HTC Corporation and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2016 and 2015 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
HTC Corporation

We have reviewed the accompanying consolidated balance sheets of HTC Corporation and its subsidiaries (collectively, the "Company") as of March 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 - "Engagements to Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

May 6, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally 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 accountants' 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)

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)		March 31, 2015 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 39,031,628	33	$ 35,346,799	27	$ 51,715,168	31
Financial assets at fair value through profit or loss - current (Notes 7 and 30)	127,521	-	95,493	-	75,490	-
Available-for-sale financial assets - current (Note 30)	249,575	-	303,289	-	-	-
Derivative financial assets for hedging - current (Notes 8 and 30)	1,100	-	-	-	5,604	-
Debt investments with no active market - current (Note 30)	8,069	-	8,266	-	7,849	-
Trade receivables, net (Notes 11 and 31)	11,525,883	10	18,518,948	14	32,896,611	20
Other receivables (Note 11)	645,546	1	466,791	1	411,476	-
Current tax assets	172,703	-	212,033	-	255,625	-
Inventories (Note 12)	19,210,735	16	19,123,637	15	21,700,178	13
Prepayments (Note 13)	3,726,028	3	4,400,968	4	6,351,849	4
Non-current assets held for sale (Note 14)	-	-	3,768,277	3	-	-
Other current financial assets (Notes 10 and 32)	2,684,493	2	4,100,290	3	585,477	1
Other current assets	76,504	-	94,611	-	89,945	-
Total current assets	77,459,785	65	86,439,402	67	114,095,272	69
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Note 30)	86	-	75	-	76	-
Financial assets measured at cost - non-current (Notes 9 and 30)	3,330,763	3	3,396,151	3	2,629,422	2
Investments accounted for using equity method (Note 16)	211,122	-	240,237	-	231,956	-
Property, plant and equipment (Note 17)	14,943,270	13	15,432,130	12	22,838,389	14
Investment properties, net (Note 18)	1,680,709	2	1,708,489	1	-	-
Intangible assets (Note 19)	5,022,059	4	5,561,444	4	6,736,526	4
Deferred tax assets	8,735,824	7	8,699,322	7	8,358,477	5
Refundable deposits (Note 30)	1,617,463	1	1,580,342	1	268,340	-
Long-term receivables (Note 11)	1,472,529	1	1,488,775	1	1,338,632	1
Net defined benefit asset - non-current	81,201	-	79,470	-	113,484	-
Other non-current assets (Note 13)	4,623,867	4	4,767,246	4	8,864,346	5
Total non-current assets	41,718,893	35	42,953,681	33	51,379,648	31
TOTAL	$ 119,178,678	100	$ 129,393,083	100	$ 165,474,920	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - current (Notes 7 and 30)	$ 264,718	-	$ 36,544	-	$ 49,883	-
Derivative financial liability for hedging - current (Notes 8 and 30)	3,309	-	-	-	-	-
Note and trade payables (Note 20)	25,778,172	22	29,598,385	23	48,056,405	29
Other payables (Notes 21 and 31)	21,597,135	18	24,993,276	19	28,100,046	17
Current tax liabilities	136,316	-	163,252	-	163,762	-
Provisions - current (Note 22)	5,298,140	4	5,992,258	5	7,419,070	5
Other current liabilities (Note 21)	3,032,395	3	3,689,763	3	1,746,102	1
Total current liabilities	56,110,185	47	64,473,478	50	85,535,268	52
NON-CURRENT LIABILITIES						
Deferred tax liabilities	79,057	-	97,351	-	208,102	-
Guarantee deposits received (Note 30)	27,613	-	30,159	-	37,305	-
Other non-current liabilities (Note 21)	1,210,369	1	-	-	-	-
Total non-current liabilities	1,317,039	1	127,510	-	245,407	-
Total liabilities	57,427,224	48	64,600,988	50	85,780,675	52
EQUITY (Note 23)						
Share capital - ordinary shares	8,276,415	7	8,318,695	6	8,280,381	5
Capital surplus	15,487,941	13	15,505,853	12	15,110,690	9
Retained earnings						
Legal reserve	18,297,655	15	18,297,655	14	18,149,350	11
Unappropriated earnings	19,077,139	16	21,782,432	17	38,180,901	23
Other equity	612,304	1	1,088,415	1	(27,077)	-
Treasury shares	-	-	(200,955)	-	-	-
Total equity	61,751,454	52	64,792,095	50	79,694,245	48
TOTAL	$ 119,178,678	100	$ 129,393,083	100	$ 165,474,920	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 March 31			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 24 and 31)	$ 14,820,982	100	$ 41,524,272	100
OPERATING COST (Notes 12, 25 and 31)	13,433,886	90	33,361,501	80
GROSS PROFIT	1,387,096	10	8,162,771	20
OPERATING EXPENSES (Notes 25 and 31)				
Selling and marketing	1,984,328	13	3,499,418	9
General and administrative	1,248,618	9	1,199,455	3
Research and development	2,957,261	20	3,443,425	8
Total operating expenses	6,190,207	42	8,142,298	20
(LOSS) PROFIT FROM OPERATIONS	(4,803,111)	(32)	20,473	-
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	237,979	1	125,593	-
Other gains and losses (Notes 8, 9 and 25)	2,101,768	14	372,246	1
Finance costs	(4,235)	-	(1,489)	-
Share of the profit or loss of associate and joint venture (Note 16)	(28,362)	-	(2,568)	-
Total non-operating income and expenses	2,307,150	15	493,782	1
(LOSS) PROFIT BEFORE INCOME TAX	(2,495,961)	(17)	514,255	1
INCOME TAX EXPENSE (Note 26)	120,486	1	154,198	-
(LOSS) PROFIT FOR THE PERIOD	(2,616,447)	(18)	360,057	1

(Continued)

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 March 31			
	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (434,730)	(3)	$ (1,162,620)	(3)
Unrealized losses on available-for-sale financial assets	(103,724)	-	(17)	-
Cash flow hedge	(2,627)	-	5,516	-
Other comprehensive loss for the period, net of income tax	(541,081)	(3)	(1,157,121)	(3)
TOTAL COMPREHENSIVE LOSSES FOR THE PERIOD	$ (3,157,528)	(21)	$ (797,064)	(2)
NET (LOSS) PROFIT FOR THE PERIOD ATTRIBUTABLE TO				
Owners of the parent	$ (2,616,447)	(18)	$ 360,057	1
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO				
Owners of the parent	$ (3,157,528)	(21)	$ (797,064)	(2)
(LOSS) EARNINGS PER SHARE (Note 27)				
Basic	$ (3.16)		$ 0.43	
Diluted	$ (3.16)		$ 0.43	

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)

	Share Capital		Retained Earnings		Other Equity					
	Ordinary Shares	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Available-for-sale Financial Assets	Cash Flow Hedge	Unearned Employee Benefit	Treasury Shares	Total Equity
BALANCE, JANUARY 1, 2015	$ 8,349,521	$ 15,140,687	$ 18,149,350	$ 41,381,753	$ 1,462,855	$ (2,167)	$ -	$ (398,570)	$ (3,750,056)	$ 80,333,373
Net profit for the three months ended March 31, 2015	-	-	-	360,057	-	-	-	-	-	360,057
Other comprehensive income and loss for the three months ended March 31, 2015	-	-	-	-	(1,162,620)	(17)	5,516	-	-	(1,157,121)
Retirement of treasury shares	(69,140)	(120,007)	-	(3,560,909)	-	-	-	-	3,750,056	-
Share-based payments	-	90,010	-	-	-	-	-	67,926	-	157,936
BALANCE, MARCH 31, 2015	$ 8,280,381	$ 15,110,690	$ 18,149,350	$ 38,180,901	$ 300,235	$ (2,184)	$ 5,516	$ (330,644)	$ -	$ 79,694,245
BALANCE, JANUARY 1, 2016	$ 8,318,695	$ 15,505,853	$ 18,297,655	$ 21,782,432	$ 1,473,417	$ (13,633)	$ -	$ (371,369)	$ (200,955)	$ 64,792,095
Net loss for the three months ended March 31, 2016	-	-	-	(2,616,447)	-	-	-	-	-	(2,616,447)
Other comprehensive income and loss for the three months ended March 31, 2016	-	-	-	-	(434,730)	(103,724)	(2,627)	-	-	(541,081)
Retirement of treasury shares	(41,100)	(71,009)	-	(88,846)	-	-	-	-	200,955	-
Share-based payments	(1,180)	53,097	-	-	-	-	-	64,970	-	116,887
BALANCE, MARCH 31, 2016	$ 8,276,415	$ 15,487,941	$ 18,297,655	$ 19,077,139	$ 1,038,687	$ (117,357)	$ (2,627)	$ (306,399)	$ -	$ 61,751,454

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

HTC CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	$ (2,495,961)	$ 514,255
Adjustments for:		
Depreciation expense	520,531	713,244
Amortization expense	505,104	482,011
Finance costs	4,235	1,489
Interests income	(123,227)	(96,174)
Dividend income	(78,453)	-
Compensation cost of employee share-based payments	116,887	157,936
Share of the loss of associate and joint venture	28,362	2,568
Net (gain) loss on disposal of property, plant and equipment	(2,089,417)	2,103
Impairment loss on non-financial assets	471,594	-
Ineffective portion of cash flow hedges	(418)	(88)
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	196,146	214,513
Decrease (increase) in trade receivables	6,993,065	(3,756,327)
(Increase) decrease in other receivables	(171,290)	175,911
Increase in inventories	(558,692)	(4,487,118)
Decrease in prepayments	674,940	274,257
Decrease in other current assets	18,107	9,324
Decrease in other non-current assets	132,152	1,049,644
(Decrease) increase in note and trade payables	(3,820,213)	4,253,062
Decrease in other payables	(3,560,887)	(4,055,364)
(Decrease) increase in provisions	(694,118)	1,577,891
(Decrease) increase in other current liabilities	(657,368)	602,968
Increase in other operating liabilities	1,210,369	-
Cash used in operations	(3,378,552)	(2,363,895)
Interest received	100,982	86,989
Interest paid	(4,235)	(1,489)
Income tax paid	(174,064)	(91,000)
Net cash used in operating activities	(3,455,869)	(2,369,395)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire financial assets measured at cost	-	(60,233)
Proceeds from disposal of non-current assets held for sale	6,060,000	-
Payments for property, plant and equipment	(125,449)	(277,892)
Proceeds from disposal of property, plant and equipment	28,095	6,704
Increase in refundable deposits	(37,121)	(5,600)
Payments for intangible assets	(72,763)	(59,358)

(Continued)

HTC CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2016	**2015**
Increase in other current financial assets	$ -	$ (250,523)
Decrease in other current financial assets	1,415,797	-
Dividends received	23,537	-
Net cash generated from (used in) investing activities	7,292,096	(646,902)
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of guarantee deposits received	(2,546)	(5,925)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(148,852)	(1,006,168)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,684,829	(4,028,390)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	35,346,799	55,743,558
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 39,031,628	$ 51,715,168

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

HTC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on May 6, 2016.

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

- The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in issue but not yet endorsed by the Financial Supervisory Commission (FSC)

  The Company have not applied the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC.

  On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and those with undetermined effective date. In addition, the FSC announced that the Company should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

New, Amended or Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018

(Continued)

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

(Concluded)

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

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

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

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

a. IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

<u>The impairment of financial assets</u>

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

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

<u>Hedge accounting</u>

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

b. IFRS 15 “Revenue from Contracts with Customers” and related amendment

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These 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 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 financial statements.

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.

Basis of Consolidation

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

Other Significant Accounting Policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015. For the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2015.

a. Retirement benefits

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.

b. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

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. Accrued marketing and advertising expenses

The Company recognizes sale of goods as the conditions are met. The related marketing and advertising expenses recognized as reduction of sales amount or as current expenses are estimated on the basis of agreement, past experience and any known factors. The Company reviews the reasonableness of the estimation periodically.

As of March 31, 2016, December 31, 2015 and March 31, 2015, the carrying amounts of accrued marketing and advertising expenses were NT$12,985,278 thousand, NT$15,124,052 thousand and NT$16,746,981 thousand, respectively.

b. Allowances for doubtful debts

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

As of March 31, 2016, December 31, 2015 and March 31, 2015, the carrying amounts of allowances for doubtful debts were NT$3,012,869 thousand, NT$3,016,914 thousand and NT$3,054,749 thousand, respectively.

c. Impairment of tangible and intangible assets other than goodwill

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

d. Valuation of inventories

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

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

As of March 31, 2016, December 31, 2015 and March 31, 2015, the carrying amounts of inventories were NT$19,210,735 thousand, NT$19,123,637 thousand and NT$21,700,178 thousand, respectively.

e. Realization of deferred tax assets

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

As of March 31, 2016, December 31, 2015 and March 31, 2015, the carrying amounts of deferred tax assets were NT$8,735,824 thousand, NT$8,699,322 thousand and NT$8,358,477 thousand, respectively.

f. Estimates of warranty provision

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

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

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

As of March 31, 2016, December 31, 2015 and March 31, 2015, the carrying amounts of warranty provision were NT$4,683,241 thousand, NT$5,314,365 thousand and NT$7,181,116 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	March 31, 2016	**December 31, 2015**	**March 31, 2015**
Cash on hand	$ 2,134	$ 2,122	$ 2,227
Checking accounts and demand deposits	29,989,035	31,819,080	33,849,161
Time deposits (with original maturities less than three months)	9,040,459	3,525,597	17,863,780
	$ 39,031,628	$ 35,346,799	$ 51,715,168

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2016	December 31, 2015	March 31, 2015
Financial assets held for trading			
Derivatives financial assets (not under hedge accounting)			
Foreign exchange contracts	$ 127,521	$ 95,493	$ 75,490
Financial liabilities held for trading			
Derivatives financial liabilities (not under hedge accounting)			
Foreign exchange contracts	$ 264,718	$ 36,544	$ 49,883

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

Forward Exchange Contracts

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
March 31, 2016					
Foreign exchange contracts	Sell	SGD/USD	2016.04.29	SGD	5,336
Foreign exchange contracts	Sell	JPY/USD	2016.04.13	JPY	150,000
Foreign exchange contracts	Sell	GBP/USD	2016.04.13-2016.04.29	GBP	5,500
Foreign exchange contracts	Sell	USD/TWD	2016.04.06	USD	10,000
Foreign exchange contracts	Buy	RMB/USD	2016.04.08	RMB	85,000
Foreign exchange contracts	Buy	USD/NTD	2016.04.01-2016.06.15	USD	326,071
Foreign exchange contracts	Buy	SGD/USD	2016.04.29-2016.06.29	SGD	200,790
December 31, 2015					
Foreign exchange contracts	Sell	SGD/USD	2016.01.29	SGD	5,336
Foreign exchange contracts	Sell	JPY/USD	2016.01.08-2016.01.27	JPY	454,000
Foreign exchange contracts	Sell	GBP/USD	2016.01.29-2016.03.16	GBP	11,500
Foreign exchange contracts	Buy	RMB/USD	2016.01.05-2016.01.27	RMB	374,500
Foreign exchange contracts	Buy	USD/NTD	2016.01.22-2016.03.29	USD	194,700
Foreign exchange contracts	Buy	SGD/USD	2016.01.29-2016.03.30	SGD	200,722
March 31, 2015					
Foreign exchange contracts	Sell	USD/NTD	2015.04.01-2015.04.17	USD	50,000
Foreign exchange contracts	Sell	CAD/USD	2015.04.08-2015.06.09	CAD	19,580
Foreign exchange contracts	Sell	EUR/USD	2015.04.01-2015.05.20	EUR	41,000
Foreign exchange contracts	Sell	JPY/USD	2015.04.01-2015.05.20	JPY	2,260,010
Foreign exchange contracts	Sell	GBP/USD	2015.04.08-2015.05.20	GBP	26,400
Foreign exchange contracts	Buy	RMB/USD	2015.04.01-2015.04.15	RMB	104,000
Foreign exchange contracts	Buy	CAD/USD	2015.04.10	CAD	2,100
Foreign exchange contracts	Buy	USD/NTD	2015.04.07-2015.06.15	USD	243,500
Foreign exchange contracts	Buy	SGD/USD	2015.04.01-2015.05.29	SGD	102,385

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	March 31, 2016	December 31, 2015	March 31, 2015
Derivative financial assets under hedge accounting			
Cash flow hedges - foreign exchange forward contracts	$ 1,100	$ -	$ 5,604
Derivative financial liabilities under hedge accounting			
Cash flow hedges - foreign exchange forward contracts	$ 3,309	$ -	$ -

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

The terms of the foreign exchange forward contracts were negotiated to match the terms of the respective designated hedged items. The outstanding foreign exchange forward contract at the end of the reporting period was as follows:

	Buy/Sell	Currency	Settlement Period/Date	Notional Amount (In Thousands)
March 31, 2016				
Forward exchange contracts	Sell	JPY/USD	2016.06.30-2016.07.29	JPY 2,556,023
March 31, 2015				
Forward exchange contracts	Sell	JPY/USD	2015.06.10-2015.06.30	JPY 4,723,000

The Company supplied products to clients in Japan and signed forward exchange contracts to avoid its exchange rate exposure due to the forecast sales. Those forward exchange contracts were designated as cash flow hedges.

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

	For the Three Months Ended March 31	
	2016	2015
Revenues	$ -	$ -
Other gains and losses	418	88
	$ 418	$ 88

9. FINANCIAL ASSETS MEASURED AT COST

	March 31, 2016	December 31, 2015	March 31, 2015
Domestic unlisted equity investment	$ 643,961	$ 643,961	$ 643,961
Overseas unlisted equity investment	2,005,503	2,054,310	1,448,009
Overseas unlisted mutual funds	681,299	697,880	537,452
	$ 3,330,763	$ 3,396,151	$ 2,629,422
Classified according to financial asset measurement categories			
Available-for-sale financial assets	$ 3,330,763	$ 3,396,151	$ 2,629,422

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

10. OTHER CURRENT FINANCIAL ASSETS

	March 31, 2016	December 31, 2015	March 31, 2015
Time deposits with original maturities more than three months	$ 2,684,493	$ 4,100,290	$ 585,477

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

11. TRADE RECEIVABLES AND OTHER RECEIVABLES

	March 31, 2016	December 31, 2015	March 31, 2015
Trade receivables			
Trade receivables	$ 14,538,736	$ 21,534,175	$ 35,930,231
Trade receivables - related parties	16	1,687	21,129
Less: Allowances for impairment loss	(3,012,869)	(3,016,914)	(3,054,749)
	$ 11,525,883	$ 18,518,948	$ 32,896,611
Other receivables			
Receivables from disposal of investments	$ 1,274,917	$ 1,305,943	$ 1,240,158
Interest receivables	210,676	188,431	111,956
VAT refund receivables	142,134	273,024	225,107
Others	490,348	188,168	172,887
	$ 2,118,075	$ 1,955,566	$ 1,750,108

(Continued)

	March 31, 2016	December 31, 2015	March 31, 2015
Current - other receivables	$ 645,546	$ 466,791	$ 411,476
Non-current - other receivables	1,472,529	1,488,775	1,338,632
	$ 2,118,075	$ 1,955,566	$ 1,750,108

(Concluded)

Trade Receivables

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

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

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

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

Age of trade receivables

	March 31, 2016	December 31, 2015	March 31, 2015
1-90 days	$ 758,338	$ 1,129,769	$ 1,856,837
91-180 days	120,104	95,996	262,370
Over 181 days	2,727,513	2,840,451	2,491,972
	$ 3,605,955	$ 4,066,216	$ 4,611,179

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

Age of impaired trade receivables

	March 31, 2016	December 31, 2015	March 31, 2015
1-90 days	$ 593,086	$ 1,049,302	$ 1,556,430
91-180 days	-	-	-
Over 181 days	-	-	-
	$ 593,086	$ 1,049,302	$ 1,556,430

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

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

	For the Three Months Ended March 31	
	2016	**2015**
Balance, beginning of period	$ 3,016,914	$ 3,054,782
Less: Amounts written off during the period as uncollectible	(4,077)	-
Add (Less): Effect of foreign currency exchange differences	32	(33)
Balance, end of period	$ 3,012,869	$ 3,054,749

Other Receivables

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

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

12. INVENTORIES

	March 31, 2016	December 31, 2015	March 31, 2015
Finished goods	$ 3,267,187	$ 4,060,279	$ 3,422,524
Work-in-process	1,297,932	460,282	2,071,556
Semi-finished goods	2,969,821	3,073,114	4,562,731
Raw materials	11,317,782	10,930,317	11,177,581
Inventory in transit	358,013	599,645	465,786
	$ 19,210,735	$ 19,123,637	$ 21,700,178

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2016 included inventory write-downs of NT$471,594 thousand.

13. PREPAYMENTS

	March 31, 2016	December 31, 2015	March 31, 2015
Royalty	$ 6,357,998	$ 6,978,900	$ 10,859,722
Net input VAT	1,045,669	1,082,836	1,856,069
Prepayments to suppliers	156,221	251,374	1,547,541
Land use right	118,359	120,153	137,709
Prepaid equipment	89,206	98,702	169,472
Others	582,442	636,249	645,682
	$ 8,349,895	$ 9,168,214	$ 15,216,195

(Continued)

	March 31, 2016	December 31, 2015	March 31, 2015
Current	$ 3,726,028	$ 4,400,968	$ 6,351,849
Non-current	4,623,867	4,767,246	8,864,346
	$ 8,349,895	$ 9,168,214	$ 15,216,195

(Concluded)

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

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

14. NON-CURRENT ASSETS HELD FOR SALE

	March 31, 2016	December 31, 2015	March 31, 2015
Land and buildings held for sale	$ -	$ 3,768,277	$ -

On December 29, 2015, the HTC's board of directors resolved to sell a plot of land and buildings to Inventec Corporation for a total amount of NT$6,060,000 thousand. The Company had completed the disposal and transferred its controlling right to the acquirer in February 2016. For the details of gains and losses for disposal, please refer to Note 25.

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements

The consolidated entities as of March 31, 2016, December 31, 2015 and March 31, 2015 were as follows:

			% of Ownership			
Investor	Investee	Main Businesses	March 31, 2016	December 31, 2015	March 31, 2015	Remark
HTC Corporation	H.T.C. (B.V.I.) Corp.	International holding company	100.00	100.00	100.00	-
	Communication Global Certification Inc.	Import of controlled telecommunications radio-frequency devices and software services	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 I Investment Corporation	General investing activities	100.00	100.00	100.00	-
	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	-	1)
	HTC VIVE Holding (BVI) Corp.	International holding company	100.00	100.00	-	2)
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	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership March 31, 2016	December 31, 2015	March 31, 2015	Remark
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	-
	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 Corporation	Yoda Co., Ltd.	Operation of restaurant business, parking lot and building cleaning services	100.00	100.00	100.00	-
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	-	3)
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	1.00	1.00	-	4)
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.	〃	99.00	99.00	-	3)
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	99.00	99.00	-	4)

(Continued)

Investor	Investee	Main Businesses	% of Ownership March 31, 2016	December 31, 2015	March 31, 2015	Remark
HTC Netherlands B.V.	HTC Czech RC s.r.o.	Smart mobile devices examination and after-sale services and technique consultations	100.00	100.00	-	5)
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	-	6)
HTC VIVE TECH (BVI) Corp.	HTC VIVE TECH Corp.	Research, development and sale of virtual reality devices	100.00	100.00	-	7)

Remark:

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

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

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

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

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

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

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

b. Subsidiary excluded from consolidated financial statements: None

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2016	December 31, 2015	March 31, 2015
Investment in associate	$ 28,415	$ 31,925	$ 15,698
Investment in joint venture	182,707	208,312	216,258
	$ 211,122	$ 240,237	$ 231,956

Investments in Associate

	March 31, 2016	December 31, 2015	March 31, 2015
Unlisted equity investment			
East West Artist	$ 28,415	$ 31,925	$ 15,698

As the end of the reporting periods, the percentage of ownership and voting rights in associates held by the Company were as follows:

Name of Associate	March 31, 2016	December 31, 2015	March 31, 2015
East West Artist	25.00%	25.00%	12.50%

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

Aggregate information of associates that are not individually material:

	For the Three Months Ended March 31	
	2016	**2015**
The Company's share of:		
Loss from continuing operations	$ (2,757)	$ -
Other comprehensive income	-	-
Total comprehensive income for the period	$ (2,757)	$ -

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

Investments in Joint Venture

	March 31, 2016	December 31, 2015	March 31, 2015
Unlisted equity investment			
Huada Digital Corporation	$ 182,707	$ 208,312	$ 216,258

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

Name of Joint Venture	March 31, 2016	December 31, 2015	March 31, 2015
Huada Digital Corporation	50.00%	50.00%	50.00%

The Company set up a subsidiary Huada, whose main business is software services, in December 2009. In October 2011, Chunghwa Telecom Co., Ltd. invested in Huada. In March 2012, Huada held a stockholders' meeting and re-elected its directors and supervisors. As a result, the investment type was changed to joint venture and the Company continued to account for this investment by the equity method. The dissolution of liquidation was approved in the Huada's shareholders' meeting in March 2016 and the date of dissolution was set on March 31, 2016.

Aggregate information of joint venture that are not individually material:

	For the Three Months Ended March 31	
	2016	2015
The Company's share of:		
Loss from continuing operations	$ (25,605)	$ (2,568)
Other comprehensive income	-	-
Total comprehensive losses for the period	$ (25,605)	$ (2,568)

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

17. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2016	December 31, 2015	March 31, 2015
Carrying amounts			
Land	$ 6,468,188	$ 6,470,507	$ 7,613,180
Buildings	5,688,330	5,771,213	10,235,446
Property in construction	-	-	5,726
Machinery and equipment	1,994,320	2,320,672	4,019,862
Other equipment	792,432	869,738	964,175
	$ 14,943,270	$ 15,432,130	$ 22,838,389

Movement of property, plant and equipment for the three months ended March 31, 2016 and 2015 were as follows:

	2016					
	Land	Buildings	Property under Construction	Machinery and Equipment	Other Equipment	Total
Cost						
Balance, beginning of period	$ 6,470,507	$ 7,361,368	$ -	$ 13,754,405	$ 2,507,338	$ 30,093,618
Additions	-	214,049	-	33,186	52,456	299,691
Disposals	-	-	-	(2,492)	(118,543)	(121,035)
Reclassification	6,587	(201,433)	-	(11,100)	(1,173)	(207,119)
Effect of foreign currency exchange differences	(8,906)	(32,338)	-	(29,227)	(16,485)	(86,956)
Balance, end of period	6,468,188	7,341,646	-	13,744,772	2,423,593	29,978,199
Accumulated depreciation						
Balance, beginning of period	-	1,590,155	-	10,912,770	1,634,316	14,137,241
Depreciation expenses	-	66,452	-	349,022	92,609	508,083
Disposals	-	-	-	(2,492)	(88,271)	(90,763)
Reclassification	-	-	-	(6,443)	(547)	(6,990)
Effect of foreign currency exchange differences	-	(3,291)	-	(23,368)	(10,230)	(36,889)
Balance, end of period	-	1,653,316	-	11,229,489	1,627,877	14,510,682

(Continued)

	2016					
	Land	Buildings	Property under Construction	Machinery and Equipment	Other Equipment	Total
Accumulated impairment						
Balance, beginning of period	$ -	$ -	$ -	$ 520,963	$ 3,284	$ 524,247
Impairment losses	-	-	-	-	-	-
Balance, end of period	-	-	-	520,963	3,284	524,247
Net book value, end of period	$ 6,468,188	$ 5,688,330	$ -	$ 1,994,320	$ 792,432	$ 14,943,270

(Concluded)

	2015					
	Land	Buildings	Property under Construction	Machinery and Equipment	Other Equipment	Total
Cost						
Balance, beginning of period	$ 7,622,683	$ 12,508,315	$ 1,089	$ 15,181,539	$ 2,656,990	$ 37,970,616
Additions	-	18,492	4,672	85,655	86,049	194,868
Disposals	-	-	-	(439,482)	(54,597)	(494,079)
Effect of foreign currency exchange differences	(9,503)	(48,039)	(35)	(30,104)	(17,985)	(105,666)
Balance, end of period	7,613,180	12,478,768	5,726	14,797,608	2,670,457	37,565,739
Accumulated depreciation						
Balance, beginning of period	-	2,143,586	-	10,743,814	1,647,660	14,535,060
Depreciation expenses	-	103,741	-	492,576	116,927	713,244
Disposals	-	-	-	(439,449)	(45,823)	(485,272)
Effect of foreign currency exchange differences	-	(4,005)	-	(19,195)	(12,482)	(35,682)
Balance, end of period	-	2,243,322	-	10,777,746	1,706,282	14,727,350
Net book value, end of period	$ 7,613,180	$ 10,235,446	$ 5,726	$ 4,019,862	$ 964,175	$ 22,838,389

The above items of property, plant and equipment were 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 were depreciated over their estimated useful lives of 40 to 50 years, 20 years and 5 to 10 years, respectively.

There were no capitalized interests for the three months ended March 31, 2016 and 2015.

18. INVESTMENT PROPERTIES, NET

Movement of investment properties, net for the three months ended March 31, 2016 was as follows:

	2016 Completed Investment Property
Cost	
Balance, beginning of period	$ 1,992,798
Effect of foreign currency exchange differences	(18,150)
Balance, end of period	1,974,648
Accumulated depreciation	
Balance, beginning of period	284,309
Depreciation expense	12,448
Effect of foreign currency exchange differences	(2,818)
Balance, end of period	293,939
Net book value, end of period	$ 1,680,709

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

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

In October 2015, the determination of fair value was performed by qualified professional valuers, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to cost method. The significant unobservable inputs used include residue ratio. The evaluated fair value was NT$1,931,468 thousand (RMB387,362 thousand) with an assessment by qualified professional valuers as no significant changes so as to the date of the balance sheet.

19. INTANGIBLE ASSETS

	March 31, 2016	December 31, 2015	March 31, 2015
Carrying amounts			
Patents	$ 4,458,149	$ 4,986,922	$ 5,961,461
Other intangible assets	563,910	574,522	775,065
	$ 5,022,059	$ 5,561,444	$ 6,736,526

Movements of intangible assets for the three months ended March 31, 2016 and 2015 were as follows:

	2016			
	Patents	Goodwill	Other Intangible Assets	Total
Cost				
Balance, beginning of period	$ 12,434,890	$ 697,203	$ 1,785,537	$ 14,917,630
Additions	-	-	72,763	72,763
Effect of foreign currency exchange differences	(235,650)	(12,424)	(14,093)	(262,167)
Balance, end of period	12,199,240	684,779	1,844,207	14,728,226
Accumulated amortization				
Balance, beginning of period	7,336,883	-	1,031,158	8,368,041
Amortization expenses	423,224	-	81,880	505,104
Effect of foreign currency exchange differences	(130,101)	-	(8,325)	(138,426)
Balance, end of period	7,630,006	-	1,104,713	8,734,719
Accumulated impairment				
Balance, beginning of period	111,085	697,203	179,857	988,145
Effect of foreign currency exchange differences	-	(12,424)	(4,273)	(16,697)
Balance, end of period	111,085	684,779	175,584	971,448
Net book value, end of period	$ 4,458,149	$ -	$ 563,910	$ 5,022,059

	2015			
	Patents	Goodwill	Other Intangible Assets	Total
Cost				
Balance, beginning of period	$ 12,018,040	$ 887,037	$ 1,951,324	$ 14,856,401
Additions	-	-	59,358	59,358
Effect of foreign currency exchange differences	(82,800)	(30,440)	(33,351)	(146,591)
Balance, end of period	11,935,240	856,597	1,977,331	14,769,168
Accumulated amortization				
Balance, beginning of period	5,488,220	-	988,470	6,476,690
Amortization expenses	408,151	-	73,860	482,011
Effect of foreign currency exchange differences	(33,677)	-	(30,861)	(64,538)
Balance, end of period	5,862,694	-	1,031,469	6,894,163

(Continued)

	2015			
	Patents	Goodwill	Other Intangible Assets	Total
Accumulated impairment				
Balance, beginning of period	$ 111,085	$ 887,037	$ 172,298	$ 1,170,420
Effect of foreign currency exchange differences	-	(30,440)	(1,501)	(31,941)
Balance, end of period	111,085	856,597	170,797	1,138,479
Net book value, end of period	$ 5,961,461	$ -	$ 775,065	$ 6,736,526

(Concluded)

The Company owns patents of graphics technologies. As of March 31, 2016, December 31, 2015 and March 31, 2015, the carrying amounts of such patents were NT$4,438,019 thousand, NT$4,855,981 thousand and NT$5,494,387 thousand, respectively. The patents will be fully amortized over their remaining economic lives.

20. NOTE AND TRADE PAYABLES

	March 31, 2016	December 31, 2015	March 31, 2015
Notes payable	$ 545	$ 555	$ 368
Trade payables	25,777,627	29,597,830	48,056,037
	$ 25,778,172	$ 29,598,385	$ 48,056,405

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.

21. OTHER LIABILITIES

	March 31, 2016	December 31, 2015	March 31, 2015
Other payables			
Accrued expenses	$ 21,268,423	$ 24,829,310	$ 27,882,554
Payables for purchase of equipment	328,712	163,966	217,492
	$ 21,597,135	$ 24,993,276	$ 28,100,046
Other liabilities			
Advance receipts	$ 3,813,661	$ 3,173,548	$ 1,144,775
Agency receipts	291,317	323,700	427,731
Others	137,786	192,515	173,596
	$ 4,242,764	$ 3,689,763	$ 1,746,102

(Continued)

	March 31, 2016	December 31, 2015	March 31, 2015
Current - other liabilities	$ 3,032,395	$ 3,689,763	$ 1,746,102
Non-current - other liabilities	1,210,369	-	-
	$ 4,242,764	$ 3,689,763	$ 1,746,102

(Concluded)

Accrued Expenses

	March 31, 2016	December 31, 2015	March 31, 2015
Marketing	$ 12,985,278	$ 15,124,052	$ 16,746,981
Materials and molding expenses	3,283,647	3,162,071	2,506,780
Salaries and bonuses	1,917,483	3,344,721	4,189,563
Services	1,340,041	1,188,218	1,386,718
Import, export and freight	589,605	781,548	749,358
Insurance	217,227	303,294	69,700
Repairs, maintenance and sundry purchase	124,643	131,479	169,361
Bonus to employees	-	-	651,403
Others	810,499	793,927	1,412,690
	$ 21,268,423	$ 24,829,310	$ 27,882,554

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

22. PROVISIONS

	March 31, 2016	December 31, 2015	March 31, 2015
Warranties	$ 4,683,241	$ 5,314,365	$ 7,181,116
Provisions for contingent loss on purchase orders	614,899	677,893	237,954
	$ 5,298,140	$ 5,992,258	$ 7,419,070

Movement of provisions for the three months ended March 31, 2016 and 2015 were as follows:

	2016		
	Warranty Provision	Provisions for Contingent Loss on Purchase Orders	Total
Balance, beginning of period	$ 5,314,365	$ 677,893	$ 5,992,258
Provisions recognized (reversed)	956,715	(50,663)	906,052
Usage	(1,583,849)	(12,331)	(1,596,180)
Effect of foreign currency exchange differences	(3,990)	-	(3,990)
Balance, end of period	$ 4,683,241	$ 614,899	$ 5,298,140

	2015		
	Warranty Provision	Provisions for Contingent Loss on Purchase Orders	Total
Balance, beginning of period	$ 5,208,111	$ 633,068	$ 5,841,179
Provisions recognized	4,187,069	-	4,187,069
Change of estimates	-	(385,633)	(385,633)
Usage	(2,210,926)	(9,481)	(2,220,407)
Effect of foreign currency exchange differences	(3,138)	-	(3,138)
Balance, end of period	$ 7,181,116	$ 237,954	$ 7,419,070

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

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

23. EQUITY

Share Capital

a. Ordinary shares

	March 31, 2016	December 31, 2015	March 31, 2015
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)	827,642	831,870	828,038
Shares issued	$ 8,276,415	$ 8,318,695	$ 8,280,381

In March 2015, the Company retired 6,914 thousand treasury shares amounting to NT$69,140 thousand. As a result, the amount of the Company's outstanding ordinary shares as of March 31, 2015 decreased to NT$8,280,381 thousand, divided into 828,038 thousand ordinary shares at NT$10 par value. Every ordinary share carries one vote per share and a right to dividends.

In February 2016, the Company retired 118 thousand restricted shares for employees amounting to NT$1,180 thousand and retired 4,110 thousand treasury shares amounting to NT$41,100 thousand. As a result, the amount of the Company's outstanding ordinary shares as of March 31, 2016 decreased to NT$8,276,415 thousand, divided into 827,642 thousand ordinary shares at NT$10 par value. Every ordinary share carries one vote per share and a right to dividends.

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

b. Global depositary receipts

In November 2003, HTC issued 14,400 thousand ordinary shares corresponding to 3,600 thousand units of Global Depositary Receipts ("GDRs"). For this GDR issuance, HTC's stockholders, including Via Technologies, Inc., also issued 12,878.4 thousand ordinary shares, corresponding to 3,219.6 thousand GDR units. Thus, the entire offering consisted of 6,819.6 thousand GDR units. Taking into account the effect of stock dividends, the GDRs increased to 8,782.1 thousand units (36,060.5 thousand shares). The holders of these GDRs requested HTC to redeem the GDRs to get HTC's ordinary shares. As of March 31, 2016, there were 8,332.5 thousand units of GDRs redeemed, representing 33,330 thousand ordinary shares, and the outstanding GDRs represented 2,730.5 thousand ordinary shares or 0.33% of HTC's outstanding ordinary shares.

Capital Surplus

	March 31, 2016	December 31, 2015	March 31, 2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital			
Arising from issuance of ordinary shares	$ 14,242,211	$ 14,312,926	$ 14,312,926
Arising from consolidation excess	23,487	23,604	23,604
Arising from expired stock options	43,896	35,825	35,825
May not be used for any purpose			
Arising from employee share options	587,756	544,087	340,480
Arising from employee restricted shares	590,591	589,411	397,855
	$ 15,487,941	$ 15,505,853	$ 15,110,690

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

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

In February 2016, the retirement of treasury shares caused decreases of NT$70,715 thousand in additional paid-in capital - issuance of ordinary shares, NT$117 thousand in capital surplus - consolidation excess and NT$177 thousand in capital surplus - expired stock options, respectively. The difference the carrying value of treasury shares retired in excess of the sum of its par value and premium from issuance of ordinary share was offset against unappropriated earnings amounting to NT$88,846 thousand.

For details of capital surplus - employee share options and employee restricted shares, please 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% legal reserve unless the total legal reserve accumulated has already reached the amount of HTC's authorized capital.

d. To recognize or reverse special reserve return earnings.

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

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

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

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The Company expects to modify the Articles of Incorporation according to laws and regulations above on the board of directors' meeting on February 29, 2016 and will be subjected to the resolution of the shareholders' meeting. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to employee benefits expense in Note 25.

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

The loss off-setting for 2015 had been proposed in the board of directors' meeting on March 29, 2016, and the appropriations of 2014 had been approved in the shareholders' meetings on June 2, 2015. The appropriations and dividends per share were as follows:

	Appropriation of Earnings (The Loss Off-setting)		**Dividends Per Share (NT$)**	
	For 2015	**For 2014**	**For 2015**	**For 2014**
Legal reserve	$ -	$ 148,305	$ -	$ -
Cash dividends	-	314,636	-	0.38

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

Other Equity

	March 31, 2016	December 31, 2015	March 31, 2015
Exchange differences on translating foreign operations	$ 1,038,687	$ 1,473,417	$ 300,235
Unrealized losses on available-for-sale financial assets	(117,357)	(13,633)	(2,184)
Effective portion of gains and losses on hedging instruments in a cash flow hedge	(2,627)	-	5,516
Unearned employee benefit	(306,399)	(371,369)	(330,644)
	$ 612,304	$ 1,088,415	$ (27,077)

a. Exchange differences on translating foreign operations

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

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

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

c. Cash flow hedge

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

d. Unearned employee benefit

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

	For the Three Months Ended March 31	
	2016	**2015**
Balance, beginning of period	$ (371,369)	$ (398,570)
Issuance of shares	-	-
Share-based payment expenses recognized	64,970	67,926
Balance, end of period	$ (306,399)	$ (330,644)

Treasury Shares

On August 24, 2015, the Company's board of directors passed a resolution to buy back 50,000 thousand company shares from the open market. The repurchase period was between August 25, 2015 and October 24, 2015, and the repurchase price ranged from NT$35 to NT$60 per share. If the Company's share price was lower than this price range, the Company might continue to buy back its shares. The Company had bought back 4,110 thousand shares for NT$200,955 thousand during the repurchase period which retired by the Company's board of directors on February 29, 2016, and had cancelled the registration of retired shares.

The Company had repurchased company shares from the open market for transferring to employees and some of them had not been transferred before the expiry time. The Board of Directors approved the retirement of 6,914 thousand treasury shares in March 2015, and had cancelled the registration of retired shares. The related information on the treasury share transactions were as follows:

(In Thousands of Shares)

Reason to Reacquire	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
For the three months ended March 31, 2016				
To maintain the Company's credibility and stockholders' interest	4,110	-	4,110	-
For the three months ended March 31, 2015				
To transfer shares to the Company's employees	6,914	-	6,914	-

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

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

24. REVENUE

	For the Three Months Ended March 31	
	2016	2015
Sale of goods	$ 14,322,042	$ 41,086,312
Other operating income	498,940	437,960
	$ 14,820,982	$ 41,524,272

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

a. Other income

	For the Three Months Ended March 31	
	2016	2015
Interest income		
Bank deposits	$ 63,771	$ 77,134
Other receivables	19,678	19,040
Others	39,778	-
	123,227	96,174
Dividends	78,453	-
Others	36,299	29,419
	$ 237,979	$ 125,593

b. Other gains and losses

	For the Three Months Ended March 31	
	2016	2015
Gain on disposal of non-current assets held for sale (Note 14)	$ 2,091,594	$ -
Net losses on the disposal of property, plant and equipment	(2,177)	(2,103)
Net foreign exchange gains	176,346	349,326
Net (loss) gain arising on financial instruments classified as held for trading	(137,197)	25,607
Ineffective portion of cash flow hedge	418	88
Other losses	(27,216)	(672)
	$ 2,101,768	$ 372,246

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

c. Depreciation and amortization

	For the Three Months Ended March 31	
	2016	2015
Property, plant and equipment	$ 508,083	$ 713,244
Investment properties	12,448	-
Intangible assets	505,104	482,011
	$ 1,025,635	$ 1,195,255
An analysis of depreciation - by function		
Operating costs	$ 240,814	$ 411,088
Operating expenses	267,269	302,156
Other losses	12,448	-
	$ 520,531	$ 713,244
An analysis of amortization - by function		
Operating costs	$ 773	$ 2,042
Operating expenses	504,331	479,969
	$ 505,104	$ 482,011

d. Employee benefits expense

	For the Three Months Ended March 31	
	2016	2015
Short-term benefits	$ 2,996,434	$ 3,770,132
Post-employment benefits		
Defined contribution plans	125,230	172,965
Defined benefit plans	1,812	1,447
	127,042	174,412
Share-based payments (Note 28)		
Equity-settled share-based payments	116,887	157,936
Total employee benefits expense	$ 3,240,363	$ 4,102,480
An analysis of employee benefits expense - by function		
Operating costs	$ 709,885	$ 1,061,516
Operating expenses	2,530,478	3,040,964
	$ 3,240,363	$ 4,102,480

The existing Articles of Incorporation of HTC stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates no less than 5% and no higher than 0.3%, respectively, of net income (net of the bonus and remuneration). For the three months ended March 31, 2015, the bonus to employees were appropriated at 5% of net income before deducting employee bonus expenses.

To be in compliance with the Company Act as amended in May 2015, the Company expects to modify the Articles of Incorporation according to laws and regulations above on the board of directors' meeting on February 29, 2016, which stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 4% and no higher than 0.25%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. No employee bonus was estimated as the Company reported net loss for the three months ended March 31, 2016.

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The employees' compensation for 2015 and the employees' bonus for 2014 had been approved in the board of directors' meeting on March 29, 2016 and the shareholders' meeting on June 2, 2015, respectively. The employees' compensation for 2015 is expected to be proposed in the shareholders' meeting on June 24, 2016 after the amendment of the Articles of Incorporation.

	For the Year Ended December 31			
	2015		2014	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Employees' compensation/ bonus	$ -	$ -	$ 88,334	$ -

There was no difference between the amounts of the employees' compensation and bonus approved in the board of directors' meeting on March 29, 2016 and the shareholders' meetings on June 2, 2015, and the amounts recognized in the financial statements for the years ended December 31, 2015 and 2014, respectively.

Any further information of the employees' compensation and remuneration to directors and supervisors approved in the meeting of board of directors' in 2016 and in the meeting of shareholders in 2015, please refer to the "Market Observation Post System".

e. Impairment losses on non-financial assets

	For the Three Months Ended March 31	
	2016	2015
Inventories (included in operating costs)	$ 471,594	$ -

f. Gain or loss on foreign currency exchange

	For the Three Months Ended March 31	
	2016	2015
Foreign exchange gains	$ 1,074,298	$ 1,980,987
Foreign exchange losses	(897,952)	(1,631,661)
	$ 176,346	$ 349,326

26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax expense recognized in profit or loss

	For the Three Months Ended March 31	
	2016	2015
Current tax		
In respect of the current period	$ 67,116	$ 49,991
Land value increment tax	119,342	-
Adjustments for prior periods	-	12,753
	186,458	62,744
Deferred tax		
In respect of the current period	(65,972)	91,454
Income tax expense recognized in profit or loss	$ 120,486	$ 154,198

b. Integrated income tax

The imputation credit account ("ICA") information as of March 31, 2016, December 31, 2015 and March 31, 2015, were as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Unappropriated earnings generated on and after January 1, 1998	$ 19,077,139	$ 21,782,432	$ 38,180,901
Balance of ICA	$ 8,196,056	$ 8,196,056	$ 8,171,208

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

c. Income tax assessments

HTC's tax returns through 2013 had been assessed by the tax authorities. HTC disagreed with the tax authorities' assessment of its 2013 tax return and applied for a re-examination. Nevertheless, to be conservative, HTC had accrued for the income tax assessed by the tax authorities.

The income tax returns of Communication Global Certification Inc., HTC Investment Corporation, HTC I Investment Corporation and Yoda Co., Ltd. for the years through 2014 have been examined and approved by the tax authorities.

27. (LOSS) EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended March 31	
	2016	**2015**
Basic (loss) earnings per share	$ (3.16)	$ 0.43
Diluted (loss) earnings per share	$ (3.16)	$ 0.43

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

Net (Loss) Profit for the Period

	For the Three Months Ended March 31	
	2016	**2015**
(Loss) profit for the period attributable to owners of the parent	$ (2,616,447)	$ 360,057

Shares

Unit: In Thousands of Shares

	For the Three Months Ended March 31	
	2016	**2015**
Weighted average number of ordinary shares in computation of basic (loss) earnings per share	827,667	828,028
Effect of dilutive potential ordinary shares:		
Bonus issue to employees	-	158
Weighted average number of ordinary shares in computation of diluted (loss) earnings per share	827,667	828,186

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

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.

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

Information on employee share options was as follows:

	For the Three Months Ended March 31			
	2016		2015	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance, beginning of period	24,964	$137.20	31,908	$140.37
Options granted	-		-	
Options forfeited	(1,050)		(1,357)	
Balance, end of period	23,914	137.23	30,551	140.38
Options exercisable, end of period	5,789		-	
Weighted-average fair value of options granted per unit (NT$)	$ -		$ -	

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

	March 31, 2016	December 31, 2015	March 31, 2015
Range of exercise price (NT$)	$54.5-$149	$54.5-$149	$134.5-$149
Weighted-average remaining contractual life (years)	7.00 years	7.30 years	7.98 years

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

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

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

Employee Restricted Shares

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

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

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

If an employee fails to meet the vesting conditions, the Company will recall or buy back and cancel the restricted shares. In April, July, October 2015 and February 2016, the Company retired 49 thousand, 117 thousand, 409 thousand and 118 thousand restricted shares for employees amounting to NT$492 thousand, NT$1,167 thousand, NT$4,087 thousand and NT$1,180 thousand. As a result, the amount of the Company's outstanding employee restricted shares as of March 31, 2016 was 7,112 thousand shares, the other information was as follows:

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

Compensation Cost of Share-based Payment Arrangements

Compensation cost of share-based payment arrangement recognized were NT$116,887 thousand and NT$157,936 thousand for the three months ended March 31, 2016 and 2015, 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 carried at fair value held by the Company include financial assets measured at cost and debt investments with no active market. The management considers that the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair value or the fair value are not measured reliably.

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

a. Fair value hierarchy

March 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 127,521	$ -	$ 127,521
Hedging derivative assets				
Derivative financial instruments	$ -	$ 1,100	$ -	$ 1,100
Available-for-sale financial assets				
Domestic listed stocks - equity investments	$ 86	$ -	$ -	$ 86
Overseas listed stocks - equity investments	249,575	-	-	249,575
	$ 249,661	$ -	$ -	$ 249,661
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 264,718	$ -	$ 264,718
Hedging derivative liabilities				
Derivative financial instruments	$ -	$ 3,309	$ -	$ 3,309

December 31, 2015

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

March 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ -	$ 75,490	$ -	$ 75,490
Hedging derivative assets				
Derivative financial instruments	$ -	$ 5,604	$ -	$ 5,604

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed stocks - equity investments	$ 76	$ -	$ -	$ 76
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 49,883	$ -	$ 49,883

(Concluded)

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2016 and 2015.

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

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

Categories of Financial Instruments

	March 31, 2016	December 31, 2015	March 31, 2015
Financial assets			
FVTPL			
Held for trading	$ 127,521	$ 95,493	$ 75,490
Derivative instruments in designated hedge accounting relationships	1,100	-	5,604
Loans and receivables (Note 1)	56,985,611	61,510,211	87,223,553
Available-for-sale financial assets (Note 2)	3,580,424	3,699,515	2,629,498
Financial liabilities			
FVTPL			
Held for trading	264,718	36,544	49,883
Derivative instruments in designated hedge accounting relationships	3,309	-	-
Amortized cost (Note 3)	47,694,237	54,945,520	76,621,487

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

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

Note 3: The balances included financial liabilities measured at amortized cost, which comprise note, trade payables, other payables, 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 and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

a. Market risk

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

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

Foreign currency risk

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

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

Sensitivity analysis

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

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

	Profit or Loss (1)	Equity (2)
For the three months ended March 31, 2016		
USD	$ 32,514	$ (7,336)
EUR	(12,489)	-
RMB	(16,456)	-
JPY	(1,012)	7,337
For the three months ended March 31, 2015		
USD	24,569	(12,408)
EUR	(17,050)	-
RMB	(43,207)	-
JPY	(52)	12,336

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

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

b. Credit risk

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

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

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

c. Liquidity risk

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

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

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

March 31, 2016

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 7,803,766	$ 17,974,406	$ -
Other payables	11,114,149	10,482,986	-
Other current liabilities	228,961	62,356	-
Guarantee deposits received	-	-	27,613
	$ 19,146,876	$ 28,519,748	$ 27,613

December 31, 2015

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

March 31, 2015

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Non-derivative financial liabilities			
Note and trade payables	$ 19,251,944	$ 28,804,461	$ -
Other payables	11,083,007	17,017,039	-
Other current liabilities	368,858	58,873	-
Guarantee deposits received	-	-	37,305
	$ 30,703,809	$ 45,880,373	$ 37,305

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.

March 31, 2016

Net settled	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Foreign exchange contracts	$ (6,322)	$ -	$ -
Gross settled			
Foreign exchange contracts			
Inflows	$ 4,030,304	$ 11,326,123	$ -
Outflows	(4,076,216)	(11,384,975)	-
	$ (45,912)	$ (58,852)	$ -

December 31, 2015

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

March 31, 2015

Net settled	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Foreign exchange contracts	$ 18,940	$ -	$ -
Gross settled			
Foreign exchange contracts			
Inflows	$ 14,022,743	$ -	$ -
Outflows	(14,004,711)	-	-
	$ 18,032	$ -	$ -

3) Bank credit limit

	March 31, 2016	December 31, 2015	March 31, 2015
Unsecured bank general credit limit			
Amount used	$ 1,539,731	$ 2,053,485	$ 1,683,949
Amount unused	30,538,021	30,314,067	43,382,566
	$ 32,077,752	$ 32,367,552	$ 45,066,515

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.

Operating Sales

	For the Three Months Ended March 31	
	2016	**2015**
Joint venture	$ 28,955	$ -
Other related parties - Employees' Welfare Committee	195	19,915
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	3,262	1,536
	$ 32,412	$ 21,451

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

	March 31, 2016	December 31, 2015	March 31, 2015
Joint venture	$ -	$ 541	$ -
Other related parties - Employees' Welfare Committee	-	-	20,609
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	16	1,146	520
	$ 16	$ 1,687	$ 21,129

The selling prices for products sold to related parties were lower than those sold to third parties, except some related parties have no comparison with those sold to third parties. No guarantees had been given or received for trade receivables from related parties. No bad debt expense had been recognized for the three months ended March 31, 2016 and 2015 for the amounts owed by related parties.

Compensation of Key Management Personnel

	For the Three Months Ended March 31	
	2016	**2015**
Short-term benefits	$ 129,225	$ 67,664
Post-employment benefits	413	849
Termination benefits	17,583	-
Share-based payments	19,614	43,222
	$ 166,835	$ 111,735

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

Other Related-party Transactions

a. The Company leased staff dormitory owned by a related party under an operating lease agreement. The rental payment is determined at the prevailing rates in the surrounding area. The Company recognized and paid rental expenses amounting to NT$1,302 thousand for the three months ended March 31, 2015.

b. Other related parties provide selling and marketing service to the Company. The selling and marketing service expenses was NT$2,345 thousand for the three months ended March 31, 2016. As of March 31, 2016 and 2015, the unpaid selling and marketing service expenses was NT$2,462 thousand and NT$1,575 thousand, respectively.

32. PLEDGED ASSETS

As of March 31, 2016, December 31, 2015 and March 31, 2015, the time of deposits amounting to NT$632 thousand, NT$623 thousand and NT$582 thousand and were classified as other current financial assets were provided respectively as collateral for rental deposits.

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 evaluated the lawsuits and considered the risk of patents-in-suits are low. Also, preliminary injunction and summary judgment against the Company are very unlikely.

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

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

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

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

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

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

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

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

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

34. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In order to reduce the cost and raise the operational efficiency, the Company had sold the land located in Taoyuan on May 2, 2016 for NT$2,880,000 thousand. After the deduction of taxes and other related transaction costs, net gain on disposal of the property was expected as NT$990,000 thousand.

35. 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:

	March 31, 2016		December 31, 2015		March 31, 2015	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets						
Monetary items						
USD	$ 1,553,535	32.28	$ 1,806,236	33.06	$ 2,217,557	31.40
EUR	132,417	36.61	131,664	36.13	222,312	33.76
JPY	2,230,762	0.2871	2,592,347	0.2747	4,398,198	0.2612
RMB	1,036,153	4.99	827,354	5.03	673,631	5.06
Non-monetary items						
USD	83,243	32.28	83,243	33.06	63,238	31.40
Investments accounted for by the equity method						
USD	880	32.28	966	33.06	500	31.40
Financial liabilities						
Monetary items						
USD	1,162,295	32.28	1,291,619	33.06	1,881,844	31.40
EUR	81,450	36.61	102,841	36.13	177,657	33.76
JPY	1,410,764	0.2871	2,538,893	0.2747	8,937,166	0.2612
RMB	321,477	4.99	375,856	5.03	283,453	5.06

For the three months ended March 31, 2016 and 2015, realized and unrealized net foreign exchange gains were NT$39,567 thousand and NT$375,021 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

36. SIGNIFICANT CONTRACTS

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

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

(Continued)

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

(Concluded)

37. SEGMENT INFORMATION

The Company is organized and managed as a single reportable business segment. The Company's operations are mainly in the research, design, manufacture and sale of smart mobile devices and the operating revenue is more than 90 percent of the total revenue.