follow-on action and track results. HTC further offers employees various channels through which to submit opinions, suggestions and complaints, which may be delivered via a telephone hotline, e-mail address or physical mail as well as made known through HTC's regular employee opinion surveys. During the most recent fiscal year and as of the printing date of this annual report, labor relations management have been harmonious with no losses resulting from labor-management conflicts; and no loss of this type is expected in the future.

FINANCIAL INFORMATION

FINANCIAL INFORMATION

1. Abbreviated Balance Sheets for the Past Five Fiscal Years

(1) Abbreviated Balance Sheets - IFRS

Unit: NT$ thousands

Item		Year 2015	2014	2013	2012	2011
Current Assets		58,086,219	85,050,267	86,792,110	120,322,646	178,751,062
Properties		13,152,866	18,660,108	19,773,608	19,726,836	15,318,600
Intangible Assets		622,138	1,222,721	1,650,891	1,717,150	2,241,541
Other Assets		55,613,798	58,079,118	59,337,585	55,213,207	50,810,264
Total Assets		127,475,021	163,012,214	167,554,194	196,979,839	247,121,467
Current Liabilities	Before Appropriation	62,664,620	82,556,301	89,731,340	116,556,611	145,631,489
	After Appropriation	*	82,870,937	89,731,340	118,219,066	178,880,574
Non-current Liabilities		18,306	122,540	115,194	150,534	188,097
Total Liabilities	Before Appropriation	62,682,926	82,678,841	89,846,534	116,707,145	145,819,586
	After Appropriation	*	82,993,477	89,846,534	118,369,600	179,068,671
Capital Stock		8,318,695	8,349,521	8,423,505	8,520,521	8,520,521
Capital Surplus		15,505,853	15,140,687	15,360,307	16,601,557	16,601,557
Retained Earnings	Before Appropriation	40,080,087	59,531,103	66,286,308	70,102,031	86,542,008
	After Appropriation	*	59,216,467	66,286,308	68,439,576	53,292,923
Other Equity		1,088,415	1,062,118	557,698	(885,925)	2,939
Treasury Stock		(200,955)	(3,750,056)	(12,920,158)	(14,065,490)	(10,365,144)
Total Stockholders' Equity	Before Appropriation	64,792,095	80,333,373	77,707,660	80,272,694	101,301,881
	After Appropriation	*	80,018,737	77,707,660	78,610,239	68,052,796

* Subject to change after shareholders'meeting resolution

(2) Abbreviated Balance Sheets - ROC GAAP

Unit: NT$ thousands

Item		Year 2015	2014	2013	2012	2011
Current Assets					127,271,142	180,204,464
Long-term Investments					42,652,154	37,777,785
Properties					19,935,586	15,422,345
Intangible Assets					1,625,340	2,120,948
Other Assets					12,702,516	12,585,381
Total Assets					199,186,738	284,110,923
Current Liabilities	Before Appropriation				118,817,523	146,683,699
	After Appropriation				120,479,978	179,932,784
Long-term Liabilities					-	-
Other Liabilities					-	628
Total Liabilities	Before Appropriation				118,817,523	146,684,327
	After Appropriation				120,479,978	179,933,412
Capital Stock					8,520,521	8,520,521
Capital Surplus					16,619,594	16,619,594
Retained Earnings	Before Appropriation				70,148,728	86,616,845
	After Appropriation				68,486,273	53,367,760
Unrealized Loss on Financial Instruments					203,768	2,939
Cumulative Translation Adjustments					(1,057,559)	32,134
Net Loss Not Recognized As Pension Cost					(374)	(293)
Treasury Stock					(14,065,490)	(10,365,144)
Total Stockholders' Equity	Before Appropriation				80,369,215	101,426,596
	After Appropriation				78,706,760	68,177,511

Abbreviated balance sheet was based on IFRS

(3) Abbreviated Consolidated Balance Sheets - IFRS

Unit: NT$ thousands

Item		Year 2015	2014	2013	2012	2011	As of 2016.03.31
Current Assets		86,439,402	110,286,950	111,507,281	136,132,425	190,682,395	77,459,785
Properties		15,432,130	23,435,556	25,561,399	25,990,766	21,715,633	14,943,270
Intangible Assets		5,561,444	7,209,291	8,664,066	11,683,170	22,767,479	5,022,059
Other Assets		21,960,107	22,906,477	26,896,441	33,442,631	20,946,323	21,753,564
Total Assets		129,393,083	163,838,274	172,629,187	207,248,992	256,111,830	119,178,678
Current Liabilities	Before Appropriation	64,473,478	83,258,739	94,513,990	126,268,363	153,434,018	56,110,185
	After Appropriation	*	83,573,375	94,513,990	127,930,818	186,683,103	*
Non-Current Liabilities		127,510	246,162	407,537	707,935	383,207	1,317,039
Total Liabilities	Before Appropriation	64,600,988	83,504,901	94,921,527	126,976,298	153,817,225	57,427,224
	After Appropriation	*	83,819,537	94,921,527	128,638,753	187,066,310	*
Capital Stock		8,318,695	8,349,521	8,423,505	8,520,521	8,520,521	8,276,415
Capital Surplus		15,505,853	15,140,687	15,360,307	16,601,557	16,601,557	15,487,941
Retained Earnings	Before Appropriation	40,080,087	59,531,103	66,286,308	70,102,031	86,542,008	37,374,794
	After Appropriation	*	59,216,467	66,286,308	68,439,576	53,292,923	*
Other Equity		1,088,415	1,062,118	557,698	(885,925)	2,939	612,304
Treasury Stock		(200,955)	(3,750,056)	(12,920,158)	(14,065,490)	(10,365,144)	-
Non-Controlling Interest		-	-	-	-	992,724	-
Total Stockholders' Equity	Before Appropriation	64,792,095	80,333,373	77,707,660	80,272,694	102,294,605	61,751,454
	After Appropriation	*	80,018,737	77,707,660	78,610,239	69,045,520	*

*Subject to change after shareholders'meeting resolution

(4) Abbreviated Consolidated Balance Sheets – ROC GAAP

Unit: NT$ thousands

Item		Year 2015	2014	2013	2012	2011
Current Assets		Abbreviated consolidated balance sheet was based on IFRS			139,658,980	192,859,891
Long-term Investments					10,197,272	3,685,262
Properties					25,651,292	21,512,478
Intangible Assets					11,520,674	22,560,788
Other Assets					19,575,908	15,178,544
Total Assets					206,604,126	255,796,963
Current Liabilities	Before Appropriation				126,174,912	153,334,697
	After Appropriation				127,837,367	186,583,782
Long-term Liabilities					-	-
Other Liabilities					59,999	42,946
Total Liabilities	Before Appropriation				126,234,911	153,377,643
	After Appropriation				127,897,366	186,626,728
Capital Stock					8,520,521	8,520,521
Capital Surplus					16,619,594	16,619,594
Retained Earnings	Before Appropriation				86,616,845	86,616,845
	After Appropriation				53,367,760	53,367,760
Unrealized Loss on Financial Instruments					203,768	2,939
Cumulative Translation Adjustments					(1,057,559)	32,134
Net Loss Not Recognized As Pension Cost					(374)	(293)
Treasury					(14,065,490)	(10,365,144)
Equity Attribute To The Stockholders Of The Parent					80,369,215	101,426,596
Minority Interest						992,724
Total Stockholders' Equity	Before Appropriation				80,369,215	102,419,320
	Before Appropriation				78,706,760	69,170,235

2. Abbreviated Income Statements for the Past Five Fiscal Years

(1) Abbreviated Income Statement – IFRS

Unit: NT$ thousands

Item	Year 2015	2014	2013	2012	2011
Revenues	117,083,037	174,793,564	194,294,044	270,701,687	Abbreviated income statement was based on ROC GAAP
Gross Profit	16,250,255	31,264,301	33,969,488	56,994,793	
Operating (Loss) Income	(13,625,809)	481,485	(1,636,453)	14,770,387	
Non-operating Income and Expenses	(3,155,735)	1,049,730	351,246	2,162,323	
Net (Loss) Income Before Tax	(16,781,544)	1,531,215	(1,285,207)	16,932,710	
Net (Loss) Income from Continuing Operations	(15,533,068)	1,483,046	(1,323,785)	16,813,575	
Non-Continuing Operations Loss	-	-	-	-	
Net (Loss) Income	(15,533,068)	1,483,046	(1,323,785)	16,813,575	
Other Comprehensive Income and Loss For The Year –Net of Income Tax	(43,307)	873,654	1,428,310	(893,331)	
Total Comprehensive (Loss) Income For The Year	(15,576,375)	2,356,700	104,525	15,920,244	
Basic (Loss) Earnings Per Share	(18.79)	1.80	(1.60)	20.21	

(2) Abbreviated Income Statement – ROC GAAP

Unit: NT$ thousands

Item	Year 2015	2014	2013	2012	2011
Revenues	Abbreviated income statement was based on IFRS			270,701,687	455,079,186
Gross Profit				56,989,072	119,754,046
Operating Income				14,762,895	64,860,542
Non-operating Income and Gains				2,317,531	5,060,293
Non-operating Expenses and Losses				155,323	71,164
Income from Continuing Operation before Income Tax				16,925,103	69,849,671
Income from Continuing Operations				16,780,968	61,975,796
Income (Loss) from Discontinued Operations				-	-
Income (Loss) from Extraordinary Items				-	-
Cumulative Effect of Changes in Accounting Principle				-	-
Net Income				16,780,968	61,975,796
Basic Earnings Per Share				20.17	73.32

(3) Abbreviated Consolidated Income Statement – IFRS

Unit: NT$ thousands

Item	Year 2015	2014	2013	2012	2011	As of 2016. 03.31
Revenue	121,684,231	187,911,200	203,402,648	289,020,175	Abbreviated consolidated income statement was based on ROC GAAP	14,820,982
Gross Profit	21,953,107	40,755,095	42,270,753	72,930,849		1,387,096
Operating (Loss) Income	(14,203,146)	668,770	(3,970,522)	18,827,314		(4,803,111)
Non-operating Income and Expenses	(1,378,394)	1,314,656	3,774,878	630,751		2,307,150
Net (Loss) Income Before Tax	(15,581,540)	1,983,426	(195,644)	19,458,065		(2,495,961)
Net (Loss) Income from Continuing Operations	(15,533,068)	1,483,046	(1,323,785)	17,621,793		(2,616,447)
Non-Continuing Operations Loss	-	-	-	-		-
Net (Loss) Income	(15,533,068)	1,483,046	(1,323,785)	17,621,793		(2,616,447)
Other Comprehensive Income and Loss for the Period, Net of Income Tax	(43,307)	873,654	1,428,310	(893,331)		(541,081)
Total Comprehensive (Loss) Income for the Period	(15,576,375)	2,356,700	104,525	16,728,462		(3,157,528)
Allocations of Profit or Loss for the Period Attributable to: Owners of the Parent	(15,533,068)	1,483,046	(1,323,785)	16,813,575		(2,616,447)
Allocations of Profit or Loss for the Period Attributable to: Non-controlling Interest	-	-	-	808,218		-
Allocations of Total Comprehensive Income for the Period Attributable to: Owners of the Parent	(15,576,375)	2,356,700	104,525	15,920,244		(3,157,528)
Allocations of Total Comprehensive Income for the Period Attributable to: Non-controlling Interest	-	-	-	808,218		-
Basic Earnings (Loss) Per Share	(18.79)	1.80	(1.60)	20.21		(3.16)

(4) Abbreviated Consolidated Income Statement – ROC GAAP

Unit: NT$ thousands

Item	Year 2015	2014	2013	2012	2011
Revenues	Abbreviated consolidated income statement was based on IFRS			289,020,175	465,794,773
Gross Profit				72,925,077	131,797,527
Operating Income				18,819,707	68,787,767
Non-operating Income and Gains				2,240,310	2,783,264
Non-operating Expenses and Losses				1,609,559	147,344
Income from Continuing Operations Before Income Tax				19,450,458	71,423,687
Income from Continuing Operations After Tax				17,589,186	62,299,048
Income (Loss) from Discontinued Operations				-	-
Income (Loss) from Extraordinary Items				-	-
Cumulative Effect of Changes in Accounting Principle				-	-
Net Income				17,589,186	62,299,048
Net Income Attribute to Shareholders of the Parent				16,780,968	61,975,796
Basic Earnings Per Share				20.17	73.32

(5) The Name of the Certified Public Accountant and the Auditor's Opinion

Year	CPA Firm	Certified Public Accountant	Auditor's Opinion
2011	Deloitte & Touche	Ming-Hsien Yang and Tze-Chun Wang	Unqualified Opinion
2012	Deloitte & Touche	Ming-Hsien Yang and Tze-Chun Wang	Unqualified Opinion
2013	Deloitte & Touche	Ming-Hsien Yang and Wen-Yea Shyu	Unqualified Opinion
2014	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion
2015	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion

3. Financial Analysis for the Past Five Fiscal Years

(1) Financial Analysis for the Past Five Fiscal Years

Item		Year 2015	2014	2013	2012	2011
Capital Structure Analysis	Debt Ratio (%)	49	51	54	59	Financial analysis was based on ROC GAAP
	Long-term Fund to Fixed Assets Ratio (%)	493	431	393	407	
Liquidity Analysis	Current Ratio (%)	93	103	97	103	
	Quick Ratio (%)	62	80	72	82	
	Debt Services Coverage Ratio (%)	(2,145)	94	(195)	52,916	
Operating Performance Analysis	Average Collection Turnover(Times)	4.81	5.65	5.43	5.02	
	Days Sales Outstanding	76	65	67	73	
	Average Inventory Turnover (Times)	5.68	7.66	7.12	7.85	
	Average Payment Turnover (Times)	2.61	3.65	2.62	2.84	
	Average Inventory Turnover Days	64	48	51	46	
	Fixed Assets Turnover (Times)	7.36	9.10	9.84	15.45	
	Total Assets Turnover (Times)	0.81	1.06	1.07	1.22	
Profitability Analysis	Return on Total Assets (%)	(10.69)	0.90	(0.72)	7.57	
	Return on Equity (%)	(21.41)	1.88	(1.68)	18.52	
	Ratio of income before tax to paid-in capital (%)	(202)	18.34	(15.26)	198.73	
	Net Margin (%)	(13.27)	0.85	(0.68)	6.21	
	Basic Earnings Per Share (NT$)	(18.79)	1.80	(1.60)	20.21	
Cash Flow	Cash Flow Ratio (%)	(20.87)	0.72	(14.76)	19.50	
	Cash Flow Adequacy Ratio (%)	94.56	110.33	113.13	128.67	
	Cash Flow Reinvestment Ratio (%)	(17.81)	0.65	(17.28)	(12.04)	
Leverage	Operating Leverage	(0.71)	37.00	(5.87)	2.37	
	Financial Leverage	1	1	1	1	

1. Capital Structure & Liquidity Analyses

Owing to net cash outflow for operating activities in 2015, the decrease in current and quick asset has resulted in decline in current ratio and quick ratio. Debt ratio was lower compared to previous year due to decrease in purchase and payables for royalty and operating expenses. Long-term funds to fixed asset ratio was higher compared to previous year given lowered book value for fixed asset after impairment assessment and strict capex control.

2. Operating Performance Analysis

Due to decline in revenue as a result of intensified competition and weak global economics, our fixed asset turnover and total asset turnover were all lower compared to previous year, while days sales outstanding and inventory turnover days were higher compared to the previous year.

3. Profitability Analysis

Profitability declined compared to the previous year due to product transition and intensified competition in smartphone market.

4. Cash Flow Analysis

As we recorded a loss in 2015, our net cash outflow from operating activities saw an increase from the previous year, resulting in negative cash flow ratio and lower cash flow adequacy ratio.

(2) Financial Analysis – ROC GAAP

Item			Year 2015	2014	2013	2012	2011
Capital Structure Analysis	Debt Ratio (%)		Financial analysis was based on IFRS			60	59
	Long-term Fund to Fixed Assets Ratio (%)					403	658
Liquidity Analysis	Current Ratio (%)					103	123
	Quick Ratio (%)					80	100
	Debt Services Coverage Ratio (%)					52,892	6,806
Operating Performance Analysis	Average Collection Turnover (Times)					5.02	6.95
	Days Sales Outstanding					73	53
	Average Inventory Turnover (Times)					7.85	12.11
	Average Payment Turnover (Times)					2.78	4.85
	Average Inventory Turnover Days					46	30
	Fixed Assets Turnover (Times)					15.31	34.52
	Total Assets Turnover (Times)					1.12	1.94
Profitability Analysis	Return on Total Assets (%)					8	29
	Return on Equity (%)					18	70
	Paid-in Capital Ratio (%)	Operating Income				173	761
		Pre-tax Income				199	820
	Net Margin (%)					6	14
	Basic Earnings Per Share (NT$)					20.17	73.32
Cash Flow	Cash Flow Ratio (%)					19	58
	Cash Flow Adequacy Ratio (%)					129	163
	Cash Flow Reinvestment Ratio (%)					(12)	52
Leverage	Operating Leverage					2.37	1.35
	Financial Leverage					1	1

(3) Consolidated Financial Analysis - IFRS

Item		Year 2015	2014	2013	2012	2011	As of 2016.03.31
Capital Structure Analysis	Debt Ratio (%)	50	51	55	61	Financial analysis was based on ROC GAAP	48
	Long-term Fund to Fixed Assets Ratio (%)	420	343	304	309		413
Liquidity Analysis	Current Ratio (%)	134	132	118	108		138
	Quick Ratio (%)	98	104	87	85		97
	Debt Services Coverage Ratio (%)	(1,917)	118	(22)	11,347		(588)
Operating Performance Analysis	Average Collection Turnover (Times)	4.53	6.41	5.83	5.27		3.29
	Days Sales Outstanding	81	57	63	69		111
	Average Inventory Turnover (Times)	4.80	6.34	5.81	6.96		2.44
	Average Payment Turnover (Times)	2.72	3.27	2.69	2.84		1.94
	Average Inventory Turnover Days	76	58	63	52		150
	Fixed Assets Turnover (Times)	6.26	7.67	7.89	12.12		0.98
	Total Assets Turnover (Times)	0.83	1.12	1.07	1.25		0.12
Profitability Analysis	Return on Total Assets (%)	(10.59)	0.88	(0.69)	7.61		(2.11)
	Return on Equity (%)	(21.41)	1.88	(1.68)	19.3		(4.14)
	Ratio of income before tax to paid-in capital (%)	(187.31)	23.75	(2.32)	228.37		(30.16)
	Net Margin (%)	(12.77)	0.79	(0.65)	6.1		(17.65)
	Basic Earnings Per Share (NT$)	(18.79)	1.80	(1.60)	20.21		(3.16)
Cash Flow	Cash Flow Ratio (%)	(20.24)	(0.41)	(17.17)	18.69		(6.16)
	Cash Flow Adequacy Ratio (%)	88.82	105.69	109.71	126.39		104.17
	Cash Flow Reinvestment Ratio (%)	(16. 91)	(0.36)	(19.78)	(10.66)		(4.45)
Leverage	Operating Leverage	(0.71)	37.00	(5.87)	2.37		(0.80)
	Financial Leverage	1	1	1	1		1

1. Capital Structure & Liquidity Analyses

Owing to net cash outflow for operating activities in 2015, the decrease in quick asset has resulted in decline in quick ratio. Debt ratio was lower compared to previous year due to decrease in purchase and payables for royalty and operating expenses. Long-term funds to fixed asset ratio was higher compared to previous year given lowered book value for fixed asset after impairment assessment and strict capex control.

2. Operating Performance Analysis

Due to decline in revenue as a result of intensified competition and weak global economics, our fixed asset turnover and total asset turnover were all lower compared to previous year, while days sales outstanding and inventory turnover days were higher compared to the previous year.

3. Profitability Analysis

Profitability declined compared to the previous year due to product transition and intensified competition in smartphone market.

4. Cash Flow Analysis

As we recorded a loss in 2015, our net cash outflow from operating activities saw an increase from the previous year, resulting in negative cash flow ratio and lower cash flow adequacy ratio.

(4) Consolidated Financial Analysis – ROC GAAP

Item (Note 1)			Year 2015	2014	2013	2012	2011
Capital Structure Analysis	Debt Ratio (%)		Financial analysis was based on IFRS			61	60
	Long-term Fund to Fixed Assets Ratio (%)					313	476
Liquidity Analysis	Current Ratio (%)					111	126
	Quick Ratio (%)					85	102
	Debt Services Coverage Ratio (%)					11,342	2,307
Operating Performance Analysis	Average Collection Turnover (Times)					5.27	7.23
	Days Sales Outstanding					69	50
	Average Inventory Turnover (Times)					6.96	10.55
	Average Payment Turnover (Times)					2.79	4.66
	Average Inventory Turnover Days					52	35
	Fixed Assets Turnover (Times)					12.26	21.65
	Total Assets Turnover (Times)					1.25	1.82
Profitability Analysis	Return on Total Assets (%)					8	28
	Return on Equity (%)					19	70
	Paid-in Capital Ratio (%)	Operating Income				221	807
		Pre-tax Income				228	838
	Net Margin (%)					6	13
	Basic Earnings Per Share (NT$)					20.17	73.32
Cash Flow	Cash Flow Ratio (%)					18	58
	Cash Flow Adequacy Ratio (%)					126	158
	Cash Flow Reinvestment Ratio (%)					(11)	53
Leverage	Operating Leverage					2.37	1.35
	Financial Leverage					1	1

Note 1: Glossary

a. Financial Structure
(1) Debt Ratio=Total Liabilities / Total Assets.
(2) Ratio of Long-Term Capital To Property, Plant And Equipment = (Total Equity + Non-Current Liabilities) / Net Worth of Property, Plant And Equipment

b. Solvency
(1) Current Ratio=Current Assets / Current Liabilities.
(2) Quick Ratio=(Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
(3) Interest Coverage Ratio = Income before Income Tax And Interest Expenses / Current Interest Expenses

c. Operating ability
(1) Receivables (including accounts receivable and notes receivable arising from business oeprations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
(2) Days Sales Outstanding=365 / Average Collection Turnover.
(3) Average Inventory Turnover=Cost of Sales / Average Inventory.
(4) Payables (Including Accounts Payable and Notes Payable Arising from Business Operations) Turnover Rate = Cost of Sale / Average Payables (Including Accounts Payable and Notes Payable Arising from Business Operations) For Each Period
(5) Average Inventory Turnover Days=365 / Average Inventory Turnover.
(6) Property, Plant and Equipment Turnover Rate = Net Sales / Average Net Worth of Property, Plant and Equipment
(7) Total Asset Turnover Rate = Net Sales / Average Total Assets

d. Profitability
(1) Return on Total Assets=(Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets.
(2) Return on Equity=Net Income / Average Total Equity.
(3) Profit Margin before Tax = Net Income / Net Sales
(4) Earnings per Share = (Profit And Loss Attributable to Owners of the Parent – Dividends on Preferred Shares) / Weighted Average Number of Issued Shares

e. Cash Flow
(1) Cash Flow Ratio=Net Cash Provided by Operating Activities / Current Liabilities.
(2) Net Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Most Recent Five Years / (Capital Expenditures + Inventory Increase + Cash Dividend) Additions, and Cash Dividend.
(3) Cash Flow Reinvestment Ratio = (Net Cash Flow from Operating Activities – Cash Dividend) / Gross Property, Plant and Equipment Value + Long-Term Investment + Other Non-Current Assets + Working Capital)

f. Leverage
(1) Operating Leverage = (Net Operating Revenue – Variable Operating Costs and Expenses) / Operating Income
(2) Financial Leverage = Operating Income / (Operating Income / Interest Expenses)

4. 2015 Supervisors' Report

HTC CORPORATION
SUPERVISORS AUDIT REPORT

The Board of Directors has prepared the Company's 2015 Business Report, Financial Statements and Earnings Distribution Proposal. HTC Corporation's Financial Statements have been audited and certified by Hsu, Wen-Ya, CPA, and Lai Guan-Jhong, CPA, of Deloitte & Touche and an audit report relating to the Financial Statements has been issued. The Business Report, Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of HTC Corporation. According to Article 219 of the Company Law, I hereby submit this report.

HTC CORPORATION
Supervisor:
Huang-Chieh Chu

Supervisor:
Way-Chih Investment Co., Ltd.
Representative:
Shao-Lun Lee

April 11, 2016

5. Independent Auditors' Report

The Board of Directors and Stockholders

HTC Corporation

We have audited the accompanying balance sheets of HTC Corporation (the "Company") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

February 29, 2016

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail. Also, as stated in Note 4 to the accompanying 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

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)	$20,688,988	16	$36,605,790	22
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	95,493	-	262,544	-
Trade receivables, net (Note 10)	6,011,023	5	12,405,044	8
Trade receivables - related parties, net (Notes 10 and 29)	7,955,352	6	16,250,234	10
Other receivables (Note 10)	257,500	-	324,427	-
Current tax assets (Note 24)	43,707	-	45,994	-
Inventories (Note 11)	15,834,166	13	14,430,309	9
Prepayments (Notes 12 and 29)	3,377,222	3	4,630,779	3
Non-current assets held for sale (Note 13)	3,768,277	3	-	-
Other current assets	54,491	-	95,146	-
Total current assets	58,086,219	46	85,050,267	52
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 28)	75	-	93	-
Financial assets measured at cost - non-current (Notes 9 and 28)	515,861	-	515,861	-
Investments accounted for using equity method (Note 14)	41,480,856	33	42,495,754	26
Property, plant and equipment (Notes 15 and 29)	13,152,866	10	18,660,108	12
Intangible assets (Note 16)	622,138	-	1,222,721	1
Deferred tax assets (Note 24)	7,630,919	6	6,483,671	4
Refundable deposits (Note 28)	1,387,578	1	68,984	-
Net defined benefit asset - non-current (Note 20)	79,978	-	109,292	-
Other non-current assets (Note 12)	4,518,531	4	8,405,463	5
Total non-current assets	69,388,802	54	77,961,947	48
TOTAL	$127,475,021	100	$163,012,214	100

(Continued)

	2015		2014	
LIABILITIES AND EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 28)	$ 36,544	-	$ 22,424	-
Note and trade payables (Note 17)	29,654,545	23	40,815,810	25
Trade payable - related parties (Notes 17 and 29)	384,914	-	6,508,521	4
Other payables (Notes 18 and 29)	24,106,616	19	29,246,053	18
Current tax liabilities (Note 24)	12,495	-	11,982	-
Provisions - current (Note 19)	5,451,807	4	5,442,380	4
Other current liabilities (Note 18)	3,017,699	3	509,131	-
Total current liabilities	62,664,620	49	82,556,301	51
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 24)	16,672	-	121,380	-
Guarantee deposits received (Note 28)	1,634	-	1,160	-
Total non-current liabilities	18,306	-	122,540	-
Total liabilities	62,682,926	49	82,678,841	51
EQUITY (Note 21)				
Share capital - ordinary shares	8,318,695	7	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	51	80,333,373	49
TOTAL	$ 127,475,021	100	$ 163,012,214	100

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

(Concluded)

HTC CORPORATION

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, 22 and 29)	$ 117,083,037	100	$ 174,793,564	100
OPERATING COSTS (Notes 11, 20, 23 and 29)	100,832,782	86	143,529,263	82
GROSS PROFIT	16,250,255	14	31,264,301	18
UNREALIZED GAINS	(1,178,011)	(1)	(955,021)	(1)
REALIZED GAINS	955,021	1	1,611,132	1
REALIZED GROSS PROFIT	16,027,265	14	31,920,412	18
OPERATING EXPENSES (Notes 20, 23 and 29)				
Selling and marketing	13,471,147	11	15,587,029	9
General and administrative	3,467,788	3	4,143,950	2
Research and development	12,714,139	11	11,707,948	7
Total operating expenses	29,653,074	25	31,438,927	18
(LOSS) PROFIT FROM OPERATIONS	(13,625,809)	(11)	481,485	-
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	287,500	-	392,761	-
Other gains and losses (Notes 8 and 23)	(2,066,354)	(2)	85,809	-
Finance costs	(7,819)	-	(16,485)	-
Share of the profit or loss of subsidiaries and joint ventures	(1,369,062)	(1)	587,645	1
Total non-operating income and expenses	(3,155,735)	(3)	1,049,730	1
(LOSS) PROFIT BEFORE INCOME TAX	(16,781,544)	(14)	1,531,215	1
INCOME TAX (BENEFIT) EXPENSE (Note 24)	(1,248,476)	(1)	48,169	-
(LOSS) PROFIT FOR THE YEAR	(15,533,068)	(13)	1,483,046	1

(Continued)

	2015		2014	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	$(47,667)	-	$(33,166)	-
Share of the profit or loss of subsidiaries - items that will not be reclassified to profit or loss	(456)	-	(150)	-
Income tax relating to the components of other comprehensive income - items that will not be reclassified to profit or loss (Note 24)	5,720	-	3,980	-
	(42,403)	-	(29,336)	-
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	(18)	-	(146)	-
Share of the profit or loss of subsidiaries - items that may be reclassified to profit or loss	(11,448)	-	-	-
	(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
(LOSS) EARNINGS PER SHARE (Note 25)				
Basic	$(18.79)		$ 1.80	
Diluted	$(18.79)		$ 1.80	

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

(Concluded)

HTC CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	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 financial statements.

HTC CORPORATION

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	$(16,781,544)	$ 1,531,215
Adjustments for:		
Depreciation expense	1,579,960	1,774,782
Amortization expense	682,553	649,887
Finance costs	7,819	16,485
Interest income	(179,328)	(214,092)
Compensation costs of employee share-based payments	513,002	244,346
Share of the profit or loss of subsidiaries and joint ventures	1,369,062	(587,645)
Loss on disposal of property, plant and equipment	33	-
Transfer of property, plant and equipment to expenses	8,339	-
Gain on sale of investments	(327)	-
Impairment losses on non-financial assets	3,943,192	731,833
Unrealized gains on sales	1,178,011	955,021
Realized gains on sales	(955,021)	(1,611,132)
Changes in operating assets and liabilities		
Decrease (increase) in financial instruments held for trading	181,171	(77,823)
Decrease in trade receivables	6,394,021	1,561,578
Decrease (increase) in trade receivables - related parties	8,294,882	(3,046,657)
Decrease in other receivables	59,348	1,533,217
(Increase) decrease in inventories	(3,554,159)	3,475,767
Decrease (increase) in prepayments	1,253,557	(1,033,973)
Decrease in other current assets	40,655	29,873
Decrease in other non-current assets	2,551,946	1,572,293
Decrease in note and trade payables	(11,161,265)	(1,972,913)
(Decrease) increase in trade payable - related parties	(6,123,607)	886,502
Decrease in other payables	(5,079,584)	(4,163,252)
Increase (decrease) in provisions	9,427	(1,782,257)
Increase (decrease) in other current liabilities	2,508,568	(23,674)
Cash (used in) generated from operations	(13,259,289)	449,381
Interest received	186,907	212,844
Interest paid	(7,819)	(16,485)
Income tax refund (paid)	5,040	(54,701)
Net cash (used in) generated from operating activities	(13,075,161)	591,039

(Continued)

	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets measured at cost	$ 327	$ -
Proceeds from capital reduction of investments accounted for using equity method	-	2,007,655
Payments for property, plant and equipment	(385,477)	(794,925)
Increase in refundable deposits	(1,318,594)	-
Decrease in refundable deposits	-	6,097
Payments for intangible assets	(81,970)	(221,717)
Decrease in other current financial assets	-	2,359,041
Dividend received	38,362	7,687
Net cash (used in) generated from investing activities	(1,747,352)	3,363,838
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for treasury shares	(200,955)	-
Increase in guarantee deposits received	474	-
Net cash outflow on acquisition of subsidiaries	(579,172)	(383,591)
Dividends paid to owners of the Company	(314,636)	-
Net cash used in financing activities	(1,094,289)	(383,591)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,916,802)	3,571,286
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	36,605,790	33,034,504
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 20,688,988	$ 36,605,790

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

HTC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

1. ORGANIZATION AND OPERATIONS

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

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

The parent company only financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only 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 Company'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 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 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

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

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.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and accumulated earnings, as appropriate, in the parent company only financial statements.

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

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 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.

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 parent company only financial statements, 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 the parent company only 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 (i.e. partial disposals of associates or jointly ventures that do not result in the Company losing significant influence or joint control), 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 Subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously 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.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company' parent company only financial statements only to the extent of interests in the subsidiary that are not related to the Company.

Investments in Joint Ventures

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.

When the Company subscribes for additional new shares of the 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 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 joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that 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 a joint venture equals or exceeds its interest in that 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 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 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 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 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 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 joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to the joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities.

When the Company transacts with its joint venture, profits and losses resulting from the transactions with the joint venture are recognized in the Company' parent company only financial statements only to the extent of interests in 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.

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

Intangible assets acquired separately

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 the Company 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.

Financial assets

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 28.

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, 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 the Company 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 the Company 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 28.

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 Company' parent company only 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$13,520,221 thousand and NT$17,040,517 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$3,012,869 thousand and NT$3,050,907 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 loss on tangible and intangible assets other than goodwill for NT$1,792,890 thousand for the year ended December 31, 2015.

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$15,834,166 thousand and NT$14,430,309 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$7,630,919 thousand and NT$6,483,671 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$4,773,914 thousand and NT$4,809,312 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand	$ 1,065	$ 1,010
Checking accounts and demand deposits	17,594,995	17,174,730
Time deposits (with original maturities less than three months)	3,092,928	19,430,050
	$20,688,988	$36,605,790

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

	December 31	
	2015	2014
Bank balance	0.01%-075%	0.05%-0.88%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	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	SGD5,336
Foreign exchange contracts	Sell	JPY/USD	2016.01.08-2016.01.27	JPY454,000
Foreign exchange contracts	Sell	GBP/USD	2016.01.29-2016.03.16	GBP11,500
Foreign exchange contracts	Buy	RMB/USD	2016.01.05-2016.01.27	RMB374,500
Foreign exchange contracts	Buy	USD/NTD	2016.01.22-2016.03.29	USD194,700
Foreign exchange contracts	Buy	SGD/USD	2016.01.29-2016.03.30	SGD200,722
December 31, 2014				
Foreign exchange contracts	Sell	CAD/USD	2015.01.07-2015.03.17	CAD31,500
Foreign exchange contracts	Sell	EUR/USD	2015.01.07	EUR6,000
Foreign exchange contracts	Sell	JPY/USD	2015.01.07-2015.02.25	JPY5,288,510
Foreign exchange contracts	Sell	GBP/USD	2015.01.07-2015.03.17	GBP30,100
Foreign exchange contracts	Buy	RMB/USD	2015.01.07	RMB44,000
Foreign exchange contracts	Buy	USD/NTD	2015.01.12-2015.03.04	USD267,200
Foreign exchange contracts	Buy	SGD/USD	2015.02.25-2015.03.04	SGD88,985

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 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	$515,861	$515,861
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$515,861	$515,861

Management believed that the above unlisted equity investments 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.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2015	2014
Trade receivables		
Trade receivables	$ 9,023,892	$ 15,455,951
Trade receivables - related parties	7,955,352	16,250,234
Less: Allowances for impairment loss	(3,012,869)	(3,050,907)
	$ 13,966,375	$ 28,655,278
Other receivables		
VAT refund receivables	$ 132,110	$ 58,468
Interest receivables	1,013	8,592
Others	124,377	257,367
	$ 257,500	$ 324,427

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	$6,050,058	$ 8,460,909
91-180 days	674,498	281,674
Over 181 days	1,540,635	6,491,590
	$ 8,265,191	$15,234,173

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

Age of impaired trade receivables

	December 31	
	2015	2014
1-90 days	$5,252,322	$ 8,233,369
91-180 days	-	3,949,897
Over 181 days	-	-
	$5,252,322	$12,183,266

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	$ 3,050,907	$3,050,907
Less: Amounts written off as uncollectible	(38,038)	-
Balance, end of the year	$ 3,012,869	$3,050,907

Other Receivables

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

11. INVENTORIES

	December 31	
	2015	2014
Finished goods	$ 1,740,629	$ 1,009,421
Work-in-process	447,708	697,801
Semi-finished goods	2,615,846	3,188,532
Raw materials	10,425,440	9,096,247
Inventory in transit	604,543	438,308
	$15,834,166	$14,430,309

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 included inventory write-downs of NT$2,150,302 thousand and NT$557,580 thousand, respectively.

12. PREPAYMENTS

	December 31	
	2015	2014
Royalty	$7,033,244	$10,796,985
Prepayments to suppliers	251,338	1,575,529
Software and hardware maintenance	176,955	202,835
Service	159,781	197,702
Prepaid equipment	78,888	126,878
Others	195,547	136,313
	$7,895,753	$13,036,242
Current	$3,377,222	$ 4,630,779
Non-current	4,518,531	8,405,463
	$7,895,753	$13,036,242

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 32.

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$1,268,643 thousand.

13. NON-CURRENT ASSETS HELD FOR SALE

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

On December 29, 2015, the Company'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.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2015	2014
Investment in subsidiaries	$41,272,544	$42,276,929
Investment in joint ventures	208,312	218,825
	$41,480,856	$42,495,754

Investments in Subsidiaries

	December 31	
	2015	2014
Unlisted equity investments		
H.T.C. (B.V.I.) Corp.	$ 3,311,970	$ 2,915,646
Communication Global Certification Inc.	400,897	434,336
High Tech Computer Asia Pacific Pte. Ltd.	31,366,465	32,416,366
HTC Investment Corporation	287,186	284,774
PT. High Tech Computer Indonesia	62	62
HTC I Investment Corporation	261,996	260,949
HTC Holding Cooperatief U.A.	13	13
HTC Investment One (BVI) Corporation	5,003,823	5,964,783
HTC Investment (BVI) Corp.	638,990	-
HTC VIVE Holding (BVI) Corp.	1,142	-
	$41,272,544	$42,276,929

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

	December 31	
	2015	2014
H.T.C. (B.V.I.) Corp.	100.00%	100.00%
Communication Global Certification Inc.	100.00%	100.00%
High Tech Computer Asia Pacific Pte. Ltd.	100.00%	100.00%
HTC Investment Corporation	100.00%	100.00%
PT. High Tech Computer Indonesia	1.00%	1.00%
HTC I Investment Corporation	100.00%	100.00%
HTC Holding Cooperatief U.A.	0.01%	0.01%
HTC Investment One (BVI) Corporation	100.00%	100.00%
HTC Investment (BVI) Corp.	100.00%	-
HTC VIVE Holding (BVI) Corp.	100.00%	-

Refer to Note 15 to the consolidated financial statements for the year ended December 31, 2015 for the details of the subsidiaries indirectly held by the Company.

The Company and its subsidiary, High Tech Computer Asia Pacific Pte. Ltd., acquired equity interests of 1% and 99%, respectively, in PT. High Tech Computer Indonesia and acquired equity interests of 0.01% and 99.99%, respectively, in HTC Holding Cooperatief U.A. As a result, PT. High Tech Computer Indonesia and HTC Holding Cooperatief U.A. are considered as subsidiaries of the Company.

The share of net income or loss and other comprehensive income from subsidiaries under equity method were accounted for based on the audited financial statements.

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 joint ventures held by the Company were as follows:

	December 31	
Name of Joint Venture	2015	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	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.

15. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2015	2014
Carrying amounts		
Land	$ 6,311,135	$ 7,462,489
Buildings	5,249,869	8,096,521
Machinery and equipment	1,227,343	2,641,228
Other equipment	364,519	459,870
	$13,152,866	$18,660,108

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

	2015				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance, beginning of the year	$ 7,462,489	$ 10,027,634	$ 10,095,828	$ 1,283,307	$ 28,869,258
Additions	-	139,854	163,046	70,714	373,614
Disposals	-	(373,285)	(547,015)	(82,794)	(1,003,094)
Transfer to expense	-	-	(8,577)	-	(8,577)
Reclassification	(1,151,354)	(3,011,581)	-	-	(4,162,935)
Balance, end of the year	6,311,135	6,782,622	9,703,282	1,271,227	24,068,266
Accumulated depreciation					
Balance, beginning of the year	-	1,931,113	7,454,600	823,437	10,209,150
Depreciation expenses	-	369,583	1,047,596	162,781	1,579,960
Disposals	-	(373,285)	(546,982)	(82,794)	(1,003,061)
Transfer to expense	-	-	(238)	-	(238)
Reclassification	-	(394,658)	-	-	(394,658)
Balance, end of the year	-	1,532,753	7,954,976	903,424	10,391,153
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	$ 6,311,135	$ 5,249,869	$ 1,227,343	$ 364,519	$ 13,152,866

	2014				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance, beginning of the year	$7,462,489	$ 9,804,511	$ 9,743,475	$ 1,197,501	$28,207,976
Additions	-	223,123	352,353	85,806	661,282
Balance, end of the year	7,462,489	10,027,634	10,095,828	1,283,307	28,869,258
Accumulated depreciation					
Balance, beginning of the year	-	1,559,449	6,214,205	660,714	8,434,368
Depreciation expenses	-	371,664	1,240,395	162,723	1,774,782
Balance, end of the year	-	1,931,113	7,454,600	823,437	10,209,150
Net book value, end of the year	$7,462,489	$ 8,096,521	$ 2,641,228	$ 459,870	$ 18,660,108

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.

16. INTANGIBLE ASSETS

	December 31	
	2015	2014
Carrying amounts		
Patents	$ 130,941	$ 579,118
Other intangible assets	491,197	643,603
	$622,138	$1,222,721

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

	2015		
	Patents	Other Intangible Assets	Total
Cost			
Balance, beginning of the year	$2,516,290	$1,043,867	$ 3,560,157
Additions	-	81,970	81,970
Balance, end of the year	2,516,290	1,125,837	3,642,127
Accumulated amortization			
Balance, beginning of the year	1,826,087	400,264	2,226,351
Amortization expenses	448,177	234,376	682,553
Balance, end of the year	2,274,264	634,640	2,908,904
Accumulated impairment			
Balance, beginning of the year	111,085	-	111,085
Impairment losses	-	-	-
Balance, end of the year	111,085	-	111,085
Net book value, end of the year	$ 130,941	$ 491,197	$ 622,138

	2014		
	Patents	Other Intangible Assets	Total
Cost			
Balance, beginning of the year	$2,516,290	$ 822,150	$ 3,338,440
Additions	-	221,717	221,717
Balance, end of the year	2,516,290	1,043,867	3,560,157
Accumulated amortization			
Balance, beginning of the year	1,377,910	198,554	1,576,464
Amortization expenses	448,177	201,710	649,887
Balance, end of the year	1,826,087	400,264	2,226,351
Accumulated impairment			
Balance, beginning of the year	111,085	-	111,085
Impairment losses	-	-	-
Balance, end of the year	111,085	-	111,085
Net book value, end of the year	$ 579,118	$ 643,603	$1,222,721

17. NOTE AND TRADE PAYABLES

	December 31	
	2015	2014
Note payables	$ 555	$ 1,073
Trade payables	29,653,990	40,814,737
Trade payables - related parties	384,914	6,508,521
	$30,039,459	$47,324,331

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.

18. OTHER LIABILITIES

	December 31	
	2015	2014
Other payables		
Accrued expenses	$23,979,056	$29,058,640
Payables for purchase of equipment	127,560	187,413
	$ 24,106,616	$ 29,246,053
Other current liabilities		
Advance receipts	$2,588,745	$234,242
Agency receipts	256,703	133,572
Others	172,251	141,317
	$ 3,017,699	$ 509,131

Accrued Expenses

	December 31	
	2015	2014
Marketing	$ 13,520,221	$ 17,040,517
Materials and molding expenses	3,161,987	2,784,153
Services	2,857,840	3,151,186
Salaries and bonuses	2,801,892	3,517,402
Import, export and freight	773,676	686,259
Repairs, maintenance and sundry purchase	155,994	254,254
Bonus to employees	-	654,620
Others	707,446	970,249
	$23,979,056	$29,058,640

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

19. PROVISIONS

	December 31	
	2015	2014
Warranty provision	$4,773,914	$ 4,809,312
Provisions for contingent loss on purchase orders	677,893	633,068
	$5,451,807	$5,442,380

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	$ 4,809,312	$ 633,068	$ 5,442,380
Provisions recognized	10,857,654	228,813	11,086,467
Amount utilized during the year	(10,893,350)	(183,988)	(11,077,338)
Translation adjustment	298	-	298
Balance, end of the year	$ 4,773,914	$ 677,893	$ 5,451,807

	2014		
	Warranty Provision	Provisions for Contingent Loss on Purchase Orders	Total
Balance, beginning of the year	$ 6,391,787	$ 832,850	$ 7,224,637
Provisions recognized (reversed)	14,776,377	(33,368)	14,743,009
Amount utilized during the year	(16,482,044)	(166,414)	(16,648,458)
Translation adjustment	123,192	-	123,192
Balance, end of the year	$ 4,809,312	$ 633,068	$ 5,442,380

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.

20. 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, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expenses recognized in the statement of comprehensive income were NT$353,469 thousand and NT$381,930 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$81,720 thousand and NT$88,245 thousand, respectively, representing contributions not yet paid for the reporting period. The amounts were paid subsequent to the end of the reporting period.

Defined Benefit Plans

The defined benefit plan adopted by the Company 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. The Company 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 Company 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 Company 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 Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the obligation under the defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	$(472,370)	$(441,734)
Fair value of plan assets	552,348	551,026
Net defined benefit asset	$79,978	$109,292

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	$(411,522)	$537,416	$ 125,894
Current service cost	(9,864)	-	(9,864)
Net interest (expense) income	(7,716)	10,985	3,269
Recognized in profit or loss	(17,580)	10,985	(6,595)

(Continued)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset
Remeasurement			
Return on plan assets	$ -	$ 1,413	$ 1,413
Actuarial loss - changes in demographic assumptions	(3,236)	-	(3,236)
Actuarial gain - changes in financial assumptions	7,991	-	7,991
Actuarial loss - experience adjustments	(39,334)	-	(39,334)
Recognized in other comprehensive income	(34,579)	1,413	(33,166)
Contributions from the employer	-	23,159	23,159
Benefits paid	21,947	(21,947)	-
Balance at December 31, 2014	(441,734)	551,026	109,292
Current service cost	(8,017)	-	(8,017)
Net interest (expense) income	(8,835)	11,257	2,422
Recognized in profit or loss	(16,852)	11,257	(5,595)
Remeasurement			
Return on plan assets	-	3,745	3,745
Actuarial loss - changes in demographic assumptions	(33,524)	-	(33,524)
Actuarial loss - changes in financial assumptions	(16,220)	-	(16,220)
Actuarial loss - experience adjustments	(1,668)	-	(1,668)
Recognized in other comprehensive income	(51,412)	3,745	(47,667)
Contributions from the employer	-	23,948	23,948
Benefits paid	37,628	(37,628)	-
Balance at December 31, 2015	$(472,370)	$ 552,348	$ 79,978

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	2014
Operating costs	$ 1,124	$ 1,521
Selling and marketing expenses	458	563
General and administrative expenses	622	733
Research and development expenses	3,391	3,778
	$5,595	$6,595

Through the defined benefit plans under the Labor Standards Law, the Company 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 rate	1.75%	2%
Expected rate of salary increase	4%	4%
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 rate		
0.25% increase	$ 17,330	$ 15,482
0.25% decrease	$(18,169)	$(16,220)
Expected rate of salary increase		
0.25% increase	$ (17,518)	$(15,671)
0.25% decrease	$ 16,810	$ 15,046

The sensitivity analysis 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	$ 35,034	$ 23,588
The average duration of the defined benefit obligation	15.68 years	14.86 years

21. 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, the Company issued 14,400 thousand ordinary shares corresponding to 3,600 thousand units of Global Depositary Receipts ("GDRs"). For this GDR issuance, the Company'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 the Company to redeem the GDRs to get the Company'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 the Company'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 26.

Retained Earnings and Dividend Policy

Under the Company's Articles of Incorporation, the Company 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 the Company'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 the Company's Articles and propose them at the stockholders' meeting.

As part of a high-technology industry and as a growing enterprise, the Company 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. The Company'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 23.

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 26 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
For 2014				
To transfer shares to the Company's employees	18,913	-	11,999	6,914

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, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

22. REVENUE

	For the Year Ended December 31	
	2015	2014
Sale of goods	$115,404,698	$ 171,771,551
Other operating income	1,678,339	3,022,013
	$ 117,083,037	$174,793,564

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.

23. 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	$ 179,328	$214,092
Others	108,172	178,669
	$287,500	$392,761

b. Other gains and losses

	For the Year Ended December 31	
	2015	2014
Net loss on disposal of property, plant and equipment	$(33)	$ -
Gains on disposal of investments	327	-
Net foreign exchange (loss) gain	(291,550)	50,904
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	(1,792,890)	(174,253)
Other losses	(42,415)	(32,901)
	$(2,066,354)	$ 85,809

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$1,268,643 thousand and NT$524,247 thousand, respectively.

c. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	$1,579,960	$ 1,774,782
Intangible assets	682,553	649,887
	$2,262,513	$2,424,669
Classification of depreciation - by function		
Operating costs	$ 805,766	$ 967,355
Operating expenses	774,194	807,427
	$1,579,960	$ 1,774,782
Classification of amortization - by function		
Operating costs	$ -	$ -
Operating expenses	682,553	649,887
	$ 682,553	$ 649,887

d. Employee benefits expense

	For the Year Ended December 31	
	2015	2014
Short-term benefits	$ 9,261,843	$10,493,645
Post-employment benefits (Note 20)		
Defined contribution plans	353,469	$ 381,930
Defined benefit plans	5,595	6,595
	359,064	388,525
Share-based payments (Note 26)		
Equity-settled share-based payments	513,002	244,346
Total employee benefits expense	$10,133,909	$ 11,126,516
Classification - by function		
Operating costs	$ 3,270,958	$ 4,413,610
Operating expenses	6,862,951	6,712,906
	$10,133,909	$ 11,126,516

The existing Articles of Incorporation of the Company 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 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 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.

e. Impairment losses on non-financial assets

	For the Year Ended December 31	
	2015	2014
Inventories (included in operating costs)	$2,150,302	$557,580
Property, plant and equipment (included in other gains and losses)	524,247	-
Investments accounted for by the equity method (included in other gains and losses)	$ -	$174,253
Prepaid expenses (including in other gains and losses)	1,268,643	-
	$3,943,192	$731,833

(Continued)

(Concluded)

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2015	2014
Foreign exchange gains	$ 7,445,466	$7,201,630
Foreign exchange losses	(7,737,016)	(7,150,726)
	$(291,550)	$ 50,904

24. 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	$ 211	$44,578
Adjustments for prior periods	(2,451)	-
	(2,240)	44,578
Deferred tax		
In respect of the current period	(1,246,236)	3,591
Income tax (benefit) expense recognized in profit or loss	$(1,248,476)	$ 48,169

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	$(16,781,544)	$ 1,531,215
Income tax calculated at 17%	(2,852,862)	260,306

(Continued)

	For the Year Ended December 31	
	2015	2014
Effect of expenses that were not deductible in determining taxable profit	$ 22,521	$ 54,623
Share of the profit or loss of subsidiaries, associates and joint ventures	232,740	(99,899)
Effect of temporary differences	863,147	(211,439)
Effect of loss carryforward	488,274	-
Effect of income that is exempt from taxation	(56)	-
Adjustments for prior years' tax	(2,451)	-
Overseas income tax	211	44,578
Income tax (benefit) expense recognized in profit or loss	$(1,248,476)	$ 48,169

(Concluded)

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)	$(5,720)	$(3,980)

c. Current tax assets and liabilities

	December 31	
	2015	2014
Current tax assets		
Tax refund receivable	$43,707	$45,994
Current tax liabilities		
Income tax payable	$12,495	$ 11,982

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	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for loss on decline in value of inventory	$ 213,608	$ 122,586	$ -	$ 336,194
Unrealized profit	209,953	49,023	-	258,976
Unrealized royalties	1,613,332	(937,568)	-	675,764
Unrealized marketing expenses	1,353,729	(306,545)	-	1,047,184
Unrealized warranty expense	577,132	(4,248)	-	572,884
Unrealized contingent losses on purchase orders	75,970	5,379	-	81,349
Others	393,665	109,238	-	502,903
Loss carryforward	2,046,282	2,109,383	-	4,155,665
	$6,483,671	$ 1,147,248	$ -	$7,630,919
Deferred tax liabilities				
Temporary differences				
Defined benefit plans	$ 13,115	$ 2,203	$(5,720)	$ 9,598
Financial assets at FVTPL	28,815	(21,741)	-	7,074
Unrealized gain on investments	79,450	(79,450)	-	-
	$ 121,380	$(98,988)	$(5,720)	$ 16,672

	2014			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for loss on decline in value of inventory	$ 259,715	$(46,107)	$ -	$ 213,608
Unrealized profit	302,267	(92,314)	-	209,953
Unrealized royalties	2,429,433	(816,101)	-	1,613,332
Unrealized marketing expenses	1,629,920	(276,191)	-	1,353,729
Unrealized warranty expense	549,713	27,419	-	577,132
Unrealized contingent losses on purchase orders	99,945	(23,975)	-	75,970
Others	367,515	26,150	-	393,665
Loss carryforward	837,428	1,208,854	-	2,046,282
	$6,475,936	$ 7,735	$ -	$6,483,671
Deferred tax liabilities				
Temporary differences				
Defined benefit plans	$ 15,108	$ 1,987	$(3,980)	$ 13,115
Financial assets at FVTPL	19,476	9,339	-	28,815
Unrealized gain on investments	79,450	-	-	79,450
	$ 114,034	$ 11,326	$(3,980)	$ 121,380

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	$2,806,460	$ 1,045,579
Deductible temporary differences	$3,207,393	$3,466,830

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

Loss carryforwards as of December 31, 2015 comprised of:

Remaining Carrying	Expiry Year
$ 7,662,140	2023
10,513,823	2024
22,777,716	2025
$ 40,953,679	

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 the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Company 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

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

25. (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	$(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.

26. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

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

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

Qualified employees of the Company and its subsidiaries were granted 1,000 thousand options in August 2015. Each option entitles the holder to subscribe for one ordinary share of the Company. 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 the Company's ordinary shares on the grant date. For any subsequent changes in the Company'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, the Company'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, the Company 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 were NT$513,002 thousand and NT$244,346 thousand for the years ended December 31, 2015 and 2014, respectively.

27. 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.

28. 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. 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
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 Level 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)	36,300,441	65,654,479
Available-for-sale financial assets (Note 2)	515,936	515,954
Financial liabilities		
FVTPL		
Held for trading	36,544	22,424
Amortized cost (Note 3)	54,404,412	76,705,116

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, 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 31.

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 10.

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 to 12 Months	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 11,642,922	$18,396,537	$ -
Other payables	11,279,562	12,827,054	-
Other current liabilities	111,498	145,205	-
Guarantee deposits received	-	-	1,634
	$23,033,982	$31,368,796	$1,634

December 31, 2014

	Less Than 3 Months	3 to 12 Months	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 19,389,742	$27,934,589	$ -
Other payables	10,952,324	18,293,729	-
Other current liabilities	60,588	72,984	-
Guarantee deposits received	-	-	1,160
	$30,402,654	$46,301,302	$1,160

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 Than3 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	$ -

(Continued)

December 31, 2014

	Less Than3 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	$ -	$ -

(Concluded)

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.

29. RELATED-PARTY TRANSACTIONS

Operating Sales

	For the Year Ended December 31	
	2015	2014
Subsidiaries		
Joint venture	$35,572,044	$ 58,666,162
Main management	9,971	-
Other related parties - Employees' Welfare Committee	-	2,430
Other related parties - other related parties' chairperson or its significant stockholder, is the	20,920	22,404
Company's chairperson	6,302	7,513
	$35,609,237	$58,698,509

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

	December 31	
	2015	2014
Subsidiaries		
Joint venture	$7,953,665	$16,249,309
Other related parties - other related parties' chairperson or its significant stockholder, is the	541	-
Company's chairperson	1,146	925
	$7,955,352	$16,250,234

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 and Outsourcing Expense

	For the Year Ended December 31	
	2015	2014
Purchase		
Subsidiaries	$1,455,390	$ 3,338,212
Other related parties - other related parties' chairperson or its significant stockholder, is the Company's chairperson	-	4,454
	$1,455,390	$ 3,342,666
Outsourcing expense		
Subsidiaries	$ 1,572,174	$10,920,530

Purchase prices for related parties and third parties were similar. Outsourcing expenses were calculated based on contracted processing rate.

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

	December 31	
	2015	2014
Subsidiaries	$384,914	$6,508,521

The outstanding of trade payables to related parties are unsecured and will be settled in cash.

Compensation of Key Management Personnel

	For the Year Ended December 31	
	2015	2014
Short-term benefits	$177,236	$379,623
Post-employment benefits	2,274	1,726
Share-based payments	67,843	52,461
	$247,353	$433,810

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 the Company's chairperson	$2,695	$ -

Other Related-party Transactions

a. To enhance product diversity, the Company entered into technology license agreement with subsidiaries. The royalty expense were NT$186 thousand and NT$55,996 thousand for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014 the amounts of prepaid royalty were NT$54,061 thousand and NT$54,529 thousand, respectively.

b. Subsidiaries and other related parties assisted the Company to expand business overseas and render design, research and development support, consulting services and after-sales services. The Company recognized related expenses amounting to NT$8,975,963 thousand and NT$8,667,945 thousand for the years ended December 31, 2015 and 2014, respectively. The unpaid amount were NT$2,516,692 thousand and NT$2,366,626 thousand as of December 31, 2015 and 2014.

c. 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.

d. 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.

30. 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 parent company only 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 parent company only 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.

31. 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
Financial assets				
Monetary items				
USD	$1,120,008	33.06	$1,545,692	31.67
EUR	115,258	36.13	179,925	38.49
JPY	2,057,300	0.2747	6,015,360	0.2648
RMB	581,443	5.03	1,339,043	5.10

(Continued)

Investments accounted for by the equity method				
USD	$ 270,883	33.06	$ 280,383	31.67
SGD	1,389,799	23.42	1,393,333	23.95
Financial liabilities				
Monetary items				
USD	1,381,423	33.06	1,823,146	31.67
EUR	112,734	36.13	166,276	38.49
JPY	1,645,107	0.2747	6,895,194	0.2648
RMB	76,968	5.03	644,303	5.10

(Concluded)

For the year ended December, 2015 and 2014, realized and unrealized net foreign exchange gains or losses were NT$(231,343) thousand and NT$292,963 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.

32. 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.
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.

6. 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

(Continued)

	2015		2014	
LIABILITIES AND EQUITY	Amount	%	Amount	%
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.

(Concluded)

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

(Continued)

	2015		2014	
	Amount	%	Amount	%
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)	-
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)

(Continued)

	2015	2014
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)
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)

HTC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

1. ORGANIZATION AND OPERATIONS

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

Intangible assets acquired separately

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.

Financial assets

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	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	2014
Bank balance	0.01%-0.75%	0.05%-0.88%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	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
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

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

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

(Continued)

	December 31	
	2015	2014
Prepayments to suppliers	$ 251,374	$ 1,577,566
Land use right	120,153	139,502
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:

			% of Ownership		
			December 31		
Investor	Investee	Main Businesses	2015	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	-
	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	-

(Continued)

			% of Ownership		
			December 31		
Investor	Investee	Main Businesses	2015	2014	Remark
High Tech Computer Asia Pacific Pte. Ltd.	PT. High Tech Computer Indonesia	Marketing, repair and after-sales services	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	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership December 31 2015	% of Ownership December 31 2014	Remark
HTC Netherlands B.V.	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	-
	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	December 31 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	December 31 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 2015	December 31 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:

	December 31 2015	December 31 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	December 31 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:

Company Name	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	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
Disposal	-	-	-	(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

(Continued)

	2014					
	Land	Buildings	Property in Construction	Machinery and Equipment	Other Equipment	Total
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
Disposal	-	-	-	(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

(Concluded)

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

(Continued)

	2015
	Completed Investment Property
Effect of foreign currency exchange differences	$ (730)
Balance, end of the year	284,309
Net book value, end of the year	$ 1,708,489

(Concluded)

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
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

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
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

Accrued Expenses

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

	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
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

(Continued)

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	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 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

(Continued)

	December 31	
	2015	2014
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

(Concluded)

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

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

(Continued)

	For the Year Ended December 31	
	2015	2014
	$ 419,969	$403,155
Dividends	352,074	26,381
Others	155,993	404,588
	$928,036	$834,124

(Concluded)

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
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

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
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

	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	$134.5	$149.00
Exercise price (NT$)	$54.50	$134.5	$149.00
Expected volatility	39.26%	33.46%	45.83%
Expected life (years)	10 years	10 years	7years
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
Financial assets				
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	83,243	33.06	61,581	31.67
Investments accounted for by the equity method				
USD	966	33.06	500	31.67
Financial liabilities				
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.
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.

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.

HTC's Code of Conduct

HTC's Code of Conduct is a guideline to provide high ethical standards for all employees in conducting HTC business activities. All employees of HTC Corp., including branches and subsidiary companies, must follow these ethical standards regardless of the employees' position, grade level,

and location. This Code includes three major sections: the General Moral Imperative, Vendors/Suppliers and Customers Relationship, and Conflict of Interests.

The General Moral Imperative section requires that HTC commits to providing a safe and healthy work environment and equal opportunities, and that it establishes a behavioral code for the treatment of knowledge about the company's assets/properties/information.

The Vendors/Suppliers and Customer Relationship section requires that HTC commits to maintaining a fair, legal, and long-term relationship with its vendors/suppliers and customers to the benefit of all parties.

The Conflict of Interest section describes the behavioral rules for employees in situations of divided interest.

This Code is superior to any other local regulations except certain mandatory laws/acts issued by the local government. In such cases, the Talent Management Division should submit the specific local laws/acts to Corporate Talent Management Division in order to waive this specific regulation of the Code in that location. Otherwise, any violation of HTC Code of Conduct and applicable policies may cause disciplinary action up to and including the termination of employment. The employees are responsible for understanding and complying with the HTC Code of Conduct, as well as other applicable HTC policies/rules.

Mandatory Contents

1.0 General Moral Imperatives

While maintaining a work culture that ensures the company's success, HTC strives to treat each employee fairly and with dignity. HTC is also committed to complying with the labor laws of each country it operates in. As well, each employee is responsible for complying with all applicable external and internal laws, and follow up any new revision of company policies.

1.1 Work Environments:

HTC is committed to comply with local laws and regulations to establish a safe and healthy workplace, free from recognized hazards. Furthermore, HTC is thoroughly dedicated to providing employees with a workplace that is free of harassment (including sexual harassment) and discrimination. Any language or behavior of intention to cause hostilities or violations of this policy is strictly prohibited and shall be reported to a responsible authority immediately.

1.2 Corporate Confidentiality:

During the term of employment with HTC and thereafter, each employee must hold in strict confidence and not disclose, directly or indirectly, any "Confidential Information" (as defined below) gained from HTC or its customers or venders/suppliers to any third party without the prior written consent of HTC."Confidential Information" must be used only for the purpose of executing work for HTC. "Confidential Information" shall mean all business, technical,

operational or other information that is not generally known to the public and that an employee develops, has access to, and becomes acquainted with during the term of employment, whether or not such information (A) is owned by HTC, HTC's customers, venders/suppliers, or any third party with which HTC desires to establish a business relationship with; (B) is in oral, written, drawn or electronic media form; (C) is subject matter for the application of patents, trademarks, copyrights, or other intellectual property rights; or (D) is labeled with "Confidential" or an equivalent word. Confidential information may include, but is not limited to the following:

1. Business plans, manufacturing and marketing plans, procurement plans, product roadmaps, product design records, product test plans and reports, product software and source codes, product pricing, product appearance, product specifications, tooling specifications, personnel information, financial information, customer lists, venders/supplier lists, distributor lists, raw materials and product inventory information, all quality records, trade secrets, and other information related to the Company's business activities;

2. Documents, databases, or other related materials to any computer programs or any development stages thereof;

3. Discoveries, concepts, ideas, designs, sketches, engineering drawings, specifications, circuit layouts, circuit diagrams, mechanical drawings, flow charts, production processes, procedures, models, molds, samples, components,trouble shooting guides, chips and other know-how; and

4. Proprietary information of any third party (such as customers or venders/suppliers) that the Company has a duty of confidentiality pursuant to contracts or required by any applicable laws.

1.3 Protection of Property, HTC's Assets, and Personal Information:

Copyrights, patents, trade marks/secrets, the terms of license agreements and any kind of intellectual property are under protection by related laws or regulations; violations are strictly prohibited. The Company's assets are not limited to physical equipment and facilities only, but also include technologies, trademarks, and other invisible concepts & confidential information. The utilization of company assets is for business matters and should be maintained, updated, and recorded properly and regularly. This is also applicable to the use of employee personal data. Those who are dealing with employee data shall consider the business matters and employees' privacy as well. The only exception that permits the revelation of employees' personal data is where such disclosure is required by government laws.

1.4 Equal Opportunity:

HTC's Employment Policy is to comply with all applicable laws. Hiring decisions are based on HTC's business needs and the qualifications of applicants, and HTC strives to provide equal employment opportunities for all applicants and employees without regard to non-job-related factors, such as race, color, social class, language, religion, political affiliation, national origin, gender, sexual orientation, marital status, appearance, disability, previous union membership etc. Everyone must be treated with dignity and respect. This principle applies to all areas of employment, including, but not limited to, recruitment, hiring, training, promotion, compensation, benefits, transfer, and social and recreational programs. All employees should be responsible for the data accuracy and quality in any type of report in all aspects of their daily work. Any intention of misleading or incorrect data is not acceptable and may cause disciplinary action.

1.5 Political Activities:

The Company encourages employees to participate in public activities as responsible citizens. However, HTC employees are prohibited

from engaging in political activities on behalf of HTC. The Company is not allowed to donate or engage the political activities in most global operations. Therefore, employees must be aware of that their involvements are on an individual basis, and no contribution or donation to political candidates or parties can be made under the company name. Furthermore, employees must not organize or hold any speeches or activities connected to political activities on Company premises.

2.0 Venders/Suppliers and Customers Relationship

It is a basic principle in Company business operations to maintain a good relationship with our venders/suppliers and customers.

2.1 Firm and Rational Attitude:

In securing and negotiating business, all employees should attempt to establish long-term relationships with our customers and venders/suppliers by providing essential and accurate information about our products and services.

Employees shall demonstrate their professionalism with a sincere, firm, and rational attitude while dealing with customers or venders/suppliers. Conflicts caused by emotional languages or behaviors are strictly prohibited.

2.2 Product Quality and Safety:

The Company is committed to pursue excellence and maintain quality at all times. The Company strives to continuously improve the quality of products and service in compliance with the related safety regulations/laws in order to benefit our customers and venders/suppliers and achieve world-class competitiveness. To maintain HTC's valuable reputation and the benefits to our customers and venders/suppliers, all employees must comply with our quality processes and safety requirements.

2.3 Performance of Contracts:

Company contracts must be executed not only in accordance with the requirements of each contract, but also in compliance with all the laws and regulations applicable to our business. Any unfair or unreasonable regulation or condition should be avoided. Purchasing decisions must be made in the best interests of HTC by considering the venders'/suppliers' suitability, quality, price, and delivery of products or services; any personal preferences are not allowed for special offers. Purchasing agreements/sales contracts and related evaluation information should be documented clearly and confidentially. The contract information of customers and venders/suppliers, including but not limited to their names, price, delivery condition, payment terms, are as confidential as Company documents. Every employee must protect this confidential information from misuse and disclosure.

2.4 Gifts, Entertainment and Business Courtesies:

All employees or their family (means employee's spouse, parents, the parents of the spouse, children, siblings, grandparents, grandchildren, and other close relatives and friends) are not allowed to request, accept, or offer bribes or illegal profits (including but not limited to kickbacks, commissions, cash, securities, costly gifts and undue entertainment, or any direct or indirect improper gifts inconsistent with the normal trading course or insider trading) from/to customers, suppliers/vendors, or anyone in a business relationship in any kind of situation, nor to conduct any behavior that violates his/her duties and cause damage to HTC and directly or indirectly favor himself/herself, employees of HTC's vendor/supplier/business partner, or related parties. Employees may provide or accept meals or entertainment if these activities are legitimate, consistent with accepted business practices and demonstrably help to build a business relationship.

However, regardless of the amount, employees are not allowed to accept or give kickbacks and bribes, such as(but not limited to) any type of gift, cash, stock, bond or its equivalent, or to participate in any business courtesy that may compromise the employees' judgment or motivate the employees to perform acts prohibited by laws/regulations or HTC policies. Meal expenses between/among colleagues cannot be treated as entertainment expenses.

However, expenditures incurred for entertainment immediately before, during, or after a business meeting are acceptable, if those who will enjoy the entertainment are from another country or continent.

2.5 Business Travel:

All employees are responsible for ensuring that their business travels are intended to further Company business interests, and the business travel and entertainment expenditures shall be reasonable, prudent, and in accordance with applicable Company policies. On behalf of the Company, employees should be aware that certain venues, whose entertainment nature or atmosphere may impact negatively on the Company's reputation, such as a sexually-oriented site or similar environment, are not appropriate for business-related meetings or activities. These venues are not acceptable even if the expenses incurred are not paid by the Company. If the common local custom is to engage in recreational activities (e.g. golf tournaments) for business purposes, then these activities should be minimized when possible in case of the expenses are not paid in personal.

2.6 In the event that any HTC employee is offered/requested kickbacks, commissions, gifts, or inappropriate offers from a representative of a vendor, supplier or business partner, he/she is required to report the incident to HTC (anti-corruption@htc.com). An internal investigation team will look into the matter, with the employee's identity treated in strict confidentiality.

2.7 Employees are not to solicit or lure other employees in the company to violate their duties.

2.8 Employees who are responsible for the custody or use of any HTC property are not misuse or abuse the company's property.

3.0 Conflict of Interest

All employees must avoid any activity that is or has the appearance of being hostile, adverse, or competitive with the Company, or that interfaces with the proper performance of their duties, responsibilities or loyalties to the Company.

3.1 Outside Employment:

All employees are prohibited to work either part-time or full-time for or receive payments of services from any competitors, customers, venders/suppliers or subcontractors of HTC. If any employee is invited to serve as a lecturer, board member of an outside company, advisory board, committee or agency, he/she must get appropriate approval from the local top manager of Company in advance. Even if an invitation is not listed as above, permission from a top manager is required. In general, employees are not restricted from being members of the boards of charitable or community organizations. HTC also permits employees obtaining appropriate approval to serve as directors of an outside company that is invested in by HTC or is not a competitor or service provider of a competitor.

3.2 Inside Trading:

All employees are not permitted, using their own names or the names of people with whom they have personal relationships, to engage in business

ventures the same as or similar to HTC or to invest exceeding five percent of total market value in such a company. Employees are also prohibited from use so-called "Inside Information" to gain personal profit or to influence the independent judgment of business entities, such as investment in competitors, customers, venders/suppliers or subcontractors. "Inside Information" comprises facts that an employee knows, but people outside of HTC may not know, which might be in written form or discussed orally in a meeting. Inside information may also be information received from another company, such as from customers, suppliers or companies with which HTC has a joint research or development program. Therefore, employees may never use inside information to trade or influence the trading of stocks of HTC or other companies and should also not provide "tips" or share inside information with any other person who might trade stock. Insider trading violates company policies and may subject the employee to criminal penalties in accordance with the government's regulations/ laws.

3.3 Creditor and debtor relations:

Employees may have debtor and creditor relations with colleagues without interest to help each other for urgent situation, but are not allowed to have creditor or debtor relations with subordinates, customers, suppliers/venders, or anyone in a business relationship, nor introduce such persons (including colleagues)to anyone to enter any debtor- creditor relations.

3.4 Third party invitations, which may reference your role and/or knowledge as an employee at HTC:

If any HTC employee is invited to join external meetings, conferences, seminars, lectures, etc., or if asked to be a host or judge for an event during or outside of office hours, he/ she must secure approval from the line manager and local PR team prior to participation.

3.5 The company provides employees with a full range of welfare measures such as life insurance, health and convenience services. As employees, you should appreciate the resources provided by the company and do not abuse or misuse the corporate welfare system.

3.6 HTC employees are not allowed to persuade anyone in the company, customers or third-parties such as suppliers or subcontractors to invest in other businesses.

宏達國際電子股份有限公司

HTC Corporation

Chairwoman: Cher Wang