HTC Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2019 and 2018 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
HTC Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of HTC Corporation and its subsidiaries (collectively referred to as the Company) as of June 30, 2019 and 2018, consolidated statements of comprehensive income for the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018, consolidated statements of changes in equity and cash flows for the six months ended June 30, 2019 and 2018 and the related notes, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Company as of June 30, 2019 and 2018, its consolidated financial performance for the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018 and its consolidated cash flows for the six months ended June 30, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Wen-Yea Shyu and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 2, 2019

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

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

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2019 (Reviewed)		December 31, 2018 (Audited)		June 30, 2018 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 28,051,098	46	$ 24,449,548	36	$ 29,311,099	37
Financial assets at fair value through profit or loss - current (Note 7)	109,519	-	83,411	-	541,782	1
Financial assets at fair value through other comprehensive income - current (Note 8)	827,135	1	409,412	1	442,106	1
Trade receivables, net (Notes 10 and 31)	1,333,454	2	1,683,150	3	3,526,821	4
Other receivables (Note 10)	139,283	-	221,707	-	256,226	-
Current tax assets	232,956	1	222,387	-	131,245	-
Inventories (Note 11)	3,114,753	5	3,301,645	5	5,006,623	6
Prepayments (Note 12)	531,295	1	1,160,299	2	1,444,846	2
Other current financial assets (Notes 9 and 32)	7,984,820	13	16,915,835	25	16,722,067	21
Other current assets	2,313	-	12,812	-	161,703	-
Total current assets	42,326,626	69	48,460,206	72	57,544,518	72
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7)	269,891	-	236,464	-	156,900	-
Financial assets at fair value through other comprehensive income - non-current (Note 8)	2,359,600	4	2,325,020	3	2,770,536	3
Investments accounted for using the equity method (Note 14)	512,094	1	446,133	1	397,903	1
Property, plant and equipment (Note 15)	8,226,190	13	8,425,886	13	8,503,733	11
Right-of-use assets (Note 16)	451,962	1	-	-	-	-
Investment properties, net (Note 17)	2,039,874	3	2,090,226	3	2,117,598	3
Intangible assets (Note 18)	603,583	1	1,181,256	2	1,751,780	2
Deferred tax assets	3,967,204	7	3,957,060	6	3,937,116	5
Refundable deposits (Note 30)	121,164	-	124,962	-	132,937	-
Net defined benefit asset - non-current	274,871	1	270,358	-	25,955	-
Other non-current financial assets (Notes 9 and 32)	155,343	-	153,638	-	152,463	-
Other non-current assets (Note 12)	44,930	-	39,610	-	2,186,457	3
Total non-current assets	19,026,706	31	19,250,613	28	22,133,378	28
TOTAL	$ 61,353,332	100	$ 67,710,819	100	$ 79,677,896	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - current (Note 7)	$ 168,733	-	$ 82,156	-	$ 334,147	-
Note and trade payables (Notes 19 and 31)	8,543,447	14	9,812,847	15	11,584,331	15
Other payables (Notes 20 and 31)	7,900,903	13	9,223,293	14	10,395,111	13
Current tax liabilities	269,955	-	241,167	-	372,805	1
Provisions - current (Note 21)	2,037,307	3	2,004,190	3	2,697,269	3
Lease liabilities - current (Notes 16 and 31)	143,796	-	-	-	-	-
Other current liabilities (Note 20)	890,751	2	953,447	1	1,367,468	2
Total current liabilities	19,954,892	32	22,317,100	33	26,751,131	34
NON-CURRENT LIABILITIES						
Deferred tax liabilities	45,969	-	43,451	-	56,232	-
Lease liabilities - non-current (Notes 16 and 31)	326,242	1	-	-	-	-
Guarantee deposits received (Note 30)	166,967	-	130,400	-	110,541	-
Total non-current liabilities	539,178	1	173,851	-	166,773	-
Total liabilities	20,494,070	33	22,490,951	33	26,917,904	34
EQUITY (Note 22)						
Share capital - ordinary shares	8,188,119	14	8,188,135	12	8,192,617	10
Capital surplus	15,515,328	25	15,576,268	23	15,575,798	20
Retained earnings						
Legal reserve	18,895,136	31	18,297,655	27	18,297,655	23
Special reserve	3,080,480	5	-	-	-	-
(Accumulated deficits) unappropriated earnings	(2,477,499)	(4)	6,194,337	9	12,990,038	16
Other equity	(2,370,366)	(4)	(3,087,557)	(4)	(2,373,249)	(3)
Total equity attributable to owners of the parent	40,831,198	67	45,168,838	67	52,682,859	66
NON-CONTROLLING INTERESTS	28,064	-	51,030	-	77,133	-
Total equity	40,859,262	67	45,219,868	67	52,759,992	66
TOTAL	$ 61,353,332	100	$ 67,710,819	100	$ 79,677,896	100

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 23 and 31)	$ 2,807,105	100	$ 6,774,460	100	$ 5,750,731	100	$ 15,563,203	100
OPERATING COST (Notes 11, 24 and 31)	2,236,819	80	6,594,478	97	4,749,016	83	15,568,685	100
GROSS PROFIT (LOSS)	570,286	20	179,982	3	1,001,715	17	(5,482)	-
OPERATING EXPENSES (Notes 24 and 31)								
Selling and marketing	718,165	26	955,875	14	1,485,960	26	2,213,515	14
General and administrative	886,565	31	1,007,436	15	1,829,481	32	1,875,227	12
Research and development	1,450,840	52	1,652,484	25	2,905,770	50	4,245,433	28
Total operating expenses	3,055,570	109	3,615,795	54	6,221,211	108	8,334,175	54
OPERATING LOSS	(2,485,284)	(88)	(3,435,813)	(51)	(5,219,496)	(91)	(8,339,657)	(54)
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 24)	306,284	11	302,572	4	634,633	11	587,383	4
Other gains and losses (Notes 12, 18 and 24)	(16,322)	(1)	1,074,564	16	(61,164)	(1)	32,101,717	206
Finance costs (Note 24)	(8,063)	-	(691)	-	(11,783)	-	(692)	-
Share of the loss of associates (Note 14)	(26,641)	(1)	(10,157)	-	(28,703)	-	(23,496)	-
Total non-operating income and expenses	255,258	9	1,366,288	20	532,983	10	32,664,912	210
(LOSS) PROFIT BEFORE INCOME TAX	(2,230,026)	(79)	(2,069,525)	(31)	(4,686,513)	(81)	24,325,255	156
INCOME TAX BENEFIT (EXPENSE) (Note 25)	1,001	-	(15,620)	-	1,983	-	(5,320,836)	(34)
(LOSS) PROFIT FOR THE PERIOD	(2,229,025)	(79)	(2,085,145)	(31)	(4,684,530)	(81)	19,004,419	122

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized income on investments in equity instruments designated as at fair value through other comprehensive income (loss)	$ 117,442	4	$ (362,536)	(5)	$ 391,956	7	$ (340,290)	(2)
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	(22,009)	(1)	543,339	8	318,914	5	356,221	2
Other comprehensive income for the period, net of income tax	95,433	3	180,803	3	710,870	12	15,931	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	$ (2,133,592)	(76)	$ (1,904,342)	(28)	$ (3,973,660)	(69)	$ 19,020,350	122
NET (LOSS) PROFIT ATTRIBUTABLE TO:								
Owners of the parent	$ (2,217,052)	(79)	$ (2,074,417)	(31)	$ (4,661,027)	(81)	$ 19,021,775	122
Non-controlling interests	(11,973)	-	(10,728)	-	(23,503)	-	(17,356)	-
	$ (2,229,025)	(79)	$ (2,085,145)	(31)	$ (4,684,530)	(81)	$ 19,004,419	122
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:								
Owners of the parent	$ (2,121,984)	(76)	$ (1,896,750)	(28)	$ (3,950,694)	(69)	$ 19,035,289	122
Non-controlling interests	(11,608)	-	(7,592)	-	(22,966)	-	(14,939)	-
	$ (2,133,592)	(76)	$ (1,904,342)	(28)	$ (3,973,660)	(69)	$ 19,020,350	122
(LOSS) EARNINGS PER SHARE (Note 26)								
Basic	$ (2.71)		$ (2.53)		$ (5.69)		$ 23.19	
Diluted	$ (2.71)		$ (2.53)		$ (5.69)		$ 22.82	

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

HTC CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent											
	Share Capital		Retained Earnings			Other Equity						
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	(Accumulated Deficits) Unappro- priated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Losses on Available-for- sale Financial Assets	Unearned Employee Benefit	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2018	$ 8,208,261	$ 15,551,491	$ 18,297,655	$ -	$ (6,093,403)	$ (2,183,148)	$ -	$ (35,690)	$ (49,590)	$ 33,695,576	$ 29,552	$ 33,725,128
Effect of retrospective application	-	-	-	-	104,732	-	(171,354)	35,690	-	(30,932)	-	(30,932)
BALANCE, JANUARY 1, 2018 AS RESTATED	8,208,261	15,551,491	18,297,655	-	(5,988,671)	(2,183,148)	(171,354)	-	(49,590)	33,664,644	29,552	33,694,196
Net profit (loss) for the six months ended June 30, 2018	-	-	-	-	19,021,775	-	-	-	-	19,021,775	(17,356)	19,004,419
Other comprehensive income and loss for the six months ended June 30, 2018	-	-	-	-	-	353,804	(340,290)	-	-	13,514	2,417	15,931
Issuance of shares from exercise of employee share options	1,490	6,631	-	-	-	-	-	-	-	8,121	-	8,121
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(43,066)	-	-	-	-	(43,066)	62,520	19,454
Share-based payments	(17,134)	17,676	-	-	-	-	-	-	17,329	17,871	-	17,871
BALANCE, JUNE 30, 2018	$ 8,192,617	$ 15,575,798	$ 18,297,655	$ -	$ 12,990,038	$ (1,829,344)	$ (511,644)	$ -	$ (32,261)	$ 52,682,859	$ 77,133	$ 52,759,992
BALANCE, JANUARY 1, 2019	$ 8,188,135	$ 15,576,268	$ 18,297,655	$ -	$ 6,194,337	$ (2,052,019)	$ (1,028,461)	$ -	$ (7,077)	$ 45,168,838	$ 51,030	$ 45,219,868
Appropriation of 2018 earnings												
Legal reserve	-	-	597,481	-	(597,481)	-	-	-	-	-	-	-
Special reserve	-	-	-	3,080,480	(3,080,480)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(311,148)	-	-	-	-	(311,148)	-	(311,148)
Net loss for the six months ended June 30, 2019	-	-	-	-	(4,661,027)	-	-	-	-	(4,661,027)	(23,503)	(4,684,530)
Other comprehensive income and loss for the six months ended June 30, 2019	-	-	-	-	-	318,377	391,956	-	-	710,333	537	710,870
Changes in capital surplus from investments in associates accounted for using the equity method	-	(60,873)	-	-	(21,700)	-	-	-	-	(82,573)	-	(82,573)
Share-based payments	(16)	(67)	-	-	-	-	-	-	6,858	6,775	-	6,775
BALANCE, JUNE 30, 2019	$ 8,188,119	$ 15,515,328	$ 18,895,136	$ 3,080,480	$ (2,477,499)	$ (1,733,642)	$ (636,505)	$ -	$ (219)	$ 40,831,198	$ 28,064	$ 40,859,262

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

HTC CORPORATION AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	$ (4,686,513)	$ 24,325,255
Adjustments for:		
Depreciation expenses	367,041	276,032
Amortization expenses	596,908	594,348
Finance costs	11,783	692
Interest income	(234,363)	(311,543)
Dividend income	(33)	-
Compensation costs of employee share-based payments	6,775	17,871
Share of the loss of associates	28,703	23,496
Net (gain) loss on disposal of property, plant and equipment	(83,621)	2,491
Net gain on disposal of assets and licensing income (Note 24)	-	(31,285,385)
Net gain on disposal of non-current assets held for sale	-	(1,077,246)
Net gain on disposal of subsidiary	-	(15,396)
Impairment loss on non-financial assets	83,218	590,490
Reversals of impairment loss on non-financial assets	(8,958)	-
Changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	60,469	(217,620)
Decrease in trade receivables	349,696	5,006,689
Decrease (increase) in other receivables	26,916	(128,042)
Decrease in inventories	103,674	1,784,313
Decrease in prepayments	629,004	292,252
Decrease (increase) in other current assets	10,499	(25,882)
(Increase) decrease in other non-current assets	(3,947)	18,259
Decrease in note and trade payables	(1,269,400)	(2,984,891)
Decrease in other payables	(1,607,456)	(1,250,120)
Increase (decrease) in provisions	33,117	(679,932)
Decrease in other current liabilities	(62,696)	(106,724)
Cash used in operating activities	(5,649,184)	(5,150,593)
Interest received	289,871	286,856
Interest paid	(11,783)	(692)
Income taxes refunded (paid)	14,453	(133,055)
Net cash used in operating activities	(5,356,643)	(4,997,484)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(153,254)	(144,463)
Return of investments accounted for fair value through other comprehensive income	119,006	-
Purchase of financial assets at fair value through profit or loss	(30,565)	(28,926)

(Continued)

HTC CORPORATION AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2019	**2018**
Acquisition of investments accounted for using the equity method	$ (171,767)	$ -
Net cash inflow on disposal of subsidiary	-	106,918
Proceeds from disposal of non-current assets held for sale	-	2,748,931
Payments for property, plant and equipment	(75,089)	(283,379)
Proceeds from disposal of property, plant and equipment	87,639	81,649
Decrease in advance receipts - disposal of property	-	(1,374,465)
Decrease in refundable deposits	3,798	6,079
Payments for intangible assets	(4,201)	-
Proceeds from disposal of intangible assets	4,732	-
Increase in other financial assets	-	(8,886,167)
Decrease in other financial assets	8,929,310	-
Dividends received	33	-
Proceeds from disposal of assets and licensing income (Note 24)	-	31,285,385
Net cash generated from investing activities	8,709,642	23,511,562
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	36,567	104,860
Repayment of the principal portion of lease liabilities	(53,334)	-
Proceeds from exercise of employee share options	-	8,121
Change in non-controlling interests	-	19,454
Net cash (used in) generated from financing activities	(16,767)	132,435
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	265,318	221,359
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,601,550	18,867,872
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	24,449,548	10,443,227
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 28,051,098	$ 29,311,099

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

1. GENERAL INFORMATION

HTC Corporation (HTC) was incorporated on May 15, 1997 under the Company Law of Taiwan, the Republic of China. HTC and its subsidiaries (collectively referred to as the "Company") are engaged in designing, manufacturing, assembling, processing, and selling smart mobile and virtual reality 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 HTC's Board of Directors and authorized for issue on August 2, 2019.

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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   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 IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

   <u>IFRS 16 "Leases"</u>

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

   <u>Definition of a lease</u>

   The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

The range of lessee’s incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was between 0.5% - 10%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of operating lease commitments on December 31, 2018	$ 396,862
Less: Recognition exemption for short-term leases	(21,753)
Undiscounted amounts on January 1, 2019	$ 375,109
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 361,868
Add: Adjustments as a result of a different treatment of extension and termination options	18,649
Lease liabilities recognized on January 1, 2019	$ 380,517

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 380,517	$ 380,517
Total effect on assets	$ -	$ 380,517	$ 380,517
Lease liabilities - current	$ -	$ 133,686	$ 133,686
Lease liabilities - non-current	-	246,831	246,831
Total effect on liabilities	$ -	$ 380,517	$ 380,517

b. New IFRSs endorsed and issued into effect in 2019 by the FSC

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above 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.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
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
IFRS 17 “Insurance Contracts”	January 1, 2021

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

As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

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. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

See Note 13 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 they are 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; 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 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.

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

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

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

Under the equity method, investments in an associate 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. The Company also recognizes the changes in the equity of associates attributable to the Company.

When the Company subscribes for additional new shares of the associate 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. 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, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate 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 equals or exceeds its interest in that associate (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), 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.

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 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 an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that 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.

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

Property, Plant and Equipment

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

For a transfer from the property, plant and equipment classification to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount.

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 (referred to as "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.

The 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.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

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 FVTPL) 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 FVTPL are recognized immediately in profit or loss.

a. Financial assets

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

   1) Measurement category

      Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

      a) Financial assets at FVTPL

         Financial assets are classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

         Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 30.

      b) Financial assets at amortized cost

         Financial assets that meet the following conditions are subsequently measured at amortized cost:

         i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

         ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other current financial assets and other receivables and refundable deposits, are measured at amortized cost, which equals to their gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

ii. Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is in contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, operating lease receivables, as well as contract assets.

The Company always recognizes lifetime Expected Credit Losses (i.e. ECLs) for trade receivables and operating lease receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of the financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

3) 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.

Before 2018, 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 is recognized in profit or loss. From 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, 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 is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. 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.

c. Financial liabilities

1) Subsequent measurement

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

- Financial liabilities at FVTPL

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

  Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 30.

2) 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.

d. Derivative financial instruments

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

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 hedged relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. From 2018, derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

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. Onerous contracts

Onerous contracts are those in which the Company’s unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

Revenue Recognition

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

a. Revenue from the sale of goods

   Revenue from the sale of goods comes from sales of electronic equipment. Sales of electronic equipment are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

   The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

b. Revenue from the rendering of services

   Revenue from the rendering of services comes from product design, online subscription content service, device examinations, and extended warranty services.

c. Licensing revenue

   The Company does not promise to undertake activities that will change the functionality of the software in a software licensing transaction. Furthermore, the software remains functional without the updates and the technical support. Therefore, the upfront royalty is recognized as revenue when the patents subsequent usage occurs.

Leasing

<u>2019</u>

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

a. The Company as lessor

   Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The current lease contract of the Company are all operating leases.

   Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

   When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

<u>2018</u>

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Company as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

c. Leasehold land for own use

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

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.

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

Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

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

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 of unappropriated earnings is provided for as income tax in the year the shareholders 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 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

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.

d. Interim period tax

Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income and the tax rate that would be applicable to expected total annual earnings.

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, 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. 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.

Impairment loss on tangible and intangible assets other than goodwill recognized were reversed NT$8,958 thousand for the six months ended June 30, 2019.

b. 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 June 30, 2019, December 31, 2018 and June 30, 2018, the carrying amounts of inventories were NT$3,114,753 thousand, NT$3,301,645 thousand and NT$5,006,623 thousand, respectively.

c. 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 accounting estimates. Any change in global economy, industry environment and regulations might cause material adjustments to deferred tax assets.

As of June 30, 2019, December 31, 2018 and June 30, 2018, the carrying amounts of deferred tax assets were NT$3,967,204 thousand, NT$3,957,060 thousand and NT$3,937,116 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	$ 1,171	$ 1,559	$ 1,715
Checking accounts and demand deposits	12,803,062	10,557,535	10,474,366
Time deposits (with original maturities of less than three months)	15,246,865	13,890,454	18,835,018
	$ 28,051,098	$ 24,449,548	$ 29,311,099

7. FINANCIAL INSTRUMENTS AT FAIR VALUE

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange contracts	$ 109,519	$ 83,411	$ 541,782
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Convertible bonds	245,658	214,340	141,044
Warrants	24,233	22,124	15,856
	$ 379,410	$ 319,875	$ 698,682
Current	$ 109,519	$ 83,411	$ 541,782
Non-current	269,891	236,464	156,900
	$ 379,410	$ 319,875	$ 698,682

(Continued)

	June 30, 2019	December 31, 2018	June 30, 2018
Financial liabilities - current			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange contracts	$ 168,733	$ 82,156	$ 334,147

(Concluded)

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 are as follows:

Forward Exchange Contracts

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)
June 30, 2019				
Foreign exchange contracts	Sell	USD/NTD	2019.7.5-2019.7.12	USD 200,000
Foreign exchange contracts	Sell	JPY/USD	2019.7.24-2019.8.21	JPY 5,100,000
Foreign exchange contracts	Sell	GBP/USD	2019.7.26-2019.8.16	GBP 6,000
Foreign exchange contracts	Sell	AUD/USD	2019.7.5	AUD 1,000
Foreign exchange contracts	Sell	CAD/USD	2019.7.12	CAD 6,000
Foreign exchange contracts	Sell	EUR/USD	2019.7.10-2019.7.26	EUR 18,000
Foreign exchange contracts	Sell	RMB/USD	2019.7.5-2019.7.26	RMB 163,225
Foreign exchange contracts	Buy	RMB/USD	2019.7.5-2019.8.21	RMB 850,405
Foreign exchange contracts	Buy	USD/NTD	2019.7.5-2019.8.16	USD 544,500
Foreign exchange contracts	Buy	JPY/USD	2019.7.17-2019.8.21	JPY 1,818,335
Foreign exchange contracts	Buy	EUR/USD	2019.7.10-2019.7.26	EUR 34,000
Foreign exchange contracts	Buy	AUD/USD	2019.7.5-2019.7.24	AUD 9,000
Foreign exchange contracts	Buy	GBP/USD	2019.7.10-2019.8.14	GBP 14,000
December 31, 2018				
Foreign exchange contracts	Sell	USD/NTD	2019.1.9	USD 120,000
Foreign exchange contracts	Sell	EUR/USD	2019.1.23-2019.3.6	EUR 16,000
Foreign exchange contracts	Sell	JPY/USD	2019.1.9-2019.3.8	JPY 3,200,000
Foreign exchange contracts	Sell	GBP/USD	2019.1.9-2019.3.6	GBP 28,000
Foreign exchange contracts	Sell	CAD/USD	2019.1.23	CAD 6,000
Foreign exchange contracts	Sell	AUD/USD	2019.1.16	AUD 1,000
Foreign exchange contracts	Sell	RMB/USD	2019.1.11-2019.3.6	RMB 404,984
Foreign exchange contracts	Buy	RMB/USD	2019.1.9-2019.3.6	RMB 1,317,332
Foreign exchange contracts	Buy	JPY/USD	2019.1.9-2019.2.15	JPY 1,718,335
Foreign exchange contracts	Buy	USD/NTD	2019.1.9-2019.3.8	USD 594,500
Foreign exchange contracts	Buy	EUR/USD	2019.1.9-2019.3.6	EUR 40,000
Foreign exchange contracts	Buy	GBP/USD	2019.1.9-2019.2.22	GBP 30,000
Foreign exchange contracts	Buy	AUD/USD	2019.1.16-2019.2.22	AUD 9,000

(Continued)

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
June 30, 2018					
Foreign exchange contracts	Sell	USD/NTD	2018.07.06-2018.07.13	USD	218,048
Foreign exchange contracts	Sell	JPY/USD	2018.07.06-2018.08.08	JPY	2,800,000
Foreign exchange contracts	Sell	GBP/USD	2018.07.13-2018.08.29	GBP	4,000
Foreign exchange contracts	Sell	AUD/USD	2018.07.06	AUD	1,000
Foreign exchange contracts	Sell	CAD/USD	2018.07.13	CAD	6,000
Foreign exchange contracts	Sell	RMB/USD	2018.07.06-2018.08.10	RMB	367,200
Foreign exchange contracts	Buy	RMB/USD	2018.07.06-2018.08.29	RMB	1,229,168
Foreign exchange contracts	Buy	USD/NTD	2018.07.06-2018.08.29	USD	654,500
Foreign exchange contracts	Buy	JPY/USD	2018.07.18-2018.07.27	JPY	2,418,335
Foreign exchange contracts	Buy	EUR/USD	2018.07.06-2018.07.27	EUR	34,000
Foreign exchange contracts	Buy	AUD/USD	2018.07.06-2018.07.25	AUD	9,000
Foreign exchange contracts	Buy	GBP/USD	2018.07.06-2018.08.10	GBP	9,000

(Concluded)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	June 30, 2019	December 31, 2018	June 30, 2018
Domestic investments			
Listed shares and emerging market shares	$ 84,608	$ 83,383	$ 97,943
Unlisted shares	423,277	388,700	559,497
	507,885	472,083	657,440
Foreign investments			
Listed shares	827,135	409,412	442,106
Unlisted shares	1,077,605	1,103,891	1,389,484
Unlisted beneficiary certificate	774,110	749,046	723,612
	2,678,850	2,262,349	2,555,202
	$ 3,186,735	$ 2,734,432	$ 3,212,642
Current	$ 827,135	$ 409,412	$ 442,106
Non-current	2,359,600	2,325,020	2,770,536
	$ 3,186,735	$ 2,734,432	$ 3,212,642

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term business development strategic purposes. Accordingly, the Company’s management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Company’s strategy of holding these investments for long-term purposes.

9. OTHER FINANCIAL ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Time deposits with original maturities more than three months	$ 8,140,163	$ 17,069,473	$ 16,874,530
Current	$ 7,984,820	$ 16,915,835	$ 16,722,067
Non-current	155,343	153,638	152,463
	$ 8,140,163	$ 17,069,473	$ 16,874,530

For details of pledged other financial assets, refer to Note 32.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	June 30, 2019	December 31, 2018	June 30, 2018
Trade and overdue receivables			
At amortized cost			
Trade receivables	$ 1,706,044	$ 2,055,256	$ 4,035,596
Trade receivables - related parties	32	516	277
Overdue receivables	1,840,947	1,840,947	1,840,947
Less: Allowances for impairment loss	(372,622)	(372,622)	(509,052)
Less: Allowances for impairment loss - overdue receivables	(1,840,947)	(1,840,947)	(1,840,947)
	$ 1,333,454	$ 1,683,150	$ 3,526,821
Current	$ 1,333,454	$ 1,683,150	$ 3,526,821
Non-current	-	-	-
	$ 1,333,454	$ 1,683,150	$ 3,526,821
Other receivables			
Receivables from the disposal of investments	$ 1,315,474	$ 1,307,435	$ 1,317,844
Interest receivables	290,808	344,949	272,069
VAT refund receivables	36,307	77,375	56,863
Others	35,799	21,647	151,328
Less: Allowances for impairment loss	(1,539,105)	(1,529,699)	(1,541,878)
	$ 139,283	$ 221,707	$ 256,226
Current - other receivables	$ 139,283	$ 221,707	$ 256,226
Non-current - other receivables	-	-	-
	$ 139,283	$ 221,707	$ 256,226

a. Trade receivables at amortized cost

The average credit period of the sale of goods was 30-75 days. No interest was charged on trade receivables for the first 75 days from the date of the invoice. Thereafter, interest was charged at 1-18% per annum on the outstanding balance. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits annually.

In order to minimize credit risk, the Company's management has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the Company's management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss allowances for all trade receivables. The expected credit losses on trade receivables are estimated using an allowance matrix with reference to past default experiences of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's allowance matrix.

June 30, 2019

	Non Past Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-7%	4%-50%	10%-100%	100%	
Gross carrying amount	$ 1,405,734	$ 34,146	$ -	$ 266,196	$ 1,706,076
Loss allowance (Lifetime ECL)	(91,421)	(15,005)	-	(266,196)	(372,622)
Amortized cost	$ 1,314,313	$ 19,141	$ -	$ -	$ 1,333,454

December 31, 2018

	Non Past Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	$ 1,533,337	$ 79,247	$ 136,367	$ 306,821	$ 2,055,772
Loss allowance (Lifetime ECL)	(41,858)	(3,697)	(20,246)	(306,821)	(372,622)
Amortized cost	$ 1,491,479	$ 75,550	$ 116,121	$ -	$ 1,683,150

June 30, 2018

	Non Past Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	$ 3,294,056	$ 258,597	$ 142,036	$ 341,184	$ 4,035,873
Loss allowance (Lifetime ECL)	-	(51,903)	(115,965)	(341,184)	(509,052)
Amortized cost	$ 3,294,056	$ 206,694	$ 26,071	$ -	$ 3,526,821

No difference in the allowances for impairment loss on June 30, 2019 and 2018 compared to January 1, 2019 and 2018.

b. Other receivables

Receivables from disposal of investments are derived from the sale of shares of Saffron Media Group Ltd. in 2013. While the receivables had not been collected yet, the loss allowance was recognized based on the credit risk as of June 30, 2019.

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

The movements of the loss allowance of other receivables are as follows:

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	$ 1,529,699	$ 1,551,542
Foreign exchange gains and losses	9,406	(9,664)
Balance at June 30	$ 1,539,105	$ 1,541,878

11. INVENTORIES

	June 30, 2019	December 31, 2018	June 30, 2018
Finished goods	$ 996,048	$ 917,762	$ 1,187,595
Work-in-process	24,769	38,522	41,077
Semi-finished goods	578,037	446,472	806,149
Raw materials	1,511,681	1,865,266	2,842,653
Inventory in transit	4,218	33,623	129,149
	$ 3,114,753	$ 3,301,645	$ 5,006,623

The cost of inventories recognized as operating costs for the six months ended June 30, 2019 and 2018 were NT$83,218 thousand and NT$590,490 thousand, respectively.

12. PREPAYMENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Prepaid software	$ 155,114	$ 162,132	$ 203,240
Prepayments to suppliers	68,971	171,601	45,434
Net input VAT	24,380	522,315	558,307
Royalties	21,322	28,429	2,426,681
Prepaid equipment	18,774	12,888	32,916
Others	287,664	302,544	364,725
	$ 576,225	$ 1,199,909	$ 3,631,303
Current	$ 531,295	$ 1,160,299	$ 1,444,846
Non-current	44,930	39,610	2,186,457
	$ 576,225	$ 1,199,909	$ 3,631,303

Prepayments for royalties were primarily for the procurement of royalty rights and were classified as current or non-current in accordance with their nature. For the year ended December 31, 2018, the Company determined that the carrying amount of some of the prepayments for software and royalties were expected to be unrecoverable, and thus recognized an impairment loss of NT$2,248,030 thousand classified as other gains and losses. Refer to the consolidated financial statements for the year ended December 31, 2018. For details of content of contracts, refer to Note 35.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

The consolidated entities as of June 30, 2019, December 31, 2018 and June 30, 2018 are as follows:

Investor	Investee	Main Businesses	% of Ownership June 30, 2019	% of Ownership December 31, 2018	% of Ownership June 30, 2018	Remark
HTC Corporation	H.T.C. (B.V.I.) Corp.	International holding company and general investing activities	100.00	100.00	100.00	-
	High Tech Computer Asia Pacific Pte. Ltd.	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	-
	HTC Investment Corporation	General investing activities	100.00	100.00	100.00	-
	PT. High Tech Computer Indonesia	Marketing, repair and after-sales services	1.00	1.00	1.00	-
	HTC Holding Cooperatief U.A.	International holding company	0.01	0.01	0.01	-
	HTC Investment One (BVI) Corporation	Holding S3 Graphics Co., Ltd. and general investing activities	100.00	100.00	100.00	-
	HTC Investment (BVI) Corporation	General investing activities	100.00	100.00	100.00	-
	HTC VIVE Holding (BVI) Corp.	International holding company	100.00	100.00	100.00	-
	HTC VIVE Investment (BVI) Corp.	General investing activities	100.00	100.00	100.00	-
	DeepQ Holding (BVI) Corp.	International holding company	100.00	100.00	100.00	-
	HTC VR Content (BVI) Corp.	〃	100.00	100.00	100.00	
	HTC Smartphone (BVI) Corp.	〃	100.00	100.00	100.00	
H.T.C. (B.V.I.) Corp.	High Tech Computer Corp. (Suzhou)	Manufacture and sale of smart mobile devices	100.00	100.00	100.00	2)
High Tech Computer Asia Pacific Pte. Ltd.	HTC (Australia and New Zealand) PTY. Ltd.	Marketing, repair and after-sales services	100.00	100.00	100.00	-
	HTC Philippines Corporation	〃	99.99	99.99	99.99	-
	PT. High Tech Computer Indonesia	〃	99.00	99.00	99.00	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership June 30, 2019	% of Ownership December 31, 2018	% of Ownership June 30, 2018	Remark
	HTC (Thailand) Limited	〃	100.00	100.00	100.00	-
	HTC India Private Ltd.	〃	99.00	99.00	99.00	-
	HTC Malaysia Sdn. Bhd.	〃	100.00	100.00	100.00	-
	HTC Communication Co., Ltd.	Manufacture and sale of smart mobile devices and after-sales services	100.00	100.00	100.00	-
	HTC HK, Limited	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	-
	HTC Holding Cooperatief U.A.	International holding company	99.99	99.99	99.99	-
	HTC Communication Technologies (SH)	Design, research and development of application software	100.00	100.00	100.00	-
	HTC Vietnam Services One Member Limited Liability Company	Marketing, repair and after-sales services	100.00	100.00	100.00	-
	HTC Myanmar Company Limited	〃	99.00	99.00	99.00	-
HTC Investment One (BVI) Corporation	S3 Graphics Co., Ltd.	Design, research and development of graphics technology	100.00	100.00	100.00	-
HTC Communication Technologies (SH)	HTC Communication (BJ) Tech Co.	Design, research and development of application software	100.00	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	100.00	-
	HTC Electronics (Shanghai) Co., Ltd.	Manufacture and sale of smart mobile devices	100.00	100.00	100.00	-
	HTC Myanmar Company Limited	Marketing, repair and after-sales services	1.00	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	100.00	-
	HTC India Private Ltd.	Marketing, repair and after-sales services	1.00	1.00	1.00	-
	HTC South Eastern Europe Limited Liability Company	〃	0.67	0.67	0.67	-
	HTC Communication Solutions Mexico, S.A DE C.V.	〃	1.00	1.00	1.00	-
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	1.00	1.00	1.00	-
HTC Netherlands B.V.	HTC EUROPE CO., LTD.	International holding company marketing, repair and after-sales services	100.00	100.00	100.00	-
	HTC BRASIL	Marketing, repair and after-sales services	99.99	99.99	99.99	-
	HTC Belgium BVBA/SPRL	〃	100.00	100.00	100.00	-
	HTC NIPPON Corporation	Sale of smart mobile devices	100.00	100.00	100.00	-
	HTC FRANCE CORPORATION	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	-
	HTC South Eastern Europe Limited liability Company	Marketing, repair and after-sales services	99.33	99.33	99.33	-
	HTC Nordic ApS.	〃	100.00	100.00	100.00	-
	HTC Italia SRL	〃	100.00	100.00	100.00	-
	HTC Germany GmbH	〃	100.00	100.00	100.00	-
	HTC Iberia, S.L.	〃	100.00	100.00	100.00	-
	HTC Poland sp. z.o.o.	〃	100.00	100.00	100.00	-
	HTC Communication Canada, Ltd.	〃	100.00	100.00	100.00	-
	HTC Communication Sweden AB	〃	100.00	100.00	100.00	-
	HTC Luxembourg S.a.r.l.	Online/download media services	100.00	100.00	100.00	-
	HTC Middle East FZ-LLC	Marketing, repair and after-sales services	100.00	100.00	100.00	-
	HTC Communication Solutions Mexico, S.A DE C.V.	Marketing, repair and after-sales services	99.00	99.00	99.00	-
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	99.00	99.00	99.00	-
	HTC Czech RC s.r.o.	Smart mobile devices examination and after-sale services and technique consultations	-	-	100.00	1)

(Continued)

Investor	Investee	Main Businesses	% of Ownership June 30, 2019	% of Ownership December 31, 2018	% of Ownership June 30, 2018	Remark
HTC EUROPE CO., LTD.	HTC America Holding Inc.	International holding company	100.00	100.00	100.00	-
HTC America Holding Inc.	HTC America Inc.	Sale of smart mobile devices	100.00	100.00	100.00	-
	One & Company Design, Inc.	Design, research and development of application software	100.00	100.00	100.00	-
	HTC America Innovation Inc.	〃	100.00	100.00	100.00	-
	HTC America Content Services, Inc.	Online/download media services	100.00	100.00	100.00	-
	Dashwire, Inc.	Design and management of cloud synchronization technology	100.00	100.00	100.00	-
	Inquisitive Minds, Inc.	Development and sale of digital education platform	100.00	100.00	100.00	-
HTC VIVE Holding (BVI) Corp.	HTC VIVE TECH (BVI) Corp.	International holding company	100.00	100.00	100.00	-
HTC VIVE TECH (BVI) Corp.	HTC VIVE TECH Corp.	Research, development and sale of virtual reality devices	100.00	100.00	100.00	-
	HTC VIVE TECH (HK) Limited	〃	100.00	100.00	100.00	-
HTC VIVE TECH (HK) Limited	HTC VIVE TECH (UK) Limited	Research, development and sale of virtual reality devices	100.00	100.00	100.00	-
	HTC VIVE TECH (Beijing)	〃	100.00	100.00	100.00	-
DeepQ Holding (BVI) Corp.	DeepQ (BVI) Corp.	International holding company	100.00	100.00	100.00	-
DeepQ (BVI) Corp.	DeepQ Technology Corp.	Medical technology and health care	100.00	100.00	100.00	-
	DeepQ Technology (Beijing)	Development and marketing of softwares technology	100.00	100.00	100.00	
HTC Investment (BVI) Corporation	VRChat, Inc.	Development of virtual reality contents	51.26	51.26	51.26	
VRChat, Inc.	VRChat Ca. Development Inc.	Development of virtual reality contents	100.00	100.00	100.00	
HTC VR Content (BVI) Corp.	Uomo Vitruviano Corp.	Development of virtual reality contents	100.00	100.00	100.00	

(Concluded)

Remark:

1) The liquidation process of HTC Czech RC s.r.o. has been completed on December 18, 2018.

2) The dissolution of High Tech Computer Corp. (Suzhou) was approved in its shareholders' meeting held on November 20, 2017 and liquidation processes had been completed on July 5, 2019.

b. Subsidiaries excluded from consolidated financial statements: None.

c. Details of subsidiaries that have material non-controlling interests: None.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2019	December 31, 2018	June 30, 2018
Investment in associates	$ 512,094	$ 446,133	$ 397,903

Investments in Associates - Associates That Are Not Individually Material

	June 30, 2019	December 31, 2018	June 30, 2018
Unlisted equity investment			
East West Artists, LLC	$ 24,277	$ 25,778	$ 25,840
Steel Wool Games, Inc.	87,044	89,641	91,558
Surgical Theater, LLC	246,604	265,546	273,597
MOR Museum Inc.	48,476	-	-
Gui Zhou Wei Ai Educational Technology Co., Ltd.	105,693	65,168	6,908
	$ 512,094	$ 446,133	$ 397,903

At the end of the reporting periods, the percentages of ownership and voting rights in associates held by the Company are as follows:

Name of Associate	June 30, 2019	December 31, 2018	June 30, 2018
East West Artists, LLC	30.00%	30.00%	30.00%
Steel Wool Games, Inc.	49.00%	49.00%	49.00%
Surgical Theater, LLC	16.68%	16.68%	16.68%
MOR Museum Inc.	25.00%	-	-
Gui Zhou Wei Ai Educational Technology Co., Ltd.	26.05%	23.20%	25.00%

Aggregate information of associates that are not individually material:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
The Company’s share of:				
Loss from continuing operations	$ (26,641)	$ (10,157)	$ (28,703)	$ (23,496)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	$ (26,641)	$ (10,157)	$ (28,703)	$ (23,496)

Investments accounted for using 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 reviewed. The Company’s management believes there is no material impact arising from applying the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, due to the investee entities’ financial statement were not been reviewed.

15. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2019	December 31, 2018	June 30, 2018
Carrying amounts			
Land	$ 4,674,086	$ 4,673,376	$ 4,676,054
Buildings	2,870,434	2,949,910	3,037,167
Machinery and equipment	399,147	492,239	397,279
Other equipment	282,523	310,361	393,233
	$ 8,226,190	$ 8,425,886	$ 8,503,733

Movement of property, plant and equipment for the six months ended June 30, 2019 and 2018 were as follows:

	2019				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance, beginning of period	$ 4,673,376	$ 4,529,692	$ 5,401,732	$ 1,802,278	$ 16,407,078
Additions	-	5,278	13,559	24,284	43,121
Disposals	-	-	(1,656,632)	(293,568)	(1,950,200)
Effect of foreign currency exchange differences	710	2,639	4,892	7,386	15,627
Balance, end of period	4,674,086	4,537,609	3,763,551	1,540,380	14,515,626
Accumulated depreciation					
Balance, beginning of period	-	1,579,782	4,659,017	1,481,157	7,719,956
Depreciation expenses	-	87,064	105,146	52,892	245,102
Disposals	-	-	(1,536,558)	(287,606)	(1,824,164)
Effect of foreign currency exchange differences	-	329	3,496	5,499	9,324
Balance, end of period	-	1,667,175	3,231,101	1,251,942	6,150,218
Accumulated impairment					
Balance, beginning of period	-	-	250,476	10,760	261,236
Disposals	-	-	(117,173)	(4,845)	(122,018)
Balance, end of period	-	-	133,303	5,915	139,218
Net book value, end of period	$ 4,674,086	$ 2,870,434	$ 399,147	$ 282,523	$ 8,226,190

	2018				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance, beginning of period	$ 4,676,726	$ 7,383,032	$ 12,901,808	$ 2,219,343	$ 27,180,909
Additions	-	45,816	188,925	53,625	288,366
Disposals	-	(48,259)	(2,053,268)	(128,833)	(2,230,360)
Reclassified as non-current assets held for sale	-	-	(2,619)	-	(2,619)
Reclassified as investment properties	-	(2,805,786)	-	-	(2,805,786)
Disposal of subsidiary	-	-	(824,206)	(48,758)	(872,964)
Effect of foreign currency exchange differences	(672)	(2,556)	11,370	9,159	17,301
Balance, end of period	4,676,054	4,572,247	10,222,010	2,104,536	21,574,847

(Continued)

	2018				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
Accumulated depreciation					
Balance, beginning of period	$ -	$ 2,122,305	$ 11,640,682	$ 1,757,876	$ 15,520,863
Depreciation expenses	-	97,338	64,294	72,978	234,610
Disposals	-	(37,376)	(1,981,548)	(118,873)	(2,137,797)
Reclassified as non-current assets held for sale	-	-	(1,885)	-	(1,885)
Reclassified as investment properties	-	(646,766)	-	-	(646,766)
Disposal of subsidiary	-	-	(750,842)	(16,952)	(767,794)
Effect of foreign currency exchange differences	-	(421)	9,654	6,893	16,126
Balance, end of period	-	1,535,080	8,980,355	1,701,922	12,217,357
Accumulated impairment					
Balance, beginning of period	-	-	843,747	17,686	861,433
Disposals	-	-	-	(8,423)	(8,423)
Effect of foreign currency exchange differences	-	-	629	118	747
Balance, end of period	-	-	844,376	9,381	853,757
Net book value, end of period	$ 4,676,054	$ 3,037,167	$ 397,279	$ 393,233	$ 8,503,733

(Concluded)

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

Buildings	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 are depreciated over their estimated useful lives of 40 to 50 years, 20 years and 5 to 10 years, respectively.

The Company leased part of the buildings in February 2018 and November 2018. The leased assets were reclassified as investment properties because the standards related to investment properties are applied on leased assets. For the details, refer to Note 17.

There were no capitalized interests for the six months ended June 30, 2019 and 2018.

16. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	June 30, 2019
Carrying amounts	
Buildings	$ 451,962

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Additions to right-of-use assets	$ 139,038	$ 140,350
Depreciation charge for right-of-use assets		
Buildings	$ 36,705	$ 71,587

b. Lease liabilities - 2019

	June 30, 2019
Carrying amounts	
Current	$ 143,796
Non-current	$ 326,242

Range of discount rate for lease liabilities was as follows:

	June 30, 2019
Buildings	0.5%-10%

c. Material lease-in activities and terms

The Company leases certain buildings for the use of plants and offices with original lease terms of 2 to 10 years. The Company does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 17.

2019

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Expenses relating to short-term leases	$ 8,195	$ 19,788
Total cash outflow for leases	$ (38,332)	$ (79,891)

The Company leases certain office equipment and other equipment which qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of operating lease commitments were as follows:

	December 31, 2018	June 30, 2018
Not later than 1 year	$ 118,916	$ 131,428
Later than 1 year and not later than 5 years	248,997	247,327
Later than 5 years	28,949	44,705
	$ 396,862	$ 423,460

17. INVESTMENT PROPERTIES, NET

Movement of investment properties, net for the six months ended June 30, 2019 and 2018 were as follows:

	2019	2018
Cost		
Balance, beginning of period	$ 2,872,143	$ -
Reclassification	-	2,805,786
Balance, end of period	2,872,143	2,805,786
Accumulated depreciation		
Balance, beginning of period	781,917	-
Depreciation expense	50,352	41,422
Reclassification	-	646,766
Balance, end of period	832,269	688,188
Net book value, end of period	$ 2,039,874	$ 2,117,598

The abovementioned investment properties were leased out for 3 to 5 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties as of June 30, 2019 was as follows:

	June 30, 2019
Year 1	$ 585,869
Year 2	598,761
Year 3	566,902
Year 4	40,917
	$ 1,792,449

The future minimum lease payments under operating lease commitments as of December 31, 2018 and June 30, 2018 were as follows:

	December 31, 2018	June 30, 2018
Not later than 1 year	$ 528,825	$ 463,484
Later than 1 year and not later than 5 years	1,370,236	38,624
Later than 5 years	-	-
	$ 1,899,061	$ 502,108

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

Main buildings	40-50 years
Electricity Distribution System	20 years
Air-conditioning	5-10 years
Others	3-5 years

The determination of fair value in December 31, 2018 and 2017 was performed by dependent qualified professional appraisers and the fair value was measured by using Level 3 inputs, respectively. There was no significant change in the fair value of June 30, 2019 and 2018 compared to December 31, 2018 and 2017. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value as of December 31, 2018 and 2017 were NT$2,743,226 thousand and NT$2,467,267 thousand, respectively.

18. INTANGIBLE ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Carrying amounts			
Patents	$ 486,424	$ 1,060,183	$ 1,626,785
Goodwill	69,787	69,021	68,422
Other intangible assets	47,372	52,052	56,573
	$ 603,583	$ 1,181,256	$ 1,751,780

Movements of intangible assets for the six months ended June 30, 2019 and 2018 were as follows:

	2019			
	Patents	Goodwill	Other Intangible Assets	Total
Cost				
Balance, beginning of period	$ 11,734,540	$ 729,299	$ 1,819,813	$ 14,283,652
Additions	-	-	4,201	4,201
Disposals	-	-	(4,732)	(4,732)
Effect of foreign currency exchange differences	102,300	6,160	6,744	115,204
Balance, end of period	11,836,840	735,459	1,826,026	14,398,325

(Continued)

	2019			
	Patents	**Goodwill**	**Other Intangible Assets**	**Total**
Accumulated amortization				
Balance, beginning of period	$ 10,563,272	$ -	$ 1,567,249	$ 12,130,521
Amortization expenses	583,801	-	13,107	596,908
Effect of foreign currency exchange differences	92,258	-	4,588	96,846
Balance, end of period	11,239,331	-	1,584,944	12,824,275
Accumulated impairment				
Balance, beginning of period	111,085	660,278	200,512	971,875
Reversed	-	-	(8,958)	(8,958)
Effect of foreign currency exchange differences	-	5,394	2,156	7,550
Balance, end of period	111,085	665,672	193,710	970,467
Net book value, end of period	$ 486,424	$ 69,787	$ 47,372	$ 603,583

(Concluded)

	2018			
	Patents	**Goodwill**	**Other Intangible Assets**	**Total**
Cost				
Balance, beginning of period	$ 11,467,990	$ 713,250	$ 1,753,620	$ 13,934,860
Effect of foreign currency exchange differences	196,050	11,733	11,243	219,026
Balance, end of period	11,664,040	724,983	1,764,863	14,153,886
Accumulated amortization				
Balance, beginning of period	9,201,918	-	1,497,864	10,699,782
Amortization expenses	557,320	-	37,028	594,348
Effect of foreign currency exchange differences	166,932	-	7,516	174,448
Balance, end of period	9,926,170	-	1,542,408	11,468,578
Accumulated impairment				
Balance, beginning of period	111,085	646,225	162,327	919,637
Effect of foreign currency exchange differences	-	10,336	3,555	13,891
Balance, end of period	111,085	656,561	165,882	933,528
Net book value, end of period	$ 1,626,785	$ 68,422	$ 56,573	$ 1,751,780

The Company owns patents of graphics technologies. As of June 30, 2019, December 31, 2018 and June 30, 2018, the carrying amounts of such patents were NT$485,445 thousand, NT$1,056,258 thousand and NT$1,619,914 thousand, respectively. The patents will be fully amortized over their remaining economic lives.

19. NOTE AND TRADE PAYABLES

	June 30, 2019	December 31, 2018	June 30, 2018
Notes payable	$ 552	$ 560	$ 3,542
Trade payables	8,539,828	9,808,128	11,577,715
Trade payables - related parties	3,067	4,159	3,074
	$ 8,543,447	$ 9,812,847	$ 11,584,331

The average term of payment is two to four months. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. According to the payment obligations adjusted by periodical negotiation with suppliers, it was recognized as an adjustment to operating costs or expenses by its nature.

20. OTHER LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Other payables			
Accrued expenses	$ 7,582,502	$ 9,189,958	$ 10,353,049
Cash dividend payable	311,148	-	-
Payables for purchase of equipment	7,253	33,335	42,062
	$ 7,900,903	$ 9,223,293	$ 10,395,111
Other liabilities			
Advance receipts	$ 642,928	$ 638,340	$ 837,961
Agency receipts	77,448	102,714	76,213
Others	170,375	212,393	453,294
	$ 890,751	$ 953,447	$ 1,367,468

Accrued Expenses

	June 30, 2019	December 31, 2018	June 30, 2018
Marketing	$ 2,999,820	$ 4,071,201	$ 4,837,010
Salaries, bonuses and compensation	1,727,695	2,173,295	2,210,457
Services	1,099,318	958,328	1,076,179
Materials and molding expenses	1,051,786	1,073,179	1,192,893
Import, export and freight	96,994	188,684	147,271
Insurance	70,369	72,465	98,019
Repairs, maintenance and sundry purchase	50,699	46,872	71,809
Others	485,821	605,934	719,411
	$ 7,582,502	$ 9,189,958	$ 10,353,049

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

21. PROVISIONS

	June 30, 2019	December 31, 2018	June 30, 2018
Warranties	$ 1,696,462	$ 1,943,976	$ 2,502,886
Others	340,845	60,214	194,383
	$ 2,037,307	$ 2,004,190	$ 2,697,269

Movement of provisions for the six months ended June 30, 2019 and 2018 are as follows:

	2019		
	Warranty Provision	Others	Total
Balance, beginning of period	$ 1,943,976	$ 60,214	$ 2,004,190
Provisions recognized	105,385	320,074	425,459
Usage	(355,627)	(39,304)	(394,931)
Effect of foreign currency exchange differences	2,728	(139)	2,589
Balance, end of period	$ 1,696,462	$ 340,845	$ 2,037,307

	2018		
	Warranty Provision	Others	Total
Balance, beginning of period	$ 2,795,933	$ 581,268	$ 3,377,201
Provisions recognized (reversed)	673,301	(310,510)	362,791
Usage	(969,290)	(76,375)	(1,045,665)
Effect of foreign currency exchange differences	2,942	-	2,942
Balance, end of period	$ 2,502,886	$ 194,383	$ 2,697,269

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.

Onerous contracts are those in which the Company’s unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

22. EQUITY

Share Capital

a. Ordinary shares

	June 30, 2019	December 31, 2018	June 30, 2018
Numbers of shares authorized (in thousands of shares)	1,000,000	1,000,000	1,000,000
Shares authorized	$ 10,000,000	$ 10,000,000	$ 10,000,000
Number of shares issued and fully paid (in thousands of shares)	818,812	818,814	819,262
Shares issued	$ 8,188,119	$ 8,188,135	$ 8,192,617

In March and May 2018, HTC retired 16 thousand and 1,697 thousand restricted shares for employees, totaling NT$162 thousand and NT$16,972 thousand, respectively. In January and February 2018, the employee share options have been exercised by the issuance of 129 thousand and 20 thousand shares amounting to NT$1,290 thousand and NT$200 thousand, respectively. As a result, HTC's issued and outstanding common shares as of June 30, 2018 decreased to NT$8,192,617 thousand, divided into 819,262 thousand ordinary shares at a par value of NT$10. Every ordinary share carries one vote per share and a right to dividends.

In January 2019, HTC retired 2 thousand restricted shares for employees, totaling NT$16 thousand. As a result, HTC's issued and outstanding common stock as of June 30, 2019 decreased to NT$8,188,119 thousand, divided into 818,812 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 HTC's ordinary 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 shareholders, 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 share 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 June 30, 2019, there were 8,430.3 thousand units of GDRs redeemed, representing 33,721.1 thousand ordinary shares, and the outstanding GDRs represented 2,339.4 thousand ordinary shares or 0.29% of HTC's outstanding ordinary shares.

Capital Surplus

	June 30, 2019	December 31, 2018	June 30, 2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital			
Arising from issuance of ordinary shares	$ 14,714,126	$ 14,714,126	$ 14,669,455
Arising from consolidation excess	23,288	23,288	23,288
Arising from expired share options	517,953	506,611	455,021

(Continued)

	June 30, 2019	December 31, 2018	June 30, 2018
May be used to offset a deficit only			
Changes in equity-method associates capital surplus	$ -	$ 60,873	$ -
May not be used for any purpose			
Arising from employee share options	248,271	247,944	301,742
Arising from employee restricted shares	11,690	23,426	126,292
	$ 15,515,328	$ 15,576,268	$ 15,575,798

(Concluded)

The capital surplus arising from shares issued in excess of par (including share premiums from the issuance of ordinary shares, treasury share transactions, consolidation excess and expired share 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).

For details of capital surplus - employee share options and employee restricted shares, refer to Note 28.

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% as 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. 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 set forth in the Article and propose such allocation ratio at the shareholders' meeting.

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

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

Items referred to under Rule No. 1010012865 issued by the FSC should be appropriated to or reversed from a special reserve by the Company.

The appropriation of earnings for 2018 and loss off-setting for 2017 had been approved in the shareholders' meeting on June 21, 2019 and June 26, 2018, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings (The Loss Off-setting)		Dividends Per Share (NT$)	
	For 2018	For 2017	For 2018	For 2017
Legal reserve	$ 597,481	$ -	$ -	$ -
Special reserve	3,080,480	-	-	-
Cash dividends	311,148	-	0.38	-

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

Other Equity Items

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 (the New Taiwan dollar) 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 financial assets at FVTOCI

   Unrealized gains or losses on financial assets at FVTOCI represents the cumulative gains and losses arising on the revaluation of financial assets at FVTOCI that have been recognized in other comprehensive income. The cumulative unrealized gains or losses will not be reclassified to profit or loss on disposal of the equity investments.

c. Unearned employee benefit

   In the shareholders' meetings held on June 2, 2015 and June 19, 2014, the shareholders approved a restricted share plan for employees. Refer to Note 28 for the information of restricted shares issued.

	For the Six Months Ended June 30	
	2019	2018
Balance, beginning of period	$ (7,077)	$ (49,590)
Share-based payment expenses recognized	6,858	17,329
Balance, end of period	$ (219)	$ (32,261)

23. OPERATING REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Sale of goods	$ 2,587,239	$ 6,647,406	$ 5,271,701	$ 15,178,260
Other operating income	219,866	127,054	479,030	384,943
	$ 2,807,105	$ 6,774,460	$ 5,750,731	$ 15,563,203

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

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest income				
Bank deposits	$ 119,407	$ 154,715	$ 234,363	$ 311,223
Others	-	111	-	320
	119,407	154,826	234,363	311,543
Rental income	152,450	115,953	297,891	196,430
Dividends	-	-	33	-
Others	34,427	31,793	102,346	79,410
	$ 306,284	$ 302,572	$ 634,633	$ 587,383

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Net gain on disposal of assets and licensing income	$ -	$ -	$ -	$ 31,285,385
Net gain on disposal of non-current assets held for sale	-	1,077,246	-	1,077,246
Net gain (loss) on the disposal of property, plant and equipment	82,738	(2,219)	83,621	(2,491)
Net gain on disposal of subsidiary (Note 27)	-	-	-	15,396
Net foreign exchange gain (loss)	151,930	(114,654)	290,430	(72,139)
Net (loss) gain on valuation of financial instruments at fair value	(68,077)	184,763	(59,214)	207,635
Impairment loss reversed	6,408	-	8,958	-
Other loss	(189,321)	(70,572)	(384,959)	(409,315)
	$ (16,322)	$ 1,074,564	$ (61,164)	$ 32,101,717

On September 21, 2017, the Company signed a business cooperation agreement (the "Agreement") with Google Inc. ("Google"). According to the Agreement, a part of the Company's employees and assets was transferred to Google for US$1,100,000 and Google has received a non-exclusive license for a certain part of the Company's intellectual properties. The aforementioned transaction was completed on January 30, 2018, and resulted in a net gain of NT$31,300,655 thousand, which was comprised of and recorded as a net gain of NT$31,285,385 on the disposal of assets and licensing fee income, a net gain of NT$15,396 thousand on the disposal of a subsidiary and a net loss of NT$126 thousand on the disposal of property and equipment.

On March 15, 2017, HTCs' Board of Directors passed a resolution to sell land and factories in Shanghai to Shanghai Xingbao Information Technology Co., Ltd. in the amount of RMB630,000 thousand. The transfer process was completed in April 2018. The amount of net gains for the disposal of non-current assets held for sale was NT$1,077,246 thousand.

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Interest on lease liabilities	$ 3,470	$ -	$ 6,769	$ -
Others	4,593	691	5,014	692
	$ 8,063	$ 691	$ 11,783	$ 692

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Property, plant and equipment	$ 120,622	$ 114,394	$ 245,102	$ 234,610
Investment properties	25,149	24,903	50,352	41,422
Intangible assets	295,465	290,760	596,908	594,348
Right-of-use assets	36,705	-	71,587	-
	$ 477,941	$ 430,057	$ 963,949	$ 870,380
An analysis of depreciation - by function				
Operating costs	$ 13,712	$ 20,674	$ 27,168	$ 46,131
Operating expenses	143,615	93,720	289,521	188,479
Other expenses	25,149	24,903	50,352	41,422
	$ 182,476	$ 139,297	$ 367,041	$ 276,032
An analysis of amortization - by function				
Operating costs	$ -	$ -	$ -	$ -
Operating expenses	295,465	290,760	596,908	594,348
	$ 295,465	$ 290,760	$ 596,908	$ 594,348

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Short-term benefits	$ 1,503,673	$ 1,881,607	$ 3,063,835	$ 4,872,437
Post-employment benefits				
Defined contribution plans	61,998	75,286	126,337	161,327
Defined benefit plans	480	2,766	959	5,532
	62,478	78,052	127,296	166,859
Share-based payments (Note 28)				
Equity-settled share-based payments	12,838	8,984	6,775	17,871
Separation benefits	20,710	24,223	71,311	299,343
Total employee benefits expense	$ 1,599,699	$ 1,992,866	$ 3,269,217	$ 5,356,510
An analysis of employee benefits expense - by function				
Operating costs	$ 219,516	$ 621,807	$ 500,950	$ 992,003
Operating expenses	1,380,183	1,346,836	2,768,267	4,065,164
Other losses	-	24,223	-	299,343
	$ 1,599,699	$ 1,992,866	$ 3,269,217	$ 5,356,510

f. Employees' compensation and remuneration of directors and supervisors

In compliance with HTC's Articles of Incorporation, the amendments stipulate the distribution of employees' compensation and remuneration to directors and supervisors at rates of no less than 4% and of no more than 0.25%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the six months ended June 30, 2019 and 2018, the accrual rates and amount of employees' compensation are as follows:

Accrual rate

	For the Six Months Ended June 30	
	2019	2018
Employees' compensation	4%	4%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Employees' compensation	$ -	$ (95,278)	$ -	$ 753,954

The appropriations of employees' compensation for 2018 that were resolved by the board of directors on May 10, 2019, are as shown below:

	For the Year Ended December 31, 2018	
	Cash	**Shares**
Employees' compensation	$ 456,987	$ -

There is no difference between the actual amounts of employees' compensation and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018.

For any further information of the employees' compensation and remuneration to directors and supervisors approved in the meeting of Board of Directors in 2019 and 2018, see disclosures in the "Market Observation Post System".

g. Impairment loss on non-financial assets (reversed)

	For the Three Months Ended June 30		**For the Six Months Ended June 30**	
	2019	**2018**	**2019**	**2018**
Inventories (included in operating costs)	$ 28,382	$ 505,304	$ 83,218	$ 590,490
Intangible asset (included in other gains and losses)	(6,408)	-	(8,958)	-
	$ 21,974	$ 505,304	$ 74,260	$ 590,490

h. Gain or loss on foreign currency exchange

	For the Three Months Ended June 30		**For the Six Months Ended June 30**	
	2019	**2018**	**2019**	**2018**
Foreign exchange gains	$ 417,666	$ 512,237	$ 744,839	$ 1,371,275
Foreign exchange losses	(265,736)	(626,891)	(454,409)	(1,443,414)
Valuation (loss) gain arising from financial instruments classified as held for trading	(68,077)	184,763	(59,214)	207,635
	$ 83,853	$ 70,109	$ 231,216	$ 135,496

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Current tax				
In respect of the current period	$ 3,769	$ 144,000	$ 3,766	$ 170,161
Land value increment tax	-	84,027	-	84,027
	3,769	228,027	3,766	254,188
Deferred tax				
In respect of the current period	(4,770)	(212,407)	(5,749)	5,066,648
Income tax (benefit) expense recognized in profit or loss	$ (1,001)	$ 15,620	$ (1,983)	$ 5,320,836

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax assessments

HTC's tax returns through 2016 had been assessed by the tax authorities.

The income tax returns of HTC Investment Corporation and HTC VIVE TECH Corp. for the years through 2017 have been examined and approved by the tax authorities.

26. (LOSS) EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Basic (loss) earnings per share	$ (2.71)	$ (2.53)	$ (5.69)	$ 23.19
Diluted (loss) earnings per share	$ (2.71)	$ (2.53)	$ (5.69)	$ 22.82

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

Net (Loss) Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
(Loss) profit for the period attributable to owners of the parent	$ (2,217,052)	$ (2,074,417)	$ (4,661,027)	$ 19,021,775

Shares

Unit: In Thousands of Shares

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Weighted average number of ordinary shares used in the computation of basic (loss) earnings per share	818,812	819,616	818,812	820,272
Effect of potentially dilutive ordinary shares:				
Employee share options	-	2	-	12
Employees' compensation issued	-	-	-	13,251
Weighted average number of ordinary shares in computation of diluted (loss) earnings per share	818,812	819,618	818,812	833,535

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonuses will 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 (loss) earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted (loss) earnings per share until the number of shares to be distributed to employees is resolved in the following year.

The exercise price of the outstanding options issued by the Company beneath the average market price of the shares during the six months ended June 30, 2019 which is included in the computation of diluted earnings per share.

27. DISPOSAL OF SUBSIDIARIES

On September 21, 2017, the Company entered into a sale agreement with Google Inc. ("Google") to dispose 100% equity interest of Communication Global Certification Inc. ("CGC"). CGC is engaged in providing import of controlled telecommunications radio-frequency devices and software services. The transaction was completed at January 30, 2018, and thereafter the Company lost its control on CGC.

a. Consideration received from the disposal

	CGC
Consideration received in cash	$ 410,857

b. Analysis of assets and liabilities on the date control was lost

	CGC
Current assets	
Cash and cash equivalents	$ 303,939
Others	9,474
Non-current assets	
Property, plant and equipment	105,170
Others	1,662
Current liabilities	(23,091)
Non-current liabilities	(1,693)
Net assets disposed of	$ 395,461

c. Gain on disposal of subsidiary

	CGC
Consideration received	$ 410,857
Less: Net assets disposed of	(395,461)
Gain on disposal	$ 15,396

d. Net cash inflow on disposal of subsidiary

	CGC
Consideration received in cash and cash equivalents	$ 410,857
Less: Cash and cash equivalent balances disposed of	(303,939)
	$ 106,918

28. 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 ordinary 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 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.

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.

Qualified employees of HTC and its subsidiaries were granted 20 thousand options in May 2019. Each option entitles the holder to subscribe for one thousand ordinary shares 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 are as follows:

	For the Six Months Ended June 30			
	2019		2018	
	Number of Shares (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Shares (In Thousands)	Weighted-average Exercise Price (NT$)
Balance, beginning of period	6,909	$138.19	16,068	$137.45
Shares granted	20,000	35.50	-	
Shares exercised	-		(149)	
Shares forfeited	(324)		(7,400)	
Balance, end of period	26,585	61.00	8,519	136.55
Shares exercisable, end of period	6,565		8,285	
Weighted-average fair value of shares granted (NT$)	$ 15.45		$ -	

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

	June 30, 2019	December 31, 2018	June 30, 2018
Range of exercise prices (NT$)	$35.5-$149	$54.5-$149	$54.5-$149
Weighted-average remaining contractual life (years)	8.36 years	4.21 years	4.80 years

Options granted in May 2019 were priced using the Black-Scholes option pricing model. Options granted in August 2015, October 2014 and November 2013 were priced using the trinomial option pricing model. The inputs to the model are as follows:

	May 2019	August 2015	October 2014	November 2013
Grant-date share price (NT$)	$35.50	$54.50	$134.50	$149.00
Exercise price (NT$)	$35.50	$54.50	$134.50	$149.00
Expected volatility	44.94%-45.01%	39.26%	33.46%	45.83%
Expected life (years)	10 years	10 years	10 years	7 years
Expected dividend yield	-	4.04%	4.40%	5.00%
Risk-free interest rate	0.6082%-0.6224%	1.3965%	1.7021%	1.63%

Expected volatility was based on the historical share price volatility over the past 1-6 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 shareholders’ meeting on June 19, 2014 and June 2, 2015, the shareholders approved a restricted share plan for employees amounting to NT$50,000 thousand and NT$75,000 thousand, consisting of 5,000 thousand and 7,500 thousand shares, respectively. In 2014 and 2015, HTC’s Board of Directors passed a resolution to issue 5,000 thousand and 7,500 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 dividends in cash or shares.
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 2017 and the six months ended June 30, 2018, HTC retired 2,161 thousand and 2 thousand restricted shares for employees amounting to NT$21,616 thousand and NT$16 thousand, respectively. As a result, the numbers of HTC’s issued and outstanding employee restricted shares as of June 30, 2019 was 329 thousand shares. The related information is as follows:

Grant-date	**July 18, 2016**	**December 23, 2015**	**November 2, 2014**
Grant-date fair value (NT$)	$96.90	$76.20	$134.50
Exercise price	Gratuitous	Gratuitous	Gratuitous
Numbers of shares (thousand shares)	2,657	4,006	4,600
Vesting period (years)	1-4 years	1-3 years	1-3 years

Compensation Cost of Share-based Payment Arrangements

Compensation costs of share-based payment arrangements recognized were NT$6,775 thousand and NT$17,871 thousand for the six months ended June 30, 2019 and 2018, respectively.

29. 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.

30. FINANCIAL INSTRUMENTS

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

Financial instruments not measured 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 values 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

June 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 109,519	$ -	$ 109,519
Convertible bonds	-	-	245,658	245,658
Warrants	-	-	24,233	24,233
	$ -	$ 109,519	$ 269,891	$ 379,410
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 84,608	$ -	$ -	$ 84,608
Domestic unlisted shares	-	-	423,277	423,277
Overseas listed shares	827,135	-	-	827,135
Overseas unlisted shares	-	-	1,077,605	1,077,605
Overseas unlisted beneficiary certificates	-	-	774,110	774,110
	$ 911,743	$ -	$ 2,274,992	$ 3,186,735
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 168,733	$ -	$ 168,733

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 83,411	$ -	$ 83,411
Convertible bonds	-	-	214,340	214,340
Warrants	-	-	22,124	22,124
	$ -	$ 83,411	$ 236,464	$ 319,875

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 83,383	$ -	$ -	$ 83,383
Domestic unlisted shares	-	-	388,700	388,700
Overseas listed shares	409,412	-	-	409,412
Overseas unlisted shares	-	-	1,103,891	1,103,891
Overseas unlisted beneficiary certificates	-	-	749,046	749,046
	$ 492,795	$ -	$ 2,241,637	$ 2,734,432
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 82,156	$ -	$ 82,156

(Concluded)

June 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 541,782	$ -	$ 541,782
Convertible bonds	-	-	141,044	141,044
Warrants	-	-	15,856	15,856
	$ -	$ 541,782	$ 156,900	$ 698,682
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 97,943	$ -	$ -	$ 97,943
Domestic unlisted shares	-	-	559,497	559,497
Overseas listed shares	442,106	-	-	442,106
Overseas unlisted shares	-	-	1,389,484	1,389,484
Overseas unlisted beneficiary certificates	-	-	723,612	723,612
	$ 540,049	$ -	$ 2,672,593	$ 3,212,642
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 334,147	$ -	$ 334,147

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2019 and 2018.

b. Reconciliation of Level 3 fair value measurements of financial instruments

For the six months ended June 30, 2019

Financial Assets	Financial Assets at FVTPL Derivatives	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1, 2019	$ 236,464	$ 2,241,637	$ 2,478,101
Recognized in other comprehensive income	-	(22,449)	(22,449)
Purchases	30,565	153,254	183,819
Effect of foreign currency exchange differences	2,862	(97,450)	(94,588)
Balance at June 30, 2019	$ 269,891	$ 2,274,992	$ 2,544,883

For the six months ended June 30, 2018

Financial Assets	Financial Assets at FVTPL Derivatives	Financial Assets at FVTOCI Equity Instruments	Total
Balance at January 1, 2018	$ 131,742	$ 3,024,565	$ 3,156,307
Recognized in other comprehensive income	-	(454,052)	(454,052)
Reclassification	(7,378)	7,378	-
Purchases	28,926	37,209	66,135
Effect of foreign currency exchange differences	3,610	57,493	61,103
Balance at June 30, 2018	$ 156,900	$ 2,672,593	$ 2,829,493

c. 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.

d. Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

For fair value measurements categorized within Level 3 of the fair value hierarchy as investments in equity instruments, the lack of quoted prices in an active market categorized the financial assets into Level 3 which fair value are based on valuation provided by market participants or quoted prices of the counter party. Quantitative information is not disclosed since the relationship between significant unobservable inputs and the fair value cannot be fully controlled.

e. Valuation process for the fair value measurement within Level 3

The investment department will confirm the reliability, independence and correspondence of the information sources in representative of the exercise price. Any adjustments should be made in order to ensure the rationality of the valuation presented.

f. Sensitivity analysis of the fair value regarding reasonable and possible alternative assumption within Level 3

No sensitive analysis of replacement assumptions need to be implemented for the valuation of financial instruments as fair value measurement within Level 3 since the valuation by the Company is reasonable without adopting a self-estimated model.

Categories of Financial Instruments

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets			
Financial assets at FVTPL			
Held for trading (Note 1)	$ 109,519	$ 83,411	$ 541,782
Mandatorily at FVTPL	269,891	236,464	156,900
Amortized cost (Note 2)	37,785,162	43,548,840	50,101,613
Financial assets at FVTOCI			
Equity instruments	3,186,735	2,734,432	3,212,642
Financial liabilities			
Financial liabilities at FVTPL			
Held for trading	168,733	82,156	334,147
Amortized cost (Note 3)	17,158,803	19,269,254	22,166,196

Note 1: The balances included financial assets held for trading.

Note 2: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, other financial assets, trade receivables, other receivables and refundable deposits.

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

Financial Risk Management Objectives and Policies

The Company's major financial instruments 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 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 implementing policies 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 exposed to foreign currency risk at the end of the reporting period are set out in Note 34.

Sensitivity analysis

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

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollars ("NTD", the functional currency) against the relevant foreign currencies. The sensitivity analysis 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	**Equity**
For the six months ended June 30, 2019		
USD	$ (3,711)	$ (130,752)
EUR	(2,164)	(3,684)
RMB	(21,207)	(104,710)
JPY	3,478	(1,527)
For the six months ended June 30, 2018		
USD	34,009	(140,231)
EUR	(3,360)	(3,332)
RMB	(12,191)	(106,834)
JPY	(2,444)	(1,451)

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 is disclosed in 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 risk rate tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities 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.

June 30, 2019

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Note and trade payables	$ 1,671,355	$ 6,872,092	$ -
Other payables	4,531,674	3,369,229	-
Lease liabilities	36,519	107,277	332,069
Other current liabilities	77,448	-	-
Guarantee deposits received	-	-	166,967
	$ 6,316,996	$ 10,348,598	$ 499,036

December 31, 2018

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Note and trade payables	$ 2,978,647	$ 6,834,200	$ -
Other payables	4,930,145	4,293,148	-
Other current liabilities	102,714	-	-
Guarantee deposits received	-	-	130,400
	$ 8,011,506	$ 11,127,348	$ 130,400

June 30, 2018

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Note and trade payables	$ 4,494,261	$ 7,090,070	$ -
Other payables	5,293,503	5,101,608	-
Other current liabilities	76,213	-	-
Guarantee deposits received	-	-	110,541
	$ 9,863,977	$ 12,191,678	$ 110,541

2) Liquidity 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.

June 30, 2019

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Net settled			
Foreign exchange contracts	$ 55,772	$ -	$ -
Gross settled			
Foreign exchange contracts			
Inflows	$ 24,139,256	$ -	$ -
Outflows	(24,235,164)	-	-
	$ (95,908)	$ -	$ -

December 31, 2018

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Net settled			
Foreign exchange contracts	$ 20,968	$ -	$ -
Gross settled			
Foreign exchange contracts			
Inflows	$ 25,899,104	$ -	$ -
Outflows	(25,861,350)	-	-
	$ 37,754	$ -	$ -

June 30, 2018

Net settled	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Foreign exchange contracts	$ (196,964)	$ -	$ -
Gross settled			
Foreign exchange contracts			
Inflows	$ 25,259,264	$ -	$ -
Outflows	(24,819,060)	-	-
	$ 440,204	$ -	$ -

3) Bank credit limit

	June 30, 2019	December 31, 2018	June 30, 2018
Unsecured bank general credit limit			
Amount used	$ 186,867	$ 538,680	$ 418,301
Amount unused	18,042,286	18,128,633	18,307,887
	$ 18,229,153	$ 18,667,313	$ 18,726,188

Amount used was included guarantee for customs duties and for patent litigation.

31. 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.

Names and Relationships of Related-parties

Related-party	Relationship with the Company
VIA Technologies Inc.	Its chairman is HTC’s director in substance
Xander International Corp.	Its chairman is HTC’s director in substance
VIA Labs, Inc.	Its chairman is HTC’s director in substance
Way Chih Investment Co., Ltd.	Its director is HTC’s chairwoman in substance (Note)
HTC Education Foundation	Its chairman is HTC’s director in substance
Hung-Mao Investment Co., Ltd.	Its significant shareholder in substance is HTC’s chairwoman
Nan Ya Plastics Corporation	Its director in substance and HTC’s chairwoman are relatives and other relatives
Atrust Computer Corporation	Its general manager in substance is HTC’s director
Employees’ Welfare Committee	Employees’ Welfare Committee of HTC
VIA Technologies (China) Co., Ltd.	The chairman of its parent company is HTC’s director in substance
Shanghai Investment Advisory (Shanghai) Co., Ltd.	Its chairwoman is HTC’s chairwoman in substance
PROOF OF CAPITAL, L.P.	It's co-founder is HTC’s management

Note: Way Chih Investment Co., Ltd. was the supervisor of HTC. On June 21, 2019, audit committee was set in place of supervisors which was approved in the shareholders' meeting. The function of supervisors will be automatically discharged after expiration of the term of office.

Operating Sales

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Other related parties	$ 1,135	$ 13,865	$ 3,696	$ 17,949

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

	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties	$ 32	$ 516	$ 277

Some related parties whose received products sold at prices which were no different from sales to third parties. No guarantees had been given or received for trade receivables from related parties. Trade receivables from related parties were assessed to have no bad debt risk, hence no bad debt expense had been recognized for the six months ended June 30, 2019 and 2018.

Purchase

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Other related parties	$ 2,277	$ 2,254	$ 5,430	$ 4,568

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

	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties	$ 3,067	$ 4,159	$ 3,074

Purchase prices for related parties and third parties were similar. The outstanding balance of trade payables to related parties are unsecured and will be settled in cash.

Compensation of Key Management Personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Short-term benefits	$ 23,263	$ 21,756	$ 58,328	$ 106,127
Post-employment benefits	175	112	350	272
Share-based payments	1,777	2,085	(1,584)	4,146
	$ 25,215	$ 23,953	$ 57,094	$ 110,545

The remuneration of directors and key executives was determined by the remuneration committee on the basis the performance of individuals and market trends.

Lease Liabilities

	June 30, 2019
VIA Technologies (China) Co., Ltd.	$ 25,707
Shanghai Investment Advisory (Shanghai) Co., Ltd.	85,169
	$ 110,876

Interest Expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
VIA Technologies (China) Co., Ltd.	$ 188	$ -	$ 531	$ -
Shanghai Investment Advisory (Shanghai) Co., Ltd.	855	-	1,755	-
	$ 1,043	$ -	$ 2,286	$ -

Lease Expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
VIA Technologies (China) Co., Ltd.	$ -	$ 4,771	$ 232	$ 10,786
Other related parties	1,054	1,826	1,852	2,939
	$ 1,054	$ 6,597	$ 2,084	$ 13,725

The Company leased offices, staff dormitory and meeting rooms owned by VIA Technologies (China) Co., Ltd. and a related party under an operating lease agreement, respectively. The rental payment is determined at the prevailing rates in the surrounding area.

Acquisitions of Financial Assets

The Company committed to injecting US$8,000 thousand to become a limited partner of PROOF OF CAPITAL, L.P. As of June 30, 2019, US$4,000 thousand was invested and which was classified as financial assets at fair value through other comprehensive income depending on its nature.

Other Related-party Transactions

Other related parties provide consultancy service fee to the Company. The consultancy service fee was NT$5,333 thousand for the six months ended June 30, 2019.

32. PLEDGED ASSETS

As of June 30, 2019, December 31, 2018 and June 30, 2018, the time of deposits amounting to NT$326,219 thousand, NT$476,276 thousand and NT$472,634 thousand and were classified as other financial assets were provided respectively as collateral for rental deposits, litigation, customs duties, patent, and vendors cooperation.

33. COMMITMENTS, CONTINGENCIES AND SIGNIFICANT CONTRACTS

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

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

   In June 2011, IPCom filed a new complaint against the Company alleging patent infringement of patent owned by IPCom with the High Court in London, the United Kingdom. In September 2011, the Company filed declaratory judgment action for non-infringement and invalidity in Milan, Italy. Legal proceedings in above-mentioned Courts in Germany and the United Kingdom are still ongoing. The Company implemented the alternative solution since 2012. The Company evaluated the lawsuits and considered the risk of patents-in-suits are low. Also, preliminary injunction and summary judgment against the alternative solution of 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.

   In February 2017, the Court of appeal of the United Kingdom found the alternative solution of the Company did not infringed and only some old products without the alternative solution infringed the United Kingdom part of European patent No. 1841268 (EP '268 patent). The EP '268 patent was held to be valid by European Patent Office on July 18, 2017. The next hearing has not been scheduled by the Courts yet.

   As of the date that the Board of Directors approved and authorized for issuing consolidated financial statements, there had been no critical Court decision been made, except for the above.

b. In December 2015, Koninklijke Philips N.V. ("Philips") filed a lawsuit against the Company in the District Court of Mannheim, Germany and claimed infringement of certain patents owned by Philips. In October 2016, the Mannheim Court found that certain smartphone products sold by the Company in Germany infringed German's corresponding patent based on the European Patent No. 0888687 (EP '687 patent), which relates to the user interface in a device, and granted an injunction against the Company. However, Philips' attempt to enforce an injunction based on this patent was unsuccessful as the Company has already applied the design around solution, which is provided by Google, in its devices. In July 2017, the German Federal Patent Court announced that EP '687 patent was invalid.

   Philips' infringement hearing relating to the European Patent No. 1459165 was heard on May 16, 2018. The patent was related to the scrolling functionality. Unusually, the Court dismissed the infringement allegations at the hearing rather than waiting for an issuance of a written verdict. The other infringement case regarding Philips' patents is expected to take place in the second quarter of 2018. This case is based on the European Patent No. 1356367, which relates to dimming control of a device screen. The infringement trial was held on June 22, 2018 and has stayed the infringement action pending the outcome of the nullity action on September 28, 2018.

Philips' infringement case based on No. 0888687 related to device user interface was heard by Paris court of First Instance on April 8, 2018. Philips' infringement case based on No. 1571988 related to activity sensor was heard by Paris court of First Instance on April 9, 2018. Philips' infringement case based on No. 1384134 related to quick search function of device user interface was heard by Paris court of First Instance on April 10, 2018. The court determined on July 11, 2019 that all three of above patents were invalid due to lack of an inventive step in view of the prior art.

Philips filed a lawsuit against the Company in the United Kingdom, alleging infringement of certain Philips SEP patents. Since in October 2017, the Court of Appeal of the United Kingdom dismissed the Company's appeal allegation that the rights obtained by virtue of a covenant between Philips and Qualcomm Incorporated extend to Philips' patents covering HSPA technology. As such, the covenant does not provide the Company with a defense against the patent actions in suit relating to this technology. The technical hearings of the three patents-in-suit proceeded as follows: European Patent No. (UK) 1440525 was heard in late April 2018; the Court decision shows that the Company infringed '525; the Company implemented workaround of EP'525. European Patent No. (UK) 1685659 was heard in the middle of June 2018 and the Court rules that '659 is invalid and the Court decision showed that the Company infringed EP 1623511.

The litigations between Company and Philips are ongoing. In order to protect the interests of the Company and its customers, the Company has appealed the court's decision. As of the date that the board of directors of HTC approved and authorized for issuing consolidated financial statements, the appeals court has not issued a ruling with respect to the abovementioned patent-in-suit.

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.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	June 30, 2019		December 31, 2018		June 30, 2018	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets						
Monetary items						
USD	$ 1,240,719	31.07	$ 1,285,472	30.73	$ 1,354,006	30.49
EUR	65,388	35.38	64,339	35.16	73,783	35.44
JPY	4,302,008	0.2886	4,120,696	0.2787	4,927,366	0.2756
RMB	1,415,275	4.52	1,395,981	4.47	1,563,673	4.60
Non-monetary items						
USD	93,909	31.07	80,612	30.73	88,300	30.49
RMB	6,885	4.52	4,885	4.47	4,217	4.60
Investments accounted for using the equity method						
USD	13,081	31.07	15,783	30.73	16,992	30.49
RMB	23,366	4.52	14,587	4.47	1,502	4.60
Financial liabilities						
Monetary items						
USD	773,762	31.07	835,550	30.73	988,862	30.49
EUR	51,983	35.38	54,934	35.16	46,435	35.44
JPY	5,010,695	0.2886	3,848,890	0.2787	3,200,503	0.2756
RMB	169,679	4.52	69,622	4.47	229,559	4.60

For the six months ended June 30, 2019 and 2018, realized and unrealized net foreign exchange gains were NT$231,216 thousand and NT$135,496 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of foreign currency transactions and functional currencies of the Company entities.

35. 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
Qualcomm Incorporated.	December 20, 2000 to the following dates: a. If the Company materially breaches any agreement terms and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents.	Authorization to use CDMA technology to manufacture and sell units, royalty payment based on agreement.
Qualcomm Incorporated.	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.	
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.
IV International Licensing Netherlands, B.V.	November 2010 - June 2020	Authorization to use wireless technology; royalty payment based on agreement.

36. SEGMENT INFORMATION

The Company is organized and managed as a single reportable business segment. The Company's operations are mainly in the research, design, manufacture, sale of smart mobile and virtual reality devices which the operating revenue is more than 90 percent of the total revenue. The Company is considered single segment. The basis of information reported to the chief operating decision maker is the same as the financial statements. Because the basis of segment information reported to the chief operating decision maker is the same as the financial statements, the segment revenue and results for the six months ended June 30, 2019 and 2018 can be referred to in the consolidated statements of comprehensive income and the segment assets and liabilities as of June 30, 2019 and 2018 can be referred to in the consolidated balance sheets.