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PRESENTATION

Operator

Welcome, everyone, to HTC's 2015 fourth-quarter results conference call and webcast in English. Today with us we have CFO and President of Global Sales, Mr. Chialin Chang; VP of Finance, Mr. Edward Wang; and Investor Relations, Miss Kelly Hsu. All lines have been placed on mute to prevent background noise. And after the presentation there will be a question-and-answer session for investors and analysts. Please follow the instructions given at that time if you would like to ask a question. And for your information, this conference call is now being broadcasted live over the Internet. A webcast replay and English transcript will be available within an hour after the conference is finished. A Chinese translated transcript will be available within a week after the call is finished. Please visit www.htc.com under the Investors section. And now I would like to introduce Miss Kelly Hsu, from Investor Relations. Miss Hsu, you may begin.

Kelly Hsu - HTC Corp - IR Manager

Thank you. Good morning, good afternoon and good evening, ladies and gentlemen. Welcome to HTC's 2015 fourth-quarter analyst call. This is Kelly Hsu, HTC's IR Manager.

The event is now being webcast live via HTC's website at www.htc.com. If you are joining now through the dial-in line, your call is now being placed on mute. As this conference is being broadcast by investors around the world, we will conduct this call in English only.

The format for today's call will be as follows. First, I'll summarize our operations for the fourth quarter. Afterwards our CFO and President of Global Sales, Mr. Chialin Chang, and VP of Finance, Mr. Edward Wang, will lead the Q&A session.

Before we begin I'd like to draw your attention to the disclaimer statement on page 2 of the presentation slides. Please note that this presentation contains forward-looking statements. These statements are based on our current expectations. Actual results may differ materially from our expectations and the Company undertakes no obligation to update these forward-looking statements going forward.

If there's no question, I begin to give the overview for fourth quarter 2015. Please turn to page 3. Fourth-quarter financial highlights. Revenue for fourth quarter was TWD25.7b, with gross margin of 13.9%. Operating loss was TWD4.1b, an operating margin of negative 16.1%. Net loss after tax was TWD3.4b or loss per share of TWD4.1.

Business overview. Revenue and net income saw sequential improvement in Q4. And HTC Desire series experienced good momentum over the Q4 holiday season, while the HTC One A9 was well received across Asia, the US and Europe.



UA HealthBox, launched with Under Armour and Vive virtual reality system, together garnered more than 20 awards at the Consumer Electronics Show in January 2016.

HTC also hosted the Vive Unbound developer conference in Beijing in December, bringing together experts for the virtual reality ecosystem and hundreds of Chinese content developers

Page 4. Page 4 gives an overview on revenue and operating profit. Revenue for fourth quarter came in at TWD25.7b and operating loss was TWD4.1b.

Page 5. Page 5 gives an overview on gross margin and operating margin. Gross margin for fourth quarter was 13.9% and operating margin was negative 16.1%.

Page 6 and 7 are financial overviews for income statements and balance sheet.

This wraps the content of our presentation. And now I'd like to turn over to HTC's CFO and President of Global Sales, Mr. Chialin Chang. Moderator, we can start the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Richard Kramer, Arete Research.

Richard Kramer - Arete Research - Analyst

Thanks very much. Chialin, can you give us an update on the restructuring and maybe go through in a bit more detail the overall TWD14b loss for the year, how much of that you consider operational and how much do you consider restructuring-related? Maybe give us an update on headcount at the end of the year. And then I have several follow-up questions. But why don't we start with that one?

Chialin Chang - HTC Corp - CFO & President of Global Sales

Thanks, Richard. Obviously the combination of the operating loss as well as the loss due to the -- the cost due to the restructuring we didn't break down here. It's -- I would say it's also a mature portion of it. I won't be able to break down in percentage. I also need to confirm the exact numbers, so I probably won't comment on this one.

Given that in Taiwan accounting there is no such thing as a one-time charge, so we're basically baking into the operating expenses in that regard. I think the -- it's our goal from operation perspective here to finish the cost optimization basically by the end of the first quarter. But given that we don't take the one-time charge, there is some lingering effect. But I wouldn't think that lingering effect will last basically overall more than a quarter after that. So then we'd be basically, on balance, that will be completion of the overall restructuring and optimization exercise.

What we're trying to do here, if I can elaborate a little more, is to take a very focused approach on the revenue side in terms of where we generate revenue in a geographic and also product line, including smartphone, beyond smartphone. We take a very focused approach. Then we're basically matching the resource appropriately with the different profit-generating business lines. So that's where we focus in.

And we also try to find a synergy among various departments, try to consolidate resource and make it more optimal. So those are things we're doing. We expect completion of it by the end of this quarter. And there's some lingering effect on expenses. It probably will be one more quarter, largely speaking, and that should be it.



Richard Kramer - *Arete Research - Analyst*

Okay. I guess my second question in the context of -- and I don't know if you can add any detail on the 14% gross margin in fourth quarter and whether there was any exceptional items in there, inventory write-down or so forth, but how do you look upon the potential profit pool in the core smartphone business? Do you feel that there's enough -- certainly with a 14% gross margin and your R&D and SG&A cost, is there enough of a profit pool to look at this business as being a positive income generator over the course of 2016?

I know you don't want to give guidance, but should we expect another year of losses as you rebuild or refocus the business? Or do you think there is actually a profit pool to go after that you can see, even in the context of such a low -- record low gross margin?

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

I think there is the -- I think this is a very good question. Allow me to just expand a little bit what we're working on. We talk about the cost side here. We talk about on the revenue side and the profit pool, as you point out here on the smartphone, beyond the smartphone, and how we see 2016 given that we're not giving out a guidance.

First of all, the -- to answer your question on Q4, the gross margin around the 14% or so, yes, there was something in there. But overall it's basically coming from the fact that we don't really have a lot of the Hero products that give us a good gross margin. And to be very candid, our flagship did not perform well. Actually I would say our flagships are falling far short of our expectations for the entire cycle of 2015. That will finish up basically end of this quarter there.

So we're expecting a good, hopefully an improving cycle coming for -- into the second quarter. So what we will need to do, in addition to flagship and a couple, one or two, Hero products to generate the gross margin that we need to have and then matching with the operating expenses.

What I also will need to highlight that the -- is the -- how we measure the costs, not just the gross margin cost, but all operating expense, and not just the marketing operating expenses. In the smartphone industry, the cost of doing business, actually it depends on where you're doing the business in terms of geographic location or in terms of your customer partner. I will put it this way. I will not name places or name those. But there's a different degree of cost doing business, because that relates to the certification that broadly defines cost and the R&D associated with that.

So the -- so I'll give you an example here. In a cost of doing business in a certain area in a retail market probably will be a lot lower than the cost of doing business in a very rigorous operator to the market in that. So we need to find the right balance in that.

So what we will intend to do here is very carefully you will see into 2016 that the product portfolio is being streamlined to a level we feel comfortable. And also we are matching with the right cost of doing business so we can have a right profit pool being generated and covering the expenses with the net profit. It certainly is our goal to make sure the smartphone business in 2016 will turn profit, and also not just for the smartphone business. We certainly hope the contribution coming out of the virtual reality business as well as the connected device business here overall can give us a much better 2016.

Richard Kramer - *Arete Research - Analyst*

Okay. I guess the last question, very quickly, obviously the cash level is down quite substantially with all the losses and the negative cash flow you've had this year. How are you thinking about balancing investments this year since you obviously have new products to launch, a potential dividend or employee bonus share, and preserving that cash until you can bring the cash flow to positive? Because it seems like you're now down to level -- record levels of -- record low levels we haven't seen for many, many years at HTC. And I'm sure ramping some of these products will need more working capital and more investment.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Yes. I think the -- first of all, so you understand the cash level, there's a nominal item on the cash level, as you can see that. And there's also the asset that we're able to monetize to raise it into cash. So the true cash level we're able to maintain actually will be higher than that. I'm not talking about -- I'm not talking about credit facility though. I'm talking about our own true cash reserve that we have.

So we're not that concerned in terms of the cash level. Obviously we're not anticipating the kind of huge cash loss like we have in 2015. That's why we're doing all the things to make sure that we're matching the goal we're trying to do.

On the investment part here, actually we feel comfortable. That's why I said there were, even though it sounds a little bit vague. We take a very focused approach down to every detail of the operation, even down to the announcement of things so we make sure that you get the right ROI in there. And I can tell you the -- it will not impact how we're getting into the new things like virtual reality and the other areas. So we feel comfortable about that.

Richard Kramer - *Arete Research - Analyst*

Okay. Thanks very much. I'll leave it to others.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Thank you.

Operator

(Operator Instructions). Richard Kramer, Arete Research.

Richard Kramer - *Arete Research - Analyst*

Hi. Since it seems like I'm the only one here, I'll ask one more, which is can you size for us the -- your expectations of the both Vive and Under Armour or connected device businesses for 2016? What in your mind constitutes a success? Or given that these are very early stage products, you're trying to attract attention, but at the same time, like you said, you expect these to be profit contributors. Will this be material, and I guess by material I would say 5% or 10% of sales, business opportunity for you this year? And can you just help us understand how you look at the addressable markets in the early stages of both these areas?

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Yes. Thank you. I think I'll talk about Vive first. You probably know the combination of Vive and the partnership with the Under Armour and HealthBox, in CES alone I think we generate maybe like 20-something awards.

And you can see a lot of partners coming to us. Just Vive, for example, here, it's a very vertical industry. The entire ecosystem, the -- our HTC team, I could tell you, even our Chairman alone met numerous, numerous partners in that regard. And we obviously -- there are various business models we can pursue. I won't be able to elaborate on those. But we expect in 2016 the Vive will be a meaningful, not just revenue, but hopefully the profit generation contribution.

And same thing applies to the IOT. I think the partners and us feel very excited after the event. And then they got a lot of the enquiries. And I do need to highlight, however, the contribution for Q1 probably is not that meaningful because we're still in the process of ramping up. So they can only serve probably only the .com and very select, narrow channel here. I think we expect probably more volume coming in into second quarter.



And this is, for us, in 2016, we also believe that there will be a meaningful profit generation. We are seeing the high hope, but I won't elaborate on those. I think it depends on how we're going to drive this thing. But we feel very excited about that. And we have a lot of campaigns.

And Under Armour, you can note they had a very -- they're very good in their -- in how they promote the brand, the product in there. So we actually learned a lot. Even I personally learned a lot in that regard. So we definitely have a high hope in that.

Richard Kramer - *Arete Research - Analyst*

Okay. And what are the lessons, looking back on something like the RE camera, which you can say is an interesting analogy because it was -- it had some innovative features, but it really didn't scale? What was the lesson of that? Is it that you didn't have the right distribution? Is it that you didn't have the right time to market? When you had a product like that a year or so ago, that you had, again, high hopes for, what did you take from that that you can apply to these two new products in a similar phase?

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

I think the -- I think we feel there's lessons learned. There's also things we're working on. And of the -- I can tell you, first of all, on RE camera, the camera, as a supplemental use for individual purpose, I think this thing would not stop [continuing]. And in fact, without elaborating too much, this is part of our ongoing thought that creating a camera solution that will fit into the overall solution, not just a smartphone.

I think I can tell you it will apply into a virtual reality solution. And I can tell you, some of the people, you guys involved in that, you'll know, it will fit into the mobile virtual reality solution. So this will be ongoing.

And if you ask me about learning on RE, for example, here is we should not have started out with a massive scale. I think we should have started out with something matching the proper focus on the places and the area of our general revenue and matching our resources. I think that's something we would do.

And you can also see that the -- we're also going to be focused on a lot of partnership type with the opportunity, and we'll have an engineering design and power with HTC together. So that, we think actually combining that, pulling resource together, actually the chances of success are even higher. So that sort of things we learned and you can see that's what we're implementing.

Richard Kramer - *Arete Research - Analyst*

Okay. And maybe -- and one more is you mentioned the focused approach a number of times in revenue and specifically geography. Can you elaborate on that a little bit? HTC is in the US, in Europe, in China, in Greater China, as well as obviously your home market. You have distribution in a number of other emerging markets, Latin America, etc. Can you be specific about which markets you're going to focus on this year and maybe which ones you expect to leave by the wayside?

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

I think this is -- let's say, first of all, there's a sensitivity and there's also a complication in talking about this. That's why I didn't elaborate more. I did mention twice on that. I think if you mention the US, UK, Germany, France, Western Europe, this was traditionally, including Australia, the industrial economies where HTC started as a global branded company. And you also see over the year we've extended into the areas in emerging markets, like India, China and the Middle East/Africa, as well as in LatAm.

Then these are the areas, broadly speaking, and then I won't get into -- down to specific countries. These are areas we're still going to continue to focus. However, in different countries, the focus will be different because -- I can give you one example here.

Say in the US, the partnership with Under Armor, you can image that we're going to push really hard. This is the first stop we're going to have for the global launch for the health system. That's only US, and maybe Taiwan given this is where our home country is and you want to benefit the Taiwan consumer in that regard. But the -- this is the area we're going to focus. Are we going to focus basically Under Armor HealthBox in China or India? Probably not. Probably going to be done in the coming quarters.

And thinking on the virtual reality, we're going to focus on the different countries. In virtual reality, I can tell you we're going to focus in the US. It's going to be quite big a country in that. UK, Germany, to some extent China. And some of the other countries may not be the highlight. Obviously everything we launch, we want to make sure we benefit the all the home-grown -- our home country consumer and we'll do that.

But Taiwan aside, the different countries are going to have a different focus. And that applies to the smartphone. Smartphone, I can tell you, for example, like for -- even for a premium size -- a large display kind of phone, are we going to focus a lot in the US? Probably not. Not even in UK or Germany. But we'll focus on different smartphone factors at different pricing.

So those are things we thought about and think about. So that's why I say it's focused. But these are the countries we will not -- that we have a presence, we will not just downplay it there. We're still going to continue to enhance our brand there, but through a different means and through a different focus. That's what I meant.

Richard Kramer - *Arete Research - Analyst*

Okay. Super. Thank you very much.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Thank you. I think there's two or three more waiting in queue. So I think the operator can just direct traffic.

Operator

Narci Chang, JPMorgan.

Narci Chang - *JPMorgan - Analyst*

Hi. Chialin, ni hao. I have two main questions. Number one is whether the OpEx level that we saw from the fourth quarter will be sustainable or does the Company expect further cost reduction?

And my second question is regarding the smartphones. What's the Company's strategy for this year, whether we are going to see many model launches or the Company is going to focus on high-end models. Thank you.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Thanks. I think the operating expenses here, I would say actually we're trying to continue to streamline the cost. And the cost -- I can tell you the number-one thing we want to make sure is the R&D strength is there. That's basically our number one, making sure that the right R&D infrastructure is there.

The -- I can tell you the R&D cost is not -- the people cost in R&D is just a portion of it. It may be different from the other industrial economies because of the cost of living and the compensation. It's about how we -- making sure -- how we make sure that we're doing the right project, doing the right focus. That's why I keep emphasizing the focus approach.



With that in mind, I would expect we'll continue to streamline the operating expenses without impacting the fabric of traditional HTC strength. So you say is that sustainable? I think that will continue the same. Actually we're going to have find improvement from that point on. That's number one.

Obviously there is some lingering in the one-time charge here building into that. But that would hopefully finish up by the end of this first half, maybe a little bit in the tail, but basically that's what we're seeing.

The second question is what's our focus? And the -- I said it a few times in the past. The -- and then there's a different interpretation here. A lot of people think the low end, the entry level is where the growth is. We're not going after the volume. We're going after the value share in the consumer market. It's a different story. I won't elaborate on those.

So we're not going to only high end. It depends on how you stay high end. I think we would have participation in the entry-level, mid-tier, premium and flagship. If I talk about it these segments here, flagship we'll continue to have and you'll see that in the second quarter. And the -- you will see the premium side, mid-tier to premium side, which we think we have a lot of traction in certain countries and we can see that from the data we have.

We'll also participate in entry. We just don't put a lot of focus on entry here, because I can tell you the entry, the thin profit margin here, you're going to have to execute everything right, even including material planning and demand, perfectly matched in order to make that tiny profit and make it up with a huge volume. That's not where we actually put a lot of resources at.

We're going to put a lot of resources in the mid-tier and the mid to premium side, with the flagship carrying those. So that's the -- where we are focused. And then coupled with that the areas and the places we do business, that would match that.

Narci Chang - JPMorgan - Analyst

Thanks. Just going along with the line, I'm just wondering for the fourth quarter, there's a huge dip in the gross margin. Is that more due to the pricing pressure or is it due to product mix?

Chialin Chang - HTC Corp - CFO & President of Global Sales

I think pricing pressure is everyday pricing pressure. You will see that. There's a big trend going on in the smartphone industry. I think I would say, if I would summarize here, it's basically the -- unfortunately our flagship that we launched in April last year did not perform up to expectation. You're going to see the lingering effect last for 12 months before you have a new one coming up. So basically that's the major effect.

Narci Chang - JPMorgan - Analyst

Got it. Thank you.

Chialin Chang - HTC Corp - CFO & President of Global Sales

Thanks.

Operator

[Julie Tsai], UBS.



Julie Tsai - UBS - Analyst

Hi. Chialin, I just have two follow-up questions. One is I just want to clarify if the restructuring that you have in mind will be done at the end of Q1, if not, Q2 the latest. Was that the timeframe that you had guided?

Chialin Chang - HTC Corp - CFO & President of Global Sales

Correct.

Julie Tsai - UBS - Analyst

Okay. And if that would be the case, what would be the normal, quote-unquote, operating expenses for HTC going forward then if we do not have that restructuring drag?

Chialin Chang - HTC Corp - CFO & President of Global Sales

I think it will be very -- pretty clean in Q3. It will be okay. Q2 will be transition. But Q3 will be pretty clean. And then I can tell you that -- talk about the expenses here, that's where I said that the OpEx you're seeing in Q4 last year, the -- it's not only going to be sustainable; we'll improve on that.

Julie Tsai - UBS - Analyst

I see. And also another question is you spoke about the new product Vive and also HealthBox. And you also mentioned that hopefully it will be some sort of profit generating for 2016. Is this from both products or just the US HealthBox?

Chialin Chang - HTC Corp - CFO & President of Global Sales

Both.

Julie Tsai - UBS - Analyst

For both products it will be profit or positive accretive to your bottom line?

Chialin Chang - HTC Corp - CFO & President of Global Sales

I think I answered Richard Kramer in the following way. We hope that both the Vive product and the HealthBox product, or put another way here, we hope products in these two areas will be able to contribute to the bottom line in a meaningful way.

Julie Tsai - UBS - Analyst

That's a great news. Thank you.

Chialin Chang - HTC Corp - CFO & President of Global Sales

Thank you.



Operator

(Operator Instructions). Wei Chen, Goldman Sachs.

Wei Chen - *Goldman Sachs - Analyst*

Yes. Hi. I just want to go back to the virtual reality question. I think a lot of investors and I think even people in the technology industry view this as a huge opportunity. And some of us even call this the next computing platform. So a broad general question. HTC has done very well in the smartphone cycle. So looking at the virtual reality, HTC seems to be one of the very early first movers in this technology. How does HTC view this opportunity versus the smartphone cycle? And how does HTC play in virtual reality that could be different or the same in the smartphone cycle that you have done before? So that's my first question.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

I think it's very early for me to comment on how this virtual reality is going to play out. HTC were fortunate to be a leading player at this stage on the virtual reality. We certainly have a lot of ambition on the virtual reality. And in fact, we can even debate how you define a virtual reality in that regard.

And I can tell you that the virtual reality and smartphone and connected devices, it may seem to a -- from an investment community, two very distinct domains in that regard. We're actually seeing it in an integrated way. Without going into detail, from a consumer perspective here is that we're thinking more about integrated solutions in that regard. So those things to us, they're all very important.

We are going to continue to push. Some of the lessons learned we have in the smartphone in the last decade, we actually try to learn from it and make sure that we are best positioned in these new areas. And we also -- you can see we do a lot, but some of the things we're not able to go to market together. If it's better to have pooling resources together, we do that. So it's a powered, engineered, designed with or by HTC, we'll continue to pursue those opportunities in parallel as well. So we think the -- hopefully in the end we'll be able to provide a holistic solution for consumers.

Wei Chen - *Goldman Sachs - Analyst*

Yes. So following up on that, you said holistic solution for the consumer. Does that also imply there's something beyond providing just the hardware? Can you comment something on the software or content or even anything on the platform side in regard to virtual reality?

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Yes. I think major opportunities are all being explored. And the -- I also advise people don't mix smartphone and Vive. They're two distinct products here. Everybody knows that mobile here, you're going to have combine those. Obviously you can define what that means, the mobile view, and there's various [performance]. But this will be an integrated solution.

We're also very keen to make sure we are, say 5, 10 years down the road, we are going to be a key player in our ecosystem. So we don't want to be seen just providing the hardware only. So we're trying with various opportunities.

Wei Chen - *Goldman Sachs - Analyst*

I see. And just going along that line, can you describe the relationship you have with Valve on the virtual reality product versus your past relationship you have, working on the smartphone product with Android or even with Microsoft? Is that a similar relationship that you have now with Valve, or is it something a little bit more deeper?



Chialin Chang - *HTC Corp - CFO & President of Global Sales*

I think the HTC -- because our capability and because our culture would fit with -- in all the years and I believe in the coming years will fit quite well with various partners. I think Valve is one thing, is one important partner. Under Armor is another partner. You mentioned Microsoft in the past. Microsoft continues to be an important partner. We continue to have a conversation. But with a normal comment, we cannot comment on our partner and we will not comment on our partner either. So I will just stop here.

Wei Chen - *Goldman Sachs - Analyst*

Got it. Yes. Okay. That's all my questions. Thank you. It was very helpful.

Operator

Julie Tsai, UBS.

Julie Tsai - *UBS - Analyst*

Hi, Chialin. Regarding to the Vive, we are often asked by our clients as well regarding to what kind of IP do you already have in place for your Vive and also for the onwards models?

And also is it true that Valve will be able to collaborate with others freely in the future? So I guess with that, the content is probably most important, as you said. And you also mentioned 5 to 10 years of timeline that you want be a key player in that. Do you have a bit more color in that?

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Thanks. Unfortunately I won't be able to comment on some of these things here. All I would say here is that we -- all possibilities are being explored. We've been working well with various partners in that. We won't comment on our partner. We definitely don't comment on our IP because it's getting into very sensitive competitor information there. So all we feel about it, we feel very good.

I can just give you one gauge. It's based on the number of the inquiries from various ecosystem and vertical industries. We feel very good about where we are. And again, it's certainly our hope and we certainly have the ambition 5, 10 years down the road to be a key player in that industry.

Julie Tsai - *UBS - Analyst*

Thank you. And I assume that will be taking pre-orders very soon, right? Do you have any kind of pricing in mind, any kind of range at all?

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Yes. I would just kindly ask that you just stay tuned.

Julie Tsai - *UBS - Analyst*

Will do. Okay. Thank you.



Chialin Chang - HTC Corp - CFO & President of Global Sales

Thank you.

Operator

(Operator Instructions). Kylie Huang, Daiwa.

Kylie Huang - Daiwa - Analyst

Hi, Chialin. Thank you for taking my question. I just have two housekeeping questions here. First regarding your fourth-quarter gross margin, I just want to clarify that this is not related to any impact from your restructuring plan.

Chialin Chang - HTC Corp - CFO & President of Global Sales

I said there is some of the -- there are some parts of it are non-recurring. And I think the people asking me about pricing or product portfolio sometimes are actually mixing them together. I think the -- I would say the fundamental thing is because our flagship is not performing to where we want to be. I'll just be very transparent in that.

If your question is are we looking in the future this is a sustainable profit margin we're going to have? I'd say no. So we're going to have to do better than that. Comfortable with the improvement in the OpEx. So hopefully that answers your question.

Kylie Huang - Daiwa - Analyst

Okay. I understand. So only way this impacts you will [belong] to the first quarter this year, right?

Chialin Chang - HTC Corp - CFO & President of Global Sales

Every -- unfortunately every product cycle, there's a cycle in that. The -- so we're going to look for the -- this properly controlled and then look for the opportunity in the next cycle with all the things we talk about.

Kylie Huang - Daiwa - Analyst

Okay. Thank you. And my second question is about your disposal of a building earlier. If I recall right, you will recognize a disposal gain, which will be in first quarter.

Chialin Chang - HTC Corp - CFO & President of Global Sales

Yes, I believe so.

Kylie Huang - Daiwa - Analyst

In the near future do you have follow-up plans to dispose any plan or building?



Chialin Chang - *HTC Corp - CFO & President of Global Sales*

We don't -- I can tell you for now, we don't have any plan. If there's a good opportunity to make sure that we contribute to shareholder value, we'll always consider.

Kylie Huang - *Daiwa - Analyst*

Okay. Understand.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

But if you ask me now, we don't have a plan to do anything. But down the months, down the weeks, down -- whenever there's an opportunity to come along, like people approaching us, we think actually it's good for shareholder value, we'll always consider, not just building, any opportunity we do. But just don't get me wrong. We're not talking about HTC doing any sort of strategic transaction. No, it's not.

Kylie Huang - *Daiwa - Analyst*

Okay. I understand. Thank you very much.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Thank you.

Operator

There is currently no question in line. I will pass the call back to the CFO and President of Global Sales, Mr. Chialin Chang, for closing remarks.

Kelly Hsu - *HTC Corp - IR Manager*

Thanks, everyone, for joining our call today. We wish you all a happy Chinese New Year. Thanks.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Thank you, all. Thank you. Bye-bye.

Operator

Ladies and gentlemen, we thank you for your cooperation, for your participation in HTC's conference. There will be a webcast replay within an hour, and please visit www.htc.com under the Investor section. You may now disconnect. Goodbye.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Richard Kramer, Arete Research.

Richard Kramer - Arete Research - Analyst

Thanks very much. Chialin, can you give us an update on the restructuring and maybe go through in a bit more detail the overall TWD14b loss for the year, how much of that you consider operational and how much do you consider restructuring-related? Maybe give us an update on headcount at the end of the year. And then I have several follow-up questions. But why don't we start with that one?

Chialin Chang - HTC Corp - CFO & President of Global Sales

Thanks, Richard. Obviously the combination of the operating loss as well as the loss due to the -- the cost due to the restructuring we didn't break down here. It's -- I would say it's also a mature portion of it. I won't be able to break down in percentage. I also need to confirm the exact numbers, so I probably won't comment on this one.

Given that in Taiwan accounting there is no such thing as a one-time charge, so we're basically baking into the operating expenses in that regard. I think the -- it's our goal from operation perspective here to finish the cost optimization basically by the end of the first quarter. But given that we don't take the one-time charge, there is some lingering effect. But I wouldn't think that lingering effect will last basically overall more than a quarter after that. So then we'd be basically, on balance, that will be completion of the overall restructuring and optimization exercise.

What we're trying to do here, if I can elaborate a little more, is to take a very focused approach on the revenue side in terms of where we generate revenue in a geographic and also product line, including smartphone, beyond smartphone. We take a very focused approach. Then we're basically matching the resource appropriately with the different profit-generating business lines. So that's where we focus in.

And we also try to find a synergy among various departments, try to consolidate resource and make it more optimal. So those are things we're doing. We expect completion of it by the end of this quarter. And there's some lingering effect on expenses. It probably will be one more quarter, largely speaking, and that should be it.

Richard Kramer - Arete Research - Analyst

Okay. I guess my second question in the context of -- and I don't know if you can add any detail on the 14% gross margin in fourth quarter and whether there was any exceptional items in there, inventory write-down or so forth, but how do you look upon the potential profit pool in the core smartphone business? Do you feel that there's enough -- certainly with a 14% gross margin and your R&D and SG&A cost, is there enough of a profit pool to look at this business as being a positive income generator over the course of 2016?

I know you don't want to give guidance, but should we expect another year of losses as you rebuild or refocus the business? Or do you think there is actually a profit pool to go after that you can see, even in the context of such a low -- record low gross margin?

Chialin Chang - HTC Corp - CFO & President of Global Sales

I think there is the -- I think this is a very good question. Allow me to just expand a little bit what we're working on. We talk about the cost side here. We talk about on the revenue side and the profit pool, as you point out here on the smartphone, beyond the smartphone, and how we see 2016 given that we're not giving out a guidance.

First of all, the -- to answer your question on Q4, the gross margin around the 14% or so, yes, there was something in there. But overall it's basically coming from the fact that we don't really have a lot of the Hero products that give us a good gross margin. And to be very candid, our flagship did not perform well. Actually I would say our flagships are falling far short of our expectations for the entire cycle of 2015. That will finish up basically end of this quarter there.

So we're expecting a good, hopefully an improving cycle coming for -- into the second quarter. So what we will need to do, in addition to flagship and a couple, one or two, Hero products to generate the gross margin that we need to have and then matching with the operating expenses.

What I also will need to highlight that the -- is the -- how we measure the costs, not just the gross margin cost, but all operating expense, and not just the marketing operating expenses. In the smartphone industry, the cost of doing business, actually it depends on where you're doing the business in terms of geographic location or in terms of your customer partner. I will put it this way. I will not name places or name those. But there's a different degree of cost doing business, because that relates to the certification that broadly defines cost and the R&D associated with that.

So the -- so I'll give you an example here. In a cost of doing business in a certain area in a retail market probably will be a lot lower than the cost of doing business in a very rigorous operator to the market in that. So we need to find the right balance in that.

So what we will intend to do here is very carefully you will see into 2016 that the product portfolio is being streamlined to a level we feel comfortable. And also we are matching with the right cost of doing business so we can have a right profit pool being generated and covering the expenses with the net profit. It certainly is our goal to make sure the smartphone business in 2016 will turn profit, and also not just for the smartphone business. We certainly hope the contribution coming out of the virtual reality business as well as the connected device business here overall can give us a much better 2016.

Richard Kramer - Arete Research - Analyst

Okay. I guess the last question, very quickly, obviously the cash level is down quite substantially with all the losses and the negative cash flow you've had this year. How are you thinking about balancing investments this year since you obviously have new products to launch, a potential dividend or employee bonus share, and preserving that cash until you can bring the cash flow to positive? Because it seems like you're now down to level -- record levels of -- record low levels we haven't seen for many, many years at HTC. And I'm sure ramping some of these products will need more working capital and more investment.

Chialin Chang - HTC Corp - CFO & President of Global Sales

Yes. I think the -- first of all, so you understand the cash level, there's a nominal item on the cash level, as you can see that. And there's also the asset that we're able to monetize to raise it into cash. So the true cash level we're able to maintain actually will be higher than that. I'm not talking about -- I'm not talking about credit facility though. I'm talking about our own true cash reserve that we have.

So we're not that concerned in terms of the cash level. Obviously we're not anticipating the kind of huge cash loss like we have in 2015. That's why we're doing all the things to make sure that we're matching the goal we're trying to do.

On the investment part here, actually we feel comfortable. That's why I said there were, even though it sounds a little bit vague. We take a very focused approach down to every detail of the operation, even down to the announcement of things so we make sure that you get the right ROI in there. And I can tell you the -- it will not impact how we're getting into the new things like virtual reality and the other areas. So we feel comfortable about that.

Richard Kramer - Arete Research - Analyst

Okay. Thanks very much. I'll leave it to others.

Chialin Chang - HTC Corp - CFO & President of Global Sales

Thank you.



Operator

(Operator Instructions). Richard Kramer, Arete Research.

Richard Kramer - Arete Research - Analyst

Hi. Since it seems like I'm the only one here, I'll ask one more, which is can you size for us the -- your expectations of the both Vive and Under Armour or connected device businesses for 2016? What in your mind constitutes a success? Or given that these are very early stage products, you're trying to attract attention, but at the same time, like you said, you expect these to be profit contributors. Will this be material, and I guess by material I would say 5% or 10% of sales, business opportunity for you this year? And can you just help us understand how you look at the addressable markets in the early stages of both these areas?

Chialin Chang - HTC Corp - CFO & President of Global Sales

Yes. Thank you. I think I'll talk about Vive first. You probably know the combination of Vive and the partnership with the Under Armour and HealthBox, in CES alone I think we generate maybe like 20-something awards.

And you can see a lot of partners coming to us. Just Vive, for example, here, it's a very vertical industry. The entire ecosystem, the -- our HTC team, I could tell you, even our Chairman alone met numerous, numerous partners in that regard. And we obviously -- there are various business models we can pursue. I won't be able to elaborate on those. But we expect in 2016 the Vive will be a meaningful, not just revenue, but hopefully the profit generation contribution.

And same thing applies to the IOT. I think the partners and us feel very excited after the event. And then they got a lot of the enquiries. And I do need to highlight, however, the contribution for Q1 probably is not that meaningful because we're still in the process of ramping up. So they can only serve probably only the .com and very select, narrow channel here. I think we expect probably more volume coming in into second quarter.

And this is, for us, in 2016, we also believe that there will be a meaningful profit generation. We are seeing the high hope, but I won't elaborate on those. I think it depends on how we're going to drive this thing. But we feel very excited about that. And we have a lot of campaigns.

And Under Armour, you can note they had a very -- they're very good in their -- in how they promote the brand, the product in there. So we actually learned a lot. Even I personally learned a lot in that regard. So we definitely have a high hope in that.

Richard Kramer - Arete Research - Analyst

Okay. And what are the lessons, looking back on something like the RE camera, which you can say is an interesting analogy because it was -- it had some innovative features, but it really didn't scale? What was the lesson of that? Is it that you didn't have the right distribution? Is it that you didn't have the right time to market? When you had a product like that a year or so ago, that you had, again, high hopes for, what did you take from that that you can apply to these two new products in a similar phase?

Chialin Chang - HTC Corp - CFO & President of Global Sales

I think the -- I think we feel there's lessons learned. There's also things we're working on. And of the -- I can tell you, first of all, on RE camera, the camera, as a supplemental use for individual purpose, I think this thing would not stop [continuing]. And in fact, without elaborating too much, this is part of our ongoing thought that creating a camera solution that will fit into the overall solution, not just a smartphone.

I think I can tell you it will apply into a virtual reality solution. And I can tell you, some of the people, you guys involved in that, you'll know, it will fit into the mobile virtual reality solution. So this will be ongoing.



And if you ask me about learning on RE, for example, here is we should not have started out with a massive scale. I think we should have started out with something matching the proper focus on the places and the area of our general revenue and matching our resources. I think that's something we would do.

And you can also see that the -- we're also going to be focused on a lot of partnership type with the opportunity, and we'll have an engineering design and power with HTC together. So that, we think actually combining that, pulling resource together, actually the chances of success are even higher. So that sort of things we learned and you can see that's what we're implementing.

Richard Kramer - *Arete Research - Analyst*

Okay. And maybe -- and one more is you mentioned the focused approach a number of times in revenue and specifically geography. Can you elaborate on that a little bit? HTC is in the US, in Europe, in China, in Greater China, as well as obviously your home market. You have distribution in a number of other emerging markets, Latin America, etc. Can you be specific about which markets you're going to focus on this year and maybe which ones you expect to leave by the wayside?

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

I think this is -- let's say, first of all, there's a sensitivity and there's also a complication in talking about this. That's why I didn't elaborate more. I did mention twice on that. I think if you mention the US, UK, Germany, France, Western Europe, this was traditionally, including Austria, the industrial economies where HTC started as a global branded company. And you also see over the year we've extended into the areas in emerging markets, like India, China and the Middle East/Africa, as well as in LatAm.

Then these are the areas, broadly speaking, and then I won't get into -- down to specific countries. These are areas we're still going to continue to focus. However, in different countries, the focus will be different because -- I can give you one example here.

Say in the US, the partnership with Under Armor, you can image that we're going to push really hard. This is the first stop we're going to have for the global launch for the health system. That's only US, and maybe Taiwan given this is where our home country is and you want to benefit the Taiwan consumer in that regard. But the -- this is the area we're going to focus. Are we going to focus basically Under Armor HealthBox in China or India? Probably not. Probably going to be done in the coming quarters.

And thinking on the virtual reality, we're going to focus on the different countries. In virtual reality, I can tell you we're going to focus in the US. It's going to be quite big a country in that. UK, Germany, to some extent China. And some of the other countries may not be the highlight. Obviously everything we launch, we want to make sure we benefit the all the home-grown -- our home country consumer and we'll do that.

But Taiwan aside, the different countries are going to have a different focus. And that applies to the smartphone. Smartphone, I can tell you, for example, like for -- even for a premium size -- a large display kind of phone, are we going to focus a lot in the US? Probably not. Not even in UK or Germany. But we'll focus on different smartphone factors at different pricing.

So those are things we thought about and think about. So that's why I say it's focused. But these are the countries we will not -- that we have a presence, we will not just downplay it there. We're still going to continue to enhance our brand there, but through a different means and through a different focus. That's what I meant.

Richard Kramer - *Arete Research - Analyst*

Okay. Super. Thank you very much.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Thank you. I think there's two or three more waiting in queue. So I think the operator can just direct traffic.

Operator

Narci Chang, JPMorgan.

Narci Chang - *JPMorgan - Analyst*

Hi. Chialin, ni hao. I have two main questions. Number one is whether the OpEx level that we saw from the fourth quarter will be sustainable or does the Company expect further cost reduction?

And my second question is regarding the smartphones. What's the Company's strategy for this year, whether we are going to see many model launches or the Company is going to focus on high-end models. Thank you.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Thanks. I think the operating expenses here, I would say actually we're trying to continue to streamline the cost. And the cost -- I can tell you the number-one thing we want to make sure is the R&D strength is there. That's basically our number one, making sure that the right R&D infrastructure is there.

The -- I can tell you the R&D cost is not -- the people cost in R&D is just a portion of it. It may be different from the other industrial economies because of the cost of living and the compensation. It's about how we -- making sure -- how we make sure that we're doing the right project, doing the right focus. That's why I keep emphasizing the focus approach.

With that in mind, I would expect we'll continue to streamline the operating expenses without impacting the fabric of traditional HTC strength. So you say is that sustainable? I think that will continue the same. Actually we're going to have find improvement from that point on. That's number one.

Obviously there is some lingering in the one-time charge here building into that. But that would hopefully finish up by the end of this first half, maybe a little bit in the tail, but basically that's what we're seeing.

The second question is what's our focus? And the -- I said it a few times in the past. The -- and then there's a different interpretation here. A lot of people think the low end, the entry level is where the growth is. We're not going after the volume. We're going after the value share in the consumer market. It's a different story. I won't elaborate on those.

So we're not going to only high end. It depends on how you stay high end. I think we would have participation in the entry-level, mid-tier, premium and flagship. If I talk about it these segments here, flagship we'll continue to have and you'll see that in the second quarter. And the -- you will see the premium side, mid-tier to premium side, which we think we have a lot of traction in certain countries and we can see that from the data we have.

We'll also participate in entry. We just don't put a lot of focus on entry here, because I can tell you the entry, the thin profit margin here, you're going to have to execute everything right, even including material planning and demand, perfectly matched in order to make that tiny profit and make it up with a huge volume. That's not where we actually put a lot of resources at.

We're going to put a lot of resources in the mid-tier and the mid to premium side, with the flagship carrying those. So that's the -- where we are focused. And then coupled with that the areas and the places we do business, that would match that.

Narci Chang - JPMorgan - Analyst

Thanks. Just going along with the line, I'm just wondering for the fourth quarter, there's a huge dip in the gross margin. Is that more due to the pricing pressure or is it due to product mix?

Chialin Chang - HTC Corp - CFO & President of Global Sales

I think pricing pressure is everyday pricing pressure. You will see that. There's a big trend going on in the smartphone industry. I think I would say, if I would summarize here, it's basically the -- unfortunately our flagship that we launched in April last year did not perform up to expectation. You're going to see the lingering effect last for 12 months before you have a new one coming up. So basically that's the major effect.

Narci Chang - JPMorgan - Analyst

Got it. Thank you.

Chialin Chang - HTC Corp - CFO & President of Global Sales

Thanks.

Operator

[Julie Tsai], UBS.

Julie Tsai - UBS - Analyst

Hi. Chialin, I just have two follow-up questions. One is I just want to clarify if the restructuring that you have in mind will be done at the end of Q1, if not, Q2 the latest. Was that the timeframe that you had guided?

Chialin Chang - HTC Corp - CFO & President of Global Sales

Correct.

Julie Tsai - UBS - Analyst

Okay. And if that would be the case, what would be the normal, quote-unquote, operating expenses for HTC going forward then if we do not have that restructuring drag?

Chialin Chang - HTC Corp - CFO & President of Global Sales

I think it will be very -- pretty clean in Q3. It will be okay. Q2 will be transition. But Q3 will be pretty clean. And then I can tell you that -- talk about the expenses here, that's where I said that the OpEx you're seeing in Q4 last year, the -- it's not only going to be sustainable; we'll improve on that.



Julie Tsai - UBS - Analyst

I see. And also another question is you spoke about the new product Vive and also HealthBox. And you also mentioned that hopefully it will be some sort of profit generating for 2016. Is this from both products or just the US HealthBox?

Chialin Chang - HTC Corp - CFO & President of Global Sales

Both.

Julie Tsai - UBS - Analyst

For both products it will be profit or positive accretive to your bottom line?

Chialin Chang - HTC Corp - CFO & President of Global Sales

I think I answered Richard Kramer in the following way. We hope that both the Vive product and the HealthBox product, or put another way here, we hope products in these two areas will be able to contribute to the bottom line in a meaningful way.

Julie Tsai - UBS - Analyst

That's a great news. Thank you.

Chialin Chang - HTC Corp - CFO & President of Global Sales

Thank you.

Operator

(Operator Instructions). Wei Chen, Goldman Sachs.

Wei Chen - Goldman Sachs - Analyst

Yes. Hi. I just want to go back to the virtual reality question. I think a lot of investors and I think even people in the technology industry view this as a huge opportunity. And some of us even call this the next computing platform. So a broad general question. HTC has done very well in the smartphone cycle. So looking at the virtual reality, HTC seems to be one of the very early first movers in this technology. How does HTC view this opportunity versus the smartphone cycle? And how does HTC play in virtual reality that could be different or the same in the smartphone cycle that you have done before? So that's my first question.

Chialin Chang - HTC Corp - CFO & President of Global Sales

I think it's very early for me to comment on how this virtual reality is going to play out. HTC were fortunate to be a leading player at this stage on the virtual reality. We certainly have a lot of ambition on the virtual reality. And in fact, we can even debate how you define a virtual reality in that regard.

And I can tell you that the virtual reality and smartphone and connected devices, it may seem to a -- from an investment community, two very distinct domains in that regard. We're actually seeing it in an integrated way. Without going into detail, from a consumer perspective here is that we're thinking more about integrated solutions in that regard. So those things to us, they're all very important.

We are going to continue to push. Some of the lessons learned we have in the smartphone in the last decade, we actually try to learn from it and make sure that we are best positioned in these new areas. And we also -- you can see we do a lot, but some of the things we're not able to go to market together. If it's better to have pooling resources together, we do that. So it's a powered, engineered, designed with or by HTC, we'll continue to pursue those opportunities in parallel as well. So we think the -- hopefully in the end we'll be able to provide a holistic solution for consumers.

Wei Chen - *Goldman Sachs - Analyst*

Yes. So following up on that, you said holistic solution for the consumer. Does that also imply there's something beyond providing just the hardware? Can you comment something on the software or content or even anything on the platform side in regard to virtual reality?

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Yes. I think major opportunities are all being explored. And the -- I also advise people don't mix smartphone and Vive. They're two distinct products here. Everybody knows that mobile here, you're going to have combine those. Obviously you can define what that means, the mobile view, and there's various [performance]. But this will be an integrated solution.

We're also very keen to make sure we are, say 5, 10 years down the road, we are going to be a key player in our ecosystem. So we don't want to be seen just providing the hardware only. So we're trying with various opportunities.

Wei Chen - *Goldman Sachs - Analyst*

I see. And just going along that line, can you describe the relationship you have with Valve on the virtual reality product versus your past relationship you have, working on the smartphone product with Android or even with Microsoft? Is that a similar relationship that you have now with Valve, or is it something a little bit more deeper?

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

I think the HTC -- because our capability and because our culture would fit with -- in all the years and I believe in the coming years will fit quite well with various partners. I think Valve is one thing, is one important partner. Under Armor is another partner. You mentioned Microsoft in the past. Microsoft continues to be an important partner. We continue to have a conversation. But with a normal comment, we cannot comment on our partner and we will not comment on our partner either. So I will just stop here.

Wei Chen - *Goldman Sachs - Analyst*

Got it. Yes. Okay. That's all my questions. Thank you. It was very helpful.

Operator

Julie Tsai, UBS.



Julie Tsai - UBS - Analyst

Hi, Chialin. Regarding to the Vive, we are often asked by our clients as well regarding to what kind of IP do you already have in place for your Vive and also for the onwards models?

And also is it true that Valve will be able to collaborate with others freely in the future? So I guess with that, the content is probably most important, as you said. And you also mentioned 5 to 10 years of timeline that you want be a key player in that. Do you have a bit more color in that?

Chialin Chang - HTC Corp - CFO & President of Global Sales

Thanks. Unfortunately I won't be able to comment on some of these things here. All I would say here is that we -- all possibilities are being explored. We've been working well with various partners in that. We won't comment on our partner. We definitely don't comment on our IP because it's getting into very sensitive competitor information there. So all we feel about it, we feel very good.

I can just give you one gauge. It's based on the number of the inquiries from various ecosystem and vertical industries. We feel very good about where we are. And again, it's certainly our hope and we certainly have the ambition 5, 10 years down the road to be a key player in that industry.

Julie Tsai - UBS - Analyst

Thank you. And I assume that will be taking pre-orders very soon, right? Do you have any kind of pricing in mind, any kind of range at all?

Chialin Chang - HTC Corp - CFO & President of Global Sales

Yes. I would just kindly ask that you just stay tuned.

Julie Tsai - UBS - Analyst

Will do. Okay. Thank you.

Chialin Chang - HTC Corp - CFO & President of Global Sales

Thank you.

Operator

(Operator Instructions). Kylie Huang, Daiwa.

Kylie Huang - Daiwa - Analyst

Hi, Chialin. Thank you for taking my question. I just have two housekeeping questions here. First regarding your fourth-quarter gross margin, I just want to clarify that this is not related to any impact from your restructuring plan.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

I said there is some of the -- there are some parts of it are non-recurring. And I think the people asking me about pricing or product portfolio sometimes are actually mixing them together. I think the -- I would say the fundamental thing is because our flagship is not performing to where we want to be. I'll just be very transparent in that.

If your question is are we looking in the future this is a sustainable profit margin we're going to have? I'd say no. So we're going to have to do better than that. Comfortable with the improvement in the OpEx. So hopefully that answers your question.

Kylie Huang - *Daiwa - Analyst*

Okay. I understand. So only way this impacts you will [belong] to the first quarter this year, right?

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Every -- unfortunately every product cycle, there's a cycle in that. The -- so we're going to look for the -- this properly controlled and then look for the opportunity in the next cycle with all the things we talk about.

Kylie Huang - *Daiwa - Analyst*

Okay. Thank you. And my second question is about your disposal of a building earlier. If I recall right, you will recognize a disposal gain, which will be in first quarter.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

Yes, I believe so.

Kylie Huang - *Daiwa - Analyst*

In the near future do you have follow-up plans to dispose any plan or building?

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

We don't -- I can tell you for now, we don't have any plan. If there's a good opportunity to make sure that we contribute to shareholder value, we'll always consider.

Kylie Huang - *Daiwa - Analyst*

Okay. Understand.

Chialin Chang - *HTC Corp - CFO & President of Global Sales*

But if you ask me now, we don't have a plan to do anything. But down the months, down the weeks, down -- whenever there's an opportunity to come along, like people approaching us, we think actually it's good for shareholder value, we'll always consider, not just building, any opportunity we do. But just don't get me wrong. We're not talking about HTC doing any sort of strategic transaction. No, it's not.



Kylie Huang - Daiwa - Analyst

Okay. I understand. Thank you very much.

Chialin Chang - HTC Corp - CFO & President of Global Sales

Thank you.

Operator

There is currently no question in line. I will pass the call back to the CFO and President of Global Sales, Mr. Chialin Chang, for closing remarks.

Kelly Hsu - HTC Corp - IR Manager

Thanks, everyone, for joining our call today. We wish you all a happy Chinese New Year. Thanks.

Chialin Chang - HTC Corp - CFO & President of Global Sales

Thank you, all. Thank you. Bye-bye.

Operator

Ladies and gentlemen, we thank you for your cooperation, for your participation in HTC's conference. There will be a webcast replay within an hour, and please visit www.htc.com under the Investor section. You may now disconnect. Goodbye.

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