

HTC Corporation and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2015 and 2014 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 September 30, 2015 and 2014, and the related consolidated statements of comprehensive income for the three months ended September 30, 2015 and 2014, nine months ended September 30, 2015 and 2014, and changes in equity and cash flows for the nine months ended September 30, 2015 and 2014. 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.

October 30, 2015

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)

ASSETS	September 30, 2015 (Reviewed)		December 31, 2014 (Audited)		September 30, 2014 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 43,279,478	32	\$ 55,743,558	34	\$ 54,672,202	33
Financial assets at fair value through profit or loss - current (Notes 7 and 31)	254,358	-	262,544	-	275,725	-
Derivative financial assets for hedging - current (Notes 8 and 31)	-	-	-	-	29,445	-
Debt investments with no active market - current (Note 31)	8,280	-	7,918	-	-	-
Trade receivables, net (Notes 11 and 32)	17,025,863	13	29,140,284	18	25,234,361	15
Other receivables (Note 11)	278,346	-	584,936	-	773,967	1
Current tax assets	319,933	-	274,321	-	247,383	-
Inventories (Note 12)	20,823,090	15	17,213,060	11	23,209,305	14
Prepayments (Note 13)	5,190,349	4	6,626,106	4	6,389,171	4
Non-current assets held for sale (Note 14)	1,771,623	1	-	-	-	-
Other current financial assets (Notes 10 and 33)	752,947	1	334,954	-	666	-
Other current assets	140,739	-	99,269	-	50,982	-
Total current assets	<u>89,845,006</u>	<u>66</u>	<u>110,286,950</u>	<u>67</u>	<u>110,883,207</u>	<u>67</u>
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Note 31)	59	-	93	-	183	-
Financial assets measured at cost - non-current (Notes 9 and 31)	3,348,441	3	2,586,478	2	2,808,821	2
Investments accounted for using equity method (Note 16)	227,157	-	234,661	-	219,320	-
Property, plant and equipment (Notes 17 and 32)	17,901,257	13	23,435,556	14	23,727,490	14
Investment properties, net (Note 18)	1,785,175	1	-	-	-	-
Intangible assets (Note 19)	6,065,893	5	7,209,291	5	7,603,306	5
Deferred tax assets	8,318,264	6	8,452,707	5	8,429,894	5
Refundable deposits (Note 31)	1,600,231	1	262,740	-	264,723	-
Long-term receivables (Note 11)	1,471,773	1	1,342,813	1	1,275,703	1
Prepaid pension cost - non-current	123,038	-	109,138	-	138,008	-
Other non-current assets (Note 13)	5,572,199	4	9,917,847	6	10,018,132	6
Total non-current assets	<u>46,413,487</u>	<u>34</u>	<u>53,551,324</u>	<u>33</u>	<u>54,485,580</u>	<u>33</u>
TOTAL	<u>\$ 136,258,493</u>	<u>100</u>	<u>\$ 163,838,274</u>	<u>100</u>	<u>\$ 165,368,787</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	\$ 250,246	-	\$ 22,424	-	\$ 13,290	-
Notes and trade payables (Note 20)	29,747,168	22	43,803,343	27	43,421,932	26
Other payables (Notes 21 and 32)	26,180,345	19	32,237,945	20	34,565,203	21
Current tax liabilities	146,414	-	210,714	-	277,357	-
Provisions - current (Note 22)	7,303,576	5	5,841,179	3	6,550,061	4
Other current liabilities (Note 21)	3,324,058	3	1,143,134	1	1,525,493	1
Total current liabilities	<u>66,951,807</u>	<u>49</u>	<u>83,258,739</u>	<u>51</u>	<u>86,353,336</u>	<u>52</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities	96,330	-	202,932	-	195,519	-
Guarantee deposits received (Note 31)	25,987	-	43,230	-	40,091	-
Other non-current liabilities (Note 21)	414,019	1	-	-	-	-
Total non-current liabilities	<u>536,336</u>	<u>1</u>	<u>246,162</u>	<u>-</u>	<u>235,610</u>	<u>-</u>
Total liabilities	<u>67,488,143</u>	<u>50</u>	<u>83,504,901</u>	<u>51</u>	<u>86,588,946</u>	<u>52</u>
EQUITY (Note 24)						
Share capital - ordinary shares	8,282,722	6	8,349,521	5	8,403,521	5
Capital surplus	15,311,375	11	15,140,687	9	14,840,181	9
Retained earnings						
Legal reserve	18,297,655	13	18,149,350	11	18,149,350	11
Unappropriated earnings	25,206,761	19	41,381,753	25	48,247,109	29
Other equity	1,872,792	1	1,062,118	1	466,498	1
Treasury shares	(200,955)	-	(3,750,056)	(2)	(11,326,818)	(7)
Total equity	<u>68,770,350</u>	<u>50</u>	<u>80,333,373</u>	<u>49</u>	<u>78,779,841</u>	<u>48</u>
TOTAL	<u>\$ 136,258,493</u>	<u>100</u>	<u>\$ 163,838,274</u>	<u>100</u>	<u>\$ 165,368,787</u>	<u>100</u>

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 September 30				For the Nine Months Ended September 30			
	2015		2014		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 8, 25 and 32)	\$ 21,402,111	100	\$ 41,863,914	100	\$ 95,936,081	100	\$ 140,045,152	100
OPERATING COSTS (Notes 12, 26 and 32)	<u>17,546,616</u>	<u>82</u>	<u>32,279,957</u>	<u>77</u>	<u>77,556,202</u>	<u>81</u>	<u>109,033,501</u>	<u>78</u>
GROSS PROFIT	<u>3,855,495</u>	<u>18</u>	<u>9,583,957</u>	<u>23</u>	<u>18,379,879</u>	<u>19</u>	<u>31,011,651</u>	<u>22</u>
OPERATING EXPENSES (Notes 26 and 32)								
Selling and marketing	3,947,647	18	4,835,532	12	13,988,385	15	16,942,246	12
General and administrative	1,229,801	6	1,373,437	3	3,780,671	4	4,252,072	3
Research and development	<u>3,621,552</u>	<u>17</u>	<u>3,217,781</u>	<u>8</u>	<u>10,674,996</u>	<u>11</u>	<u>9,281,986</u>	<u>7</u>
Total operating expenses	<u>8,799,000</u>	<u>41</u>	<u>9,426,750</u>	<u>23</u>	<u>28,444,052</u>	<u>30</u>	<u>30,476,304</u>	<u>22</u>
(LOSS) PROFIT FROM OPERATIONS	<u>(4,943,505)</u>	<u>(23)</u>	<u>157,207</u>	<u>-</u>	<u>(10,064,173)</u>	<u>(11)</u>	<u>535,347</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 26)	187,300	1	166,222	-	439,105	-	478,981	-
Other gains and losses (Notes 8, 9 and 26)	270,791	1	322,373	1	(2,253,688)	(2)	527,010	1
Finance costs	(300)	-	(2,765)	-	(4,642)	-	(16,263)	-
Share of the profit or loss of associates and joint ventures (Note 16)	<u>(2,180)</u>	<u>-</u>	<u>(2,354)</u>	<u>-</u>	<u>(8,229)</u>	<u>-</u>	<u>(8,184)</u>	<u>-</u>
Total non-operating income and expenses	<u>455,611</u>	<u>2</u>	<u>483,476</u>	<u>1</u>	<u>(1,827,454)</u>	<u>(2)</u>	<u>981,544</u>	<u>1</u>
(LOSS) PROFIT BEFORE INCOME TAX	(4,487,894)	(21)	640,683	1	(11,891,627)	(13)	1,516,891	1
INCOME TAX (BENEFIT) EXPENSE (Note 27)	<u>(10,940)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,515</u>	<u>-</u>	<u>500,054</u>	<u>-</u>
(LOSS) PROFIT FOR THE PERIOD	<u>(4,476,954)</u>	<u>(21)</u>	<u>640,683</u>	<u>1</u>	<u>(12,151,142)</u>	<u>(13)</u>	<u>1,016,837</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME AND LOSS								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	1,832,569	9	(110,601)	-	622,355	1	(120,371)	-
Unrealized gain (losses) on available-for-sale financial assets	15	-	(22)	-	(34)	-	(56)	-
Cash flow hedges	<u>(6,261)</u>	<u>-</u>	<u>24,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,227</u>	<u>-</u>
Other comprehensive income and loss for the period, net of income tax	<u>1,826,323</u>	<u>9</u>	<u>(86,238)</u>	<u>-</u>	<u>622,321</u>	<u>1</u>	<u>(91,200)</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>\$ (2,650,631)</u>	<u>(12)</u>	<u>\$ 554,445</u>	<u>1</u>	<u>\$ (11,528,821)</u>	<u>(12)</u>	<u>\$ 925,637</u>	<u>1</u>

(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 September 30				For the Nine Months Ended September 30			
	2015		2014		2015		2014	
	Amount	%	Amount	%	Amount	%	Amount	%
NET (LOSS) PROFIT								
ATTRIBUTABLE TO:								
Owners of the parent	<u>\$ (4,476,954)</u>	<u>(21)</u>	<u>\$ 640,683</u>	<u>2</u>	<u>\$ (12,151,142)</u>	<u>(13)</u>	<u>\$ 1,016,837</u>	<u>1</u>
TOTAL COMPREHENSIVE (LOSS) INCOME								
ATTRIBUTABLE TO:								
Owners of the parent	<u>\$ (2,650,631)</u>	<u>(12)</u>	<u>\$ 554,445</u>	<u>1</u>	<u>\$ (11,528,821)</u>	<u>(12)</u>	<u>\$ 925,637</u>	<u>1</u>
(LOSS) EARNINGS PER SHARE (Note 28)								
Basic	<u>\$ (5.41)</u>		<u>\$ 0.78</u>		<u>\$ (14.68)</u>		<u>\$ 1.23</u>	
Diluted	<u>\$ (5.41)</u>		<u>\$ 0.78</u>		<u>\$ (14.68)</u>		<u>\$ 1.23</u>	

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					Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Available-for-sale Financial Assets	Cash Flow Hedge	Unearned Employee Benefit	Treasury Shares	
BALANCE, JANUARY 1, 2014	\$ 8,423,505	\$ 15,360,307	\$ 18,149,350	\$ 854,138	\$ 47,282,820	\$ 559,719	\$ (2,021)	\$ -	\$ -	\$(12,920,158)	\$ 77,707,660
The loss off-setting for 2013 Special reserve reversed	-	-	-	(854,138)	854,138	-	-	-	-	-	-
Net profit for the nine months ended September 30, 2014	-	-	-	-	1,016,837	-	-	-	-	-	1,016,837
Other comprehensive income and loss for the nine months ended September 30, 2014	-	-	-	-	-	(120,371)	(56)	29,227	-	-	(91,200)
Retirement of treasury shares	(19,984)	(666,670)	-	-	(906,686)	-	-	-	-	1,593,340	-
Share-based payments	-	146,544	-	-	-	-	-	-	-	-	146,544
BALANCE, SEPTEMBER 30, 2014	\$ 8,403,521	\$ 14,840,181	\$ 18,149,350	\$ -	\$ 48,247,109	\$ 439,348	\$ (2,077)	\$ 29,227	\$ -	\$(11,326,818)	\$ 78,779,841
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
Appropriation of 2014 earnings											
Legal reserve	-	-	148,305	-	(148,305)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(314,636)	-	-	-	-	-	(314,636)
Net loss for the nine months ended September 30, 2015	-	-	-	-	(12,151,142)	-	-	-	-	-	(12,151,142)
Other comprehensive income and loss for the nine months ended September 30, 2015	-	-	-	-	-	622,355	(34)	-	-	-	622,321
Buy-back of treasury shares	-	-	-	-	-	-	-	-	-	(200,955)	(200,955)
Retirement of treasury shares	(69,140)	(120,007)	-	-	(3,560,909)	-	-	-	-	3,750,056	-
Share-based payments	2,341	290,695	-	-	-	-	-	-	188,353	-	481,389
BALANCE, SEPTEMBER 30, 2015	\$ 8,282,722	\$ 15,311,375	\$ 18,297,655	\$ -	\$ 25,206,761	\$ 2,085,210	\$ (2,201)	\$ -	\$ (210,217)	\$ (200,955)	\$ 68,770,350

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	\$ (11,891,627)	\$ 1,516,891
Adjustments for:		
Depreciation expenses	1,964,936	2,312,234
Amortization expenses	1,457,394	1,394,663
Finance costs	4,642	16,263
Interests income	(303,048)	(283,912)
Dividend income	(37,932)	(22,765)
Compensation cost of employee share-based payments	481,389	146,544
Share of loss of associates and joint ventures	8,229	8,184
(Gain) loss on disposal of property, plant and equipment	(17,092)	57,217
Transfer of properties, plants and equipments to expenses	8,339	-
Gain on sale of investment	-	(157,226)
Impairment loss recognized on financial assets measured at cost	-	66,905
Impairment losses on non-financial assets	4,370,426	168,979
Ineffective portion of cash flow hedges	-	(218)
Changes in operating assets and liabilities		
Decrease (increase) in financial instruments held for trading	236,008	(100,138)
Decrease (increase) in trade receivables	12,114,421	(1,863,189)
Decrease in other receivables	304,121	1,363,691
(Increase) decrease in inventories	(5,060,566)	221,274
Decrease (increase) in prepayments	1,435,757	(585,427)
(Increase) decrease in other current assets	(41,470)	73,826
Decrease in other non-current assets	1,871,611	1,525,210
Decrease in notes and trade payables	(14,056,175)	(2,853,919)
Decrease in other payables	(5,994,053)	(2,914,319)
Increase (decrease) in provisions	1,462,397	(1,658,824)
Increase in other current liabilities	2,180,924	569,366
Increase in other non-current liabilities	414,019	-
Cash used in operations	(9,087,350)	(998,690)
Interest received	233,781	210,319
Interest paid	(4,642)	(16,263)
Income tax paid	(303,184)	(991,239)
Net cash used in operating activities	(9,161,395)	(1,795,873)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire financial assets measured at cost	(645,449)	(432,463)
Proceeds on sale of financial assets measured at cost	-	2,357,366
Payments for property, plant and equipment	(728,320)	(920,733)
Proceeds from disposal of property, plant and equipment	312,597	10,103
Increase in refundable deposits	(1,337,491)	-

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2015	2014
Decrease in refundable deposits	\$ -	\$ 88,171
Payments for intangible assets	(86,543)	(227,947)
Increase in other current financial assets	(417,993)	-
Decrease in other current financial assets	-	2,770,357
Dividends received	<u>37,932</u>	<u>22,765</u>
Net cash (used in) generated from investing activities	<u>(2,865,267)</u>	<u>3,667,619</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of guarantee deposits received	(17,243)	(216,324)
Dividends paid to owners of the Company	(314,636)	-
Payments for buy-back of treasury shares	<u>(200,955)</u>	<u>-</u>
Net cash used in financing activities	<u>(532,834)</u>	<u>(216,324)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>95,416</u>	<u>(282,161)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(12,464,080)	1,373,261
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>55,743,558</u>	<u>53,298,941</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 43,279,478</u>	<u>\$ 54,672,202</u>

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

(Concluded)

HTC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014 (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 depository 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 October 30, 2015.

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

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

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

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

Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
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 IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

The impairment of financial assets

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

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

Hedge accounting

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

2) IFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These 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 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.

Basis of Preparation

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for trading purposes;
- b. Assets to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities are:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the HTC and the entities controlled by the HTC (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

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

Changes in the Company's ownership interests in existing subsidiaries

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

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

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

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

Business Combinations

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

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

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

Foreign Currencies

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

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

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

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

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

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

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

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

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

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

Inventories

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

Investments in Associates and Joint Ventures

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

Investment Properties

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

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

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

Goodwill

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

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

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

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

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in

estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

Intangible assets acquired in a business combination

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

Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

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

Non-current Assets Held for Sale

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

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

Financial Instruments

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

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

Financial assets

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

a. Measurement category

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

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

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

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

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

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

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

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

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

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

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

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

3) Loans and receivables

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

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

b. Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

c. Derecognition of financial assets

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

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

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

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

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

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

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

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

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

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

Hedge Accounting

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

Fair value hedges

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

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

Cash flow hedges

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

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

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

Provisions

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

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

a. Warranty provisions

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

b. Provisions for contingent loss on purchase orders

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

Revenue Recognition

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

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

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

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

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

Employee Benefits

Short-term employee benefits

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

Retirement benefits

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

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

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

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

Termination benefits

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

Share-based Payment Arrangements

Share-based payment transactions of the Company

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

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

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

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

d. Interim period tax

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

Accrued Marketing Expenses

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

Treasury Share

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Accrued marketing and advertising expenses

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

As of September 30, 2015, December 31, 2014 and September 30, 2014, the carrying amounts of accrued marketing and advertising expenses were NT\$15,570,968 thousand, NT\$20,168,664 thousand and NT\$21,826,550 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 September 30, 2015, December 31, 2014 and September 30, 2014, the carrying amounts of allowances for doubtful debts were NT\$3,016,922 thousand, NT\$3,054,782 thousand and NT\$3,050,907 thousand, respectively.

c. Impairment of tangible and intangible assets other than goodwill

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

Impairment loss on tangible and intangible assets other than goodwill recognized was NT\$2,919,890 thousand for the nine months ended September 30, 2015.

d. Impairment of goodwill

Test of impairment on goodwill depends on the subjective judgment of management. The management uses subjective judgment to identify cash-generating units, allocates assets and liabilities to cash-generating units, allocates goodwill to cash-generating units, and determines recoverable amount of a cash-generating unit.

As of September 30, 2015, December 31, 2014 and September 30, 2014, the carrying amounts of goodwill were NT\$0 thousand, NT\$0 thousand and NT\$174,253 thousand, respectively.

e. 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 September 30, 2015, December 31, 2014 and September 30, 2014, the carrying amounts of inventories were NT\$20,823,090 thousand, NT\$17,213,060 thousand and NT\$23,209,305 thousand, respectively.

f. 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 September 30, 2015, December 31, 2014 and September 30, 2014, the carrying amounts of deferred tax assets were NT\$8,318,264 thousand, NT\$8,452,707 thousand and NT\$8,429,894 thousand, respectively.

g. 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 September 30, 2015, December 31, 2014 and September 30, 2014, the carrying amounts of warranty provision were NT\$6,679,563 thousand, NT\$5,208,111 thousand and NT\$5,848,077 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	September 30, 2015	December 31, 2014	September 30, 2014
Cash on hand	\$ 2,026	\$ 2,295	\$ 2,402
Checking accounts and demand deposits	34,215,391	33,266,966	35,838,358
Time deposits (with original maturities less than three months)	<u>9,062,061</u>	<u>22,474,297</u>	<u>18,831,442</u>
	<u>\$ 43,279,478</u>	<u>\$ 55,743,558</u>	<u>\$ 54,672,202</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Financial assets held for trading</u>			
Derivatives financial assets (not under hedge accounting)			
Foreign exchange contracts	<u>\$ 254,358</u>	<u>\$ 262,544</u>	<u>\$ 275,725</u>
<u>Financial liabilities held for trading</u>			
Derivatives financial liabilities (not under hedge accounting)			
Foreign exchange contracts	<u>\$ 250,246</u>	<u>\$ 22,424</u>	<u>\$ 13,290</u>

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)
<u>September 30, 2015</u>				
Foreign exchange contracts	Sell	SGD/USD	2015.12.29	SGD 5,336
Foreign exchange contracts	Sell	JPY/USD	2015.10.07-2015.10.21	JPY 1,337,330
Foreign exchange contracts	Sell	GBP/USD	2015.10.30-2015.11.27	GBP 10,800
Foreign exchange contracts	Sell	USD/TWD	2015.10.06-2015.10.30	USD 86,500
Foreign exchange contracts	Buy	RMB/USD	2015.10.08-2015.10.28	RMB 301,000
Foreign exchange contracts	Buy	RMB/TWD	2015.10.26	RMB 45,000
Foreign exchange contracts	Buy	USD/NTD	2015.10.13-2015.12.31	USD 404,300
Foreign exchange contracts	Buy	SGD/USD	2015.10.30-2015.11.27	SGD 195,787
<u>December 31, 2014</u>				
Foreign exchange contracts	Sell	CAD/USD	2015.01.07-2015.03.17	CAD 31,500
Foreign exchange contracts	Sell	EUR/USD	2015.01.07	EUR 6,000

(Continued)

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
Foreign exchange contracts	Sell	JPY/USD	2015.01.07-2015.02.25	JPY	5,288,510
Foreign exchange contracts	Sell	GBP/USD	2015.01.07-2015.03.17	GBP	30,100
Foreign exchange contracts	Buy	RMB/USD	2015.01.07	RMB	44,000
Foreign exchange contracts	Buy	USD/NTD	2015.01.12-2015.03.04	USD	267,200
Foreign exchange contracts	Buy	SGD/USD	2015.02.25-2015.03.04	SGD	88,985
<u>September 30, 2014</u>					
Foreign exchange contracts	Sell	USD/NTD	2014.10.01-2014.10.29	USD	50,000
Foreign exchange contracts	Sell	CAD/USD	2014.10.02-2014.11.18	CAD	20,930
Foreign exchange contracts	Sell	EUR/USD	2014.10.01-2014.11.14	EUR	64,000
Foreign exchange contracts	Sell	JPY/USD	2014.10.03-2014.12.15	JPY	9,137,930
Foreign exchange contracts	Sell	GBP/USD	2014.10.01-2014.11.14	GBP	25,500
Foreign exchange contracts	Sell	RMB/USD	2014.10.15-2014.11.05	RMB	192,315
Foreign exchange contracts	Buy	USD/NTD	2014.10.06-2014.12.01	USD	249,200
Foreign exchange contracts	Buy	SGD/USD	2014.10.01-2014.12.31	SGD	76,246
Foreign exchange contracts	Buy	RMB/USD	2014.10.08-2014.10.15	RMB	87,500
(Concluded)					

8. DERIVATIVE FINANCIAL ASSETS FOR HEDGING

	September 30, 2015	December 31, 2014	September 30, 2014
Derivative financial assets under hedge <u>accounting</u>			
Cash flow hedges - foreign exchange forward contracts	\$ -	\$ -	\$ 29,445

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)	
<u>September 30, 2014</u>					
Forward exchange contracts	Sell	JPY/USD	2014.12.30	JPY	1,314,960

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 September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Revenues	\$ 7,840	\$ 51,538	\$ 22,604	\$ 51,538
Other gains and losses	<u>19</u>	<u>1,685</u>	<u>1,258</u>	<u>1,685</u>
	<u>\$ 7,859</u>	<u>\$ 53,223</u>	<u>\$ 23,862</u>	<u>\$ 53,223</u>

9. FINANCIAL ASSETS MEASURED AT COST

	September 30, 2015	December 31, 2014	September 30, 2014
Domestic unlisted equity investment	\$ 643,961	\$ 643,961	\$ 698,861
Overseas unlisted equity investment	2,058,007	1,423,818	1,611,560
Overseas unlisted mutual funds	<u>646,473</u>	<u>518,699</u>	<u>498,400</u>
	<u>\$ 3,348,441</u>	<u>\$ 2,586,478</u>	<u>\$ 2,808,821</u>
Classified according to financial asset measurement categories			
Available-for-sale financial assets	<u>\$ 3,348,441</u>	<u>\$ 2,586,478</u>	<u>\$ 2,808,821</u>

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

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

Proceeds of disposal	\$ 2,357,366
Less: Carrying amount of investment on the date of disposal	<u>(2,200,140)</u>
Gain recognized	<u>\$ 157,226</u>

In June 2014, The Company believed that the investment in SoundHound Inc. could not be recovered and thus an impairment loss of NT\$66,905 thousand was recognized at its carrying amount.

10. OTHER CURRENT FINANCIAL ASSETS

	September 30, 2015	December 31, 2014	September 30, 2014
Time deposits with original maturities more than three months	<u>\$ 752,947</u>	<u>\$ 334,954</u>	<u>\$ 666</u>

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

11. TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Trade receivables</u>			
Trade receivables	\$ 20,042,279	\$ 32,194,141	\$ 28,284,898
Trade receivables - related parties	506	925	370
Less: Allowances for doubtful debts	<u>(3,016,922)</u>	<u>(3,054,782)</u>	<u>(3,050,907)</u>
	<u>\$ 17,025,863</u>	<u>\$ 29,140,284</u>	<u>\$ 25,234,361</u>
<u>Other receivables</u>			
Receivables from disposal of investments	\$ 1,308,297	\$ 1,251,073	\$ 1,202,115
Interest receivables	172,038	102,771	84,471
VAT refund receivables	91,377	246,900	174,070
Others	<u>178,407</u>	<u>327,005</u>	<u>589,014</u>
	<u>\$ 1,750,119</u>	<u>\$ 1,927,749</u>	<u>\$ 2,049,670</u>
Current - other receivables	\$ 278,346	\$ 584,936	\$ 773,967
Non-current - other receivables	<u>1,471,773</u>	<u>1,342,813</u>	<u>1,275,703</u>
	<u>\$ 1,750,119</u>	<u>\$ 1,927,749</u>	<u>\$ 2,049,670</u>

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 were past due but not impaired.

Age of trade receivables

	September 30, 2015	December 31, 2014	September 30, 2014
1-90 days	\$ 1,945,618	\$ 3,322,048	\$ 1,284,707
91-180 days	466,210	36,184	226,440
Over 181 days	<u>2,502,035</u>	<u>2,642,973</u>	<u>2,675,125</u>
	<u>\$ 4,913,863</u>	<u>\$ 6,001,205</u>	<u>\$ 4,186,272</u>

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

Age of impaired trade receivables

	September 30, 2015	December 31, 2014	September 30, 2014
1-90 days	\$ 1,772,385	\$ 2,946,423	\$ 943,986
91-180 days	124,556	-	191,379
Over 181 days	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,896,941</u>	<u>\$ 2,946,423</u>	<u>\$ 1,135,365</u>

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

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

Movement in the allowances for impairment loss

	For the Nine Months Ended September 30	
	2015	2014
Balance, beginning of period	\$ 3,054,782	\$ 3,050,907
Less: Amounts written off during the period as uncollectible	(38,038)	-
Effect of foreign currency exchange differences	<u>178</u>	<u>-</u>
Balance, end of period	<u>\$ 3,016,922</u>	<u>\$ 3,050,907</u>

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

	September 30, 2015	December 31, 2014	September 30, 2014
Finished goods	\$ 3,929,617	\$ 2,925,203	\$ 2,875,235
Work-in-process	1,135,476	686,398	1,635,118
Semi-finished goods	3,493,149	3,692,029	5,663,344
Raw materials	11,563,845	9,491,854	12,562,851
Inventory in transit	<u>701,003</u>	<u>417,576</u>	<u>472,757</u>
	<u>\$ 20,823,090</u>	<u>\$ 17,213,060</u>	<u>\$ 23,209,305</u>

The cost of inventories recognized as cost of goods sold for the nine months ended September 30, 2015 and 2014 included inventory write-downs of NT\$1,450,536 thousand and NT\$168,979 thousand, respectively.

13. PREPAYMENTS

	September 30, 2015	December 31, 2014	September 30, 2014
Royalty	\$ 7,756,783	\$ 12,068,674	\$ 11,802,886
Net input VAT	1,702,270	1,848,355	2,044,678
Prepayments to suppliers	382,222	1,577,566	1,853,310
Land use right	140,349	139,502	133,153
Prepaid equipment	104,489	168,983	10,435
Others	<u>676,435</u>	<u>740,873</u>	<u>562,841</u>
	<u>\$ 10,762,548</u>	<u>\$ 16,543,953</u>	<u>\$ 16,407,303</u>
Current	\$ 5,190,349	\$ 6,626,106	\$ 6,389,171
Non-current	<u>5,572,199</u>	<u>9,917,847</u>	<u>10,018,132</u>
	<u>\$ 10,762,548</u>	<u>\$ 16,543,953</u>	<u>\$ 16,407,303</u>

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

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

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

14. NON-CURRENT ASSETS HELD FOR SALE

	September 30, 2015	December 31, 2014	September 30, 2014
Freehold land held for sale	<u>\$ 1,771,623</u>	<u>\$ -</u>	<u>\$ -</u>

The Company intends to dispose of a parcel of freehold land it no longer uses. A search is underway for a buyer. No impairment loss was recognized on classification of the land as held for sale for the nine months ended September 30, 2015.

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements

The consolidated entities as of September 30, 2015, December 31, 2014 and September 30, 2014 were as follows:

Investor	Investee	Main Businesses	% of Ownership			Remark
			September 30, 2015	December 31, 2014	September 30, 2014	
HTC Corporation	H.T.C. (B.V.I.) Corp. Communication Global Certification Inc.	International holding company	100.00	100.00	100.00	-
		Import of controlled telecommunications radio-frequency devices and software services	100.00	100.00	100.00	-
HTC Corporation	High Tech Computer Asia Pacific Pte. Ltd.	International holding company; marketing, repair and after-sales services	100.00	100.00	100.00	-
		General investing activities	100.00	100.00	100.00	-
	PT. High Tech Computer Indonesia	Marketing, repair and after-sales service	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	-	-	1)
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	-
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 service	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	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership			Remark
			September 30, 2015	December 31, 2014	September 30, 2014	
	HTC Communication Solutions Mexico, S.A DE C.V.	"	1.00	-	-	3)
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	1.00	-	-	4)
HTC Netherlands B.V.	HTC EUROPE CO., LTD.	International holding company	100.00	100.00	100.00	-
		Marketing, repair and after-sales services				
	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 Netherlands B.V.	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 Norway AS	"	-	100.00	100.00	2)
	HTC RUS LLC	"	-	100.00	100.00	2)
	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	-	-	3)
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	99.00	-	-	4)
	HTC Czech RC s.r.o.	Manufacture and sale of smart mobile devices	100.00	-	-	5)
HTC EUROPE CO., LTD.	HTC America Holding Inc.	International holding company	100.00	100.00	100.00	-
HTC FRANCE CORPORATION	HTC BLR	Design, research and development of application software	-	100.00	100.00	6)
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	-

(Concluded)

Remark:

- 1) HTC Investment (B.V.I) Corporation was incorporated in August 2015.
 - 2) HTC Norway AS and HTC RUS LLC were dissolved in March 2015.
 - 3) HTC Communication Solutions Mexico, S.A DE C.V. was incorporated in April 2015.
 - 4) HTC Servicios DE Operacion Mexico, S.A DE C.V. was incorporated in April 2015.
 - 5) HTC Czech RC s.r.o. was incorporated in April 2015.
 - 6) HTC BLR was dissolved in March 2015.
- b. Subsidiary excluded from consolidated financial statements: None

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30, 2015	December 31, 2014	September 30, 2014
Investment in associates	\$ 16,561	\$ 15,836	\$ -
Investment in joint ventures	<u>210,596</u>	<u>218,825</u>	<u>219,320</u>
	<u>\$ 227,157</u>	<u>\$ 234,661</u>	<u>\$ 219,320</u>

Investments in Associates

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Unlisted equity investments</u>			
East West Artist	<u>\$ 16,561</u>	<u>\$ 15,836</u>	<u>\$ -</u>

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	September 30, 2015	December 31, 2014	September 30, 2014
East West Artist	12.50%	12.50%	-

In December 2014, the Company acquired 12.50% equity interest in East West Artist for US\$500 thousand. Management considers that the Company is able to exercise significant influence over East West Artist and accounted for this investment by the equity method.

Aggregate information of associates that are not individually material:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2015	2014	2015	2014
The Company's share of:				
Profit from continuing operations	\$ -	\$ -	\$ -	\$ -
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 Ventures

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Unlisted equity investments</u>			
Huada Digital Corporation	<u>\$ 210,596</u>	<u>\$ 218,825</u>	<u>\$ 219,320</u>

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 Associate	September 30, 2015	December 31, 2014	September 30, 2014
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.

Aggregate information of joint ventures that are not individually material:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2015	2014	2015	2014
The Company's share of:				
Losses from continuing operations	\$ (2,180)	\$ (2,354)	\$ (8,229)	\$ (8,184)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive losses for the period	<u>\$ (2,180)</u>	<u>\$ (2,354)</u>	<u>\$ (8,229)</u>	<u>\$ (8,184)</u>

Investments in joint ventures 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

	September 30, 2015	December 31, 2014	September 30, 2014
Carrying amounts			
Land	\$ 5,853,905	\$ 7,622,683	\$ 7,623,371
Buildings	8,469,503	10,364,729	10,309,290
Property under construction	2,635	1,089	1,055
Machinery and equipment	2,640,385	4,437,725	4,538,268
Other equipment	<u>934,829</u>	<u>1,009,330</u>	<u>1,255,506</u>
	<u>\$ 17,901,257</u>	<u>\$ 23,435,556</u>	<u>\$ 23,727,490</u>

Movement of property, plant and equipment for the nine months ended September 30, 2015 and 2014 were as follows:

	2015					
<u>Cost</u>	Land	Buildings	Property under Construction	Machinery and Equipment	Other Equipment	Total
Balance, beginning of period	\$ 7,622,683	\$ 12,508,315	\$ 1,089	\$ 15,181,539	\$ 2,656,990	\$ 37,970,616
Additions	-	111,026	1,470	280,730	336,041	729,267
Disposals	-	-	-	(1,729,072)	(173,247)	(1,902,319)
Transfer to expense	-	-	-	(8,577)	-	(8,577)
Reclassification	(1,771,623)	(1,877,434)	-	-	(120,162)	(3,769,219)
Effect of foreign currency exchange differences	2,845	(8,846)	76	65,780	37,445	97,300
Balance, end of period	<u>5,853,905</u>	<u>10,733,061</u>	<u>2,635</u>	<u>13,790,400</u>	<u>2,737,067</u>	<u>33,117,068</u>
<u>Accumulated depreciation</u>						
Balance, beginning of period	-	2,143,586	-	10,743,814	1,647,660	14,535,060
Depreciation expenses	-	309,864	-	1,319,872	334,706	1,964,442
Disposals	-	-	-	(1,482,031)	(124,783)	(1,606,814)
Transfer to expense	-	-	-	(238)	-	(238)
Reclassification	-	(189,336)	-	-	(81,848)	(271,184)
Effect of foreign currency exchange differences	-	(556)	-	47,635	23,219	70,298
Balance, end of period	<u>-</u>	<u>2,263,558</u>	<u>-</u>	<u>10,629,052</u>	<u>1,798,954</u>	<u>14,691,564</u>
<u>Accumulated impairment</u>						
Balance, beginning of period	-	-	-	-	-	-
Impairment losses recognized	-	-	-	520,963	3,284	524,247
Balance, end of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>520,963</u>	<u>3,284</u>	<u>524,247</u>
Net book value, end of period	<u>\$ 5,853,905</u>	<u>\$ 8,469,503</u>	<u>\$ 2,635</u>	<u>\$ 2,640,385</u>	<u>\$ 934,829</u>	<u>\$ 17,901,257</u>
	2014					
<u>Cost</u>	Land	Buildings	Property under Construction	Machinery and Equipment	Other Equipment	Total
Balance, beginning of period	\$ 7,623,287	\$ 12,229,591	\$ 145	\$ 14,480,912	\$ 3,564,884	\$ 37,898,819
Additions	-	114,482	1,047	236,506	198,986	551,021
Disposals	-	-	-	-	(147,627)	(147,627)
Reclassification	-	-	(146)	-	146	-
Effect of foreign currency exchange differences	84	(1,189)	9	(1,888)	5,523	2,539
Balance, end of period	<u>7,623,371</u>	<u>12,342,884</u>	<u>1,055</u>	<u>14,715,530</u>	<u>3,621,912</u>	<u>38,304,752</u>
<u>Accumulated depreciation</u>						
Balance, beginning of period	-	1,722,043	-	8,718,986	1,896,391	12,337,420
Depreciation expenses	-	311,613	-	1,455,704	544,917	2,312,234
Disposals	-	-	-	-	(80,307)	(80,307)
Effect of foreign currency exchange differences	-	(62)	-	2,572	5,405	7,915
Balance, end of period	<u>-</u>	<u>2,033,594</u>	<u>-</u>	<u>10,177,262</u>	<u>2,366,406</u>	<u>14,577,262</u>
Net book value, end of period	<u>\$ 7,623,371</u>	<u>\$ 10,309,290</u>	<u>\$ 1,055</u>	<u>\$ 4,538,268</u>	<u>\$ 1,255,506</u>	<u>\$ 23,727,490</u>

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 nine months ended September 30, 2015 and 2014.

18. INVESTMENT PROPERTIES, NET

Movement of investment properties, net for the nine months ended September 30, 2015 was as follows:

	2015		
	Completed Investment Property	Investment Property under Construction	Total
<u>Cost</u>			
Balance, beginning of period	\$ -	\$ -	\$ -
Transferred from property, plant and equipment	1,997,596	-	1,997,596
Effect of foreign currency exchange differences	<u>68,584</u>	<u>-</u>	<u>68,584</u>
Balance, end of period	<u>2,066,180</u>	<u>-</u>	<u>2,066,180</u>
<u>Accumulated depreciation</u>			
Balance, beginning of period	-	-	-
Transferred from property, plant and equipment	271,184	-	271,184
Depreciation expense	494	-	494
Effect of foreign currency exchange differences	<u>9,327</u>	<u>-</u>	<u>9,327</u>
Balance, end of period	<u>281,005</u>	<u>-</u>	<u>281,005</u>
Net book value, end of period	<u>\$ 1,785,175</u>	<u>\$ -</u>	<u>\$ 1,785,175</u>

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

On September 30, 2015, the fair value of investment properties was evaluated as NT\$2,020,999 thousand according to the valuation report expressed by independent qualified professional valuer Shanghai San Lian Assets Appraisal Co., Ltd. on October 10, 2015. The valuation was arrived at by reference to the replacement cost and residue ratio of similar building nearby.

19. INTANGIBLE ASSETS

	September 30, 2015	December 31, 2014	September 30, 2014
Carrying amounts			
Patents	\$ 5,418,219	\$ 6,418,735	\$ 6,587,556
Goodwill	-	-	174,253
Other intangible assets	<u>647,674</u>	<u>790,556</u>	<u>841,497</u>
	<u>\$ 6,065,893</u>	<u>\$ 7,209,291</u>	<u>\$ 7,603,306</u>

Movements of intangible assets for the nine months ended September 30, 2015 and 2014 were as follows:

	2015			
	Patents	Goodwill	Others	Total
<u>Cost</u>				
Balance, beginning of period	\$ 12,018,040	\$ 887,037	\$ 1,951,324	\$ 14,856,401
Additions	-	-	86,543	86,543
Effect of foreign currency exchange differences	434,700	15,761	20,577	471,038
Balance, end of period	<u>12,452,740</u>	<u>902,798</u>	<u>2,058,444</u>	<u>15,413,982</u>
<u>Accumulated amortization</u>				
Balance, beginning of period	5,488,220	-	988,470	6,476,690
Amortization expenses	1,224,556	-	232,838	1,457,394
Effect of foreign currency exchange differences	210,660	-	9,282	219,942
Balance, end of period	<u>6,923,436</u>	<u>-</u>	<u>1,230,590</u>	<u>8,154,026</u>
<u>Accumulated impairment</u>				
Balance, beginning of period	111,085	887,037	172,298	1,170,420
Effect of foreign currency exchange differences	-	15,761	7,882	23,643
Balance, end of period	<u>111,085</u>	<u>902,798</u>	<u>180,180</u>	<u>1,194,063</u>
Net book value, end of period	<u>\$ 5,418,219</u>	<u>\$ -</u>	<u>\$ 647,674</u>	<u>\$ 6,065,893</u>
2014				
	Patents	Goodwill	Others	Total
<u>Cost</u>				
Balance, beginning of period	\$ 11,496,490	\$ 874,784	\$ 1,689,432	\$ 14,060,706
Additions	-	-	227,947	227,947
Effect of foreign currency exchange differences	149,700	(6,750)	(6,596)	136,354
Balance, end of period	<u>11,646,190</u>	<u>868,034</u>	<u>1,910,783</u>	<u>14,425,007</u>
<u>Accumulated amortization</u>				
Balance, beginning of period	3,716,504	-	705,679	4,422,183
Amortization expenses	1,185,171	-	209,492	1,394,663
Effect of foreign currency exchange differences	45,874	-	(11,441)	34,433
Balance, end of period	<u>4,947,549</u>	<u>-</u>	<u>903,730</u>	<u>5,851,279</u>
<u>Accumulated impairment</u>				
Balance, beginning of period	111,085	700,531	162,841	974,457
Effect of foreign currency exchange differences	-	(6,750)	2,715	(4,035)
Balance, end of period	<u>111,085</u>	<u>693,781</u>	<u>165,556</u>	<u>970,422</u>
Net book value, end of period	<u>\$ 6,587,556</u>	<u>\$ 174,253</u>	<u>\$ 841,497</u>	<u>\$ 7,603,306</u>

The Company owns patents of graphics technologies. As of September 30, 2015, December 31, 2014 and September 30, 2014, the carrying amounts of such patents were NT\$5,175,234 thousand, NT\$5,839,617 thousand and NT\$5,896,394 thousand, respectively. The patents will be fully amortized over their remaining economic lives.

20. NOTES AND TRADE PAYABLES

	September 30, 2015	December 31, 2014	September 30, 2014
Notes payable	\$ 1,271	\$ 1,541	\$ 7,647
Trade payables	<u>29,745,897</u>	<u>43,801,802</u>	<u>43,414,285</u>
	<u>\$ 29,747,168</u>	<u>\$ 43,803,343</u>	<u>\$ 43,421,932</u>

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

21. OTHER PAYABLES AND OTHER LIABILITIES

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Other payables</u>			
Accrued expenses	\$ 25,943,865	\$ 31,937,918	\$ 34,302,906
Payables for purchase of equipment	<u>236,480</u>	<u>300,027</u>	<u>262,297</u>
	<u>\$ 26,180,345</u>	<u>\$ 32,237,945</u>	<u>\$ 34,565,203</u>
<u>Other liabilities</u>			
Advance receipts	\$ 3,192,865	\$ 773,813	\$ 950,336
Agency receipts	387,085	205,932	316,009
Others	<u>158,127</u>	<u>163,389</u>	<u>259,148</u>
	<u>\$ 3,738,077</u>	<u>\$ 1,143,134</u>	<u>\$ 1,525,493</u>
Current - other liabilities	\$ 3,324,058	\$ 1,143,134	\$ 1,525,493
Non-current - other liabilities	<u>414,019</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,738,077</u>	<u>\$ 1,143,134</u>	<u>\$ 1,525,493</u>

Accrued Expenses

	September 30, 2015	December 31, 2014	September 30, 2014
Marketing	\$ 15,570,968	\$ 20,168,664	\$ 21,826,550
Salaries and bonuses	3,745,830	4,584,604	4,848,034
Materials and molding expenses	2,846,359	2,784,237	2,449,223
Services	1,607,229	1,469,689	2,012,863
Import, export and freight	734,410	728,217	627,897

(Continued)

	September 30, 2015	December 31, 2014	September 30, 2014
Repairs, maintenance and sundry purchase	\$ 181,179	\$ 239,048	\$ 223,393
Bonus to employees	-	654,620	1,250,039
Others	<u>1,257,890</u>	<u>1,308,839</u>	<u>1,064,907</u>
	<u>\$ 25,943,865</u>	<u>\$ 31,937,918</u>	<u>\$ 34,302,906</u> (Concluded)

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

22. PROVISIONS

	September 30, 2015	December 31, 2014	September 30, 2014
Warranties	\$ 6,679,563	\$ 5,208,111	\$ 5,848,077
Provisions for contingent loss on purchase orders	<u>624,013</u>	<u>633,068</u>	<u>701,984</u>
	<u>\$ 7,303,576</u>	<u>\$ 5,841,179</u>	<u>\$ 6,550,061</u>

Movement of provisions for the nine months ended September 30, 2015 and 2014 were as follows:

	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	9,436,483	116,917	9,553,400
Usage	(7,984,580)	(125,972)	(8,110,552)
Effect of foreign currency exchange differences	<u>19,549</u>	<u>-</u>	<u>19,549</u>
Balance, end of period	<u>\$ 6,679,563</u>	<u>\$ 624,013</u>	<u>\$ 7,303,576</u>
	2014		
	Warranty Provision	Provisions for Contingent Loss on Purchase Orders	Total
Balance, beginning of period	\$ 7,376,035	\$ 832,850	\$ 8,208,885
Provisions recognized	12,715,701	7,520	12,723,221
Usage	(14,318,700)	(138,386)	(14,457,086)
Effect of foreign currency exchange differences	<u>75,041</u>	<u>-</u>	<u>75,041</u>
Balance, end of period	<u>\$ 5,848,077</u>	<u>\$ 701,984</u>	<u>\$ 6,550,061</u>

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

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

23. RETIREMENT BENEFIT PLANS

The Company recognized employee benefit expenses for defined benefit plan, calculated using the actuarially determined pension cost rate as of December 31, 2014 and 2013, respectively. Employee benefit expenses for defined benefit plans for the nine months ended September 30, 2015 and 2014 were NT\$4,028 thousand and NT\$5,114 thousand, respectively.

24. EQUITY

Share Capital

a. Ordinary shares

	September 30, 2015	December 31, 2014	September 30, 2014
Numbers of shares authorized (in thousands of shares)	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Shares authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>828,272</u>	<u>834,952</u>	<u>840,352</u>
Issued capital	<u>\$ 8,282,722</u>	<u>\$ 8,349,521</u>	<u>\$ 8,403,521</u>

In February 2014, the Company retired 1,999 thousand treasury shares amounting to NT\$19,984 thousand. As a result, the amount of the Company's outstanding ordinary share as of September 30, 2014 decreased to NT\$8,403,521 thousand, divided into 840,352 thousand ordinary shares at NT\$10 par value. Every ordinary share carries one vote per share and a right to dividends.

In October 2014 and March 2015, the Company retired 10,000 thousand and 6,914 thousand treasury shares amounting to NT\$100,000 thousand and NT\$69,140 thousand, respectively. In November 2014 and August 2015, the Company issued 4,600 thousand and 400 thousand restricted shares for employees amounting to NT\$46,000 thousand and NT\$4,000 thousand, respectively. In April and July 2015, the Company retired 49 thousand and 117 thousand restricted shares for employees amounting to NT\$492 thousand and NT\$1,167 thousand, respectively. As a result, the amount of the Company's outstanding ordinary share as of September 30, 2015 decreased to NT\$8,282,722 thousand, divided into 828,272 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 September 30, 2015, there were 8,397.4 thousand units of GDRs redeemed, representing 33,589.4 thousand ordinary shares, and the outstanding GDRs represented 2,471.1 thousand ordinary shares or 0.30% of HTC’s outstanding ordinary shares.

Capital Surplus

	September 30, 2015	December 31, 2014	September 30, 2014
Arising from issuance of ordinary shares	\$ 14,312,926	\$ 14,432,437	\$ 14,606,248
Arising from consolidation excess	23,604	23,801	24,088
Arising from employee share options	524,154	250,470	173,286
Arising from expired stock options	35,825	36,124	36,559
Arising from employee restricted shares	<u>414,866</u>	<u>397,855</u>	<u>-</u>
	<u>\$ 15,311,375</u>	<u>\$ 15,140,687</u>	<u>\$ 14,840,181</u>

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

In February 2014, the retirement of treasury shares caused decreases of NT\$34,735 thousand in additional paid-in capital - issuance of shares in excess of par, NT\$1,499 thousand in capital surplus - treasury shares, NT\$57 thousand in capital surplus - consolidation excess and NT\$87 thousand in capital surplus - expired stock options. The difference the carrying value of treasury shares retired in excess of the sum of its par value and premium from issuance of ordinary share was firstly offset against capital surplus - treasury shares by NT\$630,292 thousand, and the rest offset against unappropriated earnings amounting to NT\$906,686 thousand.

In October 2014 and March 2015, the retirement of treasury shares caused decreases of NT\$173,811 thousand and 119,511 thousand in additional paid-in capital - issuance of shares in excess of par, NT\$287 thousand and NT\$197 thousand in capital surplus - consolidation excess, NT\$435 thousand 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\$7,302,229 thousand and NT\$3,560,909 thousand, respectively.

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

Retained Earnings and Dividend Policy

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

- a. To pay taxes.

- b. To cover accumulated losses, if any.
- c. To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of HTC's authorized capital.
- d. To recognize or reverse special reserve return earnings.
- e. To pay remuneration to directors and supervisors at 0.3% maximum of the balance after deducting the amounts under the above items (a) to (d).
- f. To pay bonus to employees at 5% minimum of the balance after deducting the amounts under the above items (a) to (d), or such balance plus the unappropriated retained earnings of previous years. However, the bonus may not exceed the limits on employee bonus distributions as set out in the Regulations Governing the Offering and Issuance of Securities by Issuers. Where bonus to employees is allocated by means of new share issuance, the employees to receive bonus may include the affiliates' employees who meet specific requirements prescribed by the board of directors.
- g. For any remainder, the board of directors should propose allocation ratios based on the dividend policy set forth in HTC's Articles and propose them at the stockholders' meeting.

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The Company expects to modify the Articles of Incorporation according to laws and regulations above on the annual meeting of shareholders on 2016. For information about the accrual basis of the employee remuneration and remuneration to directors and supervisors for the three months ended September 30, 2015 and 2014, and the nine months ended September 30, 2015 and 2014, and the actual appropriations for the years ended December 31, 2014 and 2013, please refer to Employee benefits expense in Note 26.

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

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

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

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

Other Equity

	September 30, 2015	December 31, 2014	September 30, 2014
Exchange differences on translating foreign operations	\$ 2,085,210	\$ 1,462,855	\$ 439,348
Unrealized losses on available-for-sale financial assets	(2,201)	(2,167)	(2,077)
Effective portion of gains and losses on hedging instruments in a cash flow hedge	-	-	29,227
Unearned employee benefit	<u>(210,217)</u>	<u>(398,570)</u>	<u>-</u>
	<u>\$ 1,872,792</u>	<u>\$ 1,062,118</u>	<u>\$ 466,498</u>

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 19, 2014, the shareholders approved a restricted stock plan for employees. Refer to Note 29 for the information of restricted shares issued.

	For the Nine Months Ended September 30	
	2015	2014
Balance, beginning of period	\$ (398,570)	\$ -
Issuance of shares	(19,352)	-
Share-based payment expenses recognized	<u>207,705</u>	<u>-</u>
Balance, end of period	<u>\$ (210,217)</u>	<u>\$ -</u>

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 bought back 4,110 thousand shares for NT\$200,955 thousand for the nine months ended September 30, 2015.

The Company had repurchased company shares from the open market for transferring to employees and some of them had not been transferred before the expiry time. The Board of Directors approved the retirement of 6,914 thousand, 10,000 thousand and 1,999 thousand treasury shares in March 2015, October 2014 and February 2014, respectively. The related information on the treasury share transactions 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 nine months ended <u>September 30, 2015</u>				
To transfer shares to the Company's employees	6,914	-	6,914	-
To maintain the Company's credibility and stockholders' interest	<u>-</u>	<u>4,110</u>	<u>-</u>	<u>4,110</u>
	<u>6,914</u>	<u>4,110</u>	<u>6,914</u>	<u>4,110</u>
For the nine months ended <u>September 30, 2014</u>				
To transfer shares to the Company's employees	<u>18,913</u>	<u>-</u>	<u>1,999</u>	<u>16,914</u>

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

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

25. REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Sale of goods	\$ 21,127,895	\$ 41,158,501	\$ 94,743,947	\$ 137,610,923
Other operating income	<u>274,216</u>	<u>705,413</u>	<u>1,192,134</u>	<u>2,434,229</u>
	<u>\$ 21,402,111</u>	<u>\$ 41,863,914</u>	<u>\$ 95,936,081</u>	<u>\$ 140,045,152</u>

Some sales denominated in foreign currencies were hedged for cash flow risk. Accordingly, the Company transferred NT\$22,604 thousand and NT\$51,538 thousand of the gain or loss on the hedging instrument that was determined to be the effective portion of the hedge to sales of goods for the nine months ended September 30, 2015 and 2014, respectively.

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

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Interest income				
Bank deposits	\$ 78,651	\$ 70,473	\$ 246,888	\$ 205,882
Other receivables	<u>18,730</u>	<u>17,862</u>	<u>56,160</u>	<u>78,030</u>
	97,381	88,335	303,048	283,912
Dividends	37,932	15,783	37,932	22,765
Others	<u>51,987</u>	<u>62,104</u>	<u>98,125</u>	<u>172,304</u>
	<u>\$ 187,300</u>	<u>\$ 166,222</u>	<u>\$ 439,105</u>	<u>\$ 478,981</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Net (loss) gain on disposal of property, plant and equipment	\$ (46)	\$ (56,470)	\$ 17,092	\$ (57,217)
Gains on disposal of investments	-	53,701	-	157,226
Net foreign exchange gains	306,160	80,966	684,449	273,154
Net gains arising on financial assets and liabilities classified as held for trading	4,112	262,435	4,112	262,435
Ineffective portion of cash flow hedge	19	1,685	1,258	1,685
Impairment losses	-	-	(2,919,890)	(66,905)
Other losses	<u>(39,454)</u>	<u>(19,944)</u>	<u>(40,709)</u>	<u>(43,368)</u>
	<u>\$ 270,791</u>	<u>\$ 322,373</u>	<u>\$ (2,253,688)</u>	<u>\$ 527,010</u>

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. Impairment losses on financial assets

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Financial assets measured at cost (included in other gains and losses)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>66,905</u>

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Property, plant and equipment	\$ 583,666	\$ 752,221	\$ 1,964,442	\$ 2,312,234
Investment properties	494	-	494	-
Intangible assets	<u>492,655</u>	<u>468,781</u>	<u>1,457,394</u>	<u>1,394,663</u>
	<u>\$ 1,076,815</u>	<u>\$ 1,221,002</u>	<u>\$ 3,422,330</u>	<u>\$ 3,706,897</u>
An analysis of depreciation -				
by function				
Operating costs	\$ 301,122	\$ 409,240	\$ 1,069,232	\$ 1,255,662
Operating expenses	282,544	342,981	895,210	1,056,572
Other losses	<u>494</u>	<u>-</u>	<u>494</u>	<u>-</u>
	<u>\$ 584,160</u>	<u>\$ 752,221</u>	<u>\$ 1,964,936</u>	<u>\$ 2,312,234</u>
An analysis of amortization -				
by function				
Operating costs	\$ 3,522	\$ 6,494	\$ 5,765	\$ 16,343
Operating expenses	<u>489,133</u>	<u>462,287</u>	<u>1,451,629</u>	<u>1,378,320</u>
	<u>\$ 492,655</u>	<u>\$ 468,781</u>	<u>\$ 1,457,394</u>	<u>\$ 1,394,663</u>

e. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Short-term benefits	\$ <u>3,672,889</u>	\$ <u>4,025,749</u>	\$ <u>11,277,977</u>	\$ <u>12,155,697</u>
Post-employment benefits (Note 23)				
Defined contribution plans	158,314	221,323	495,291	604,781
Defined benefit plans	<u>1,450</u>	<u>1,700</u>	<u>4,028</u>	<u>5,114</u>
	<u>159,764</u>	<u>223,023</u>	<u>499,319</u>	<u>609,895</u>
Share-based payments (Note 29)				
Equity-settled share-based payments	<u>163,761</u>	<u>49,204</u>	<u>481,389</u>	<u>146,544</u>
Total employee benefits expense	<u>\$ 3,996,414</u>	<u>\$ 4,297,976</u>	<u>\$ 12,258,685</u>	<u>\$ 12,912,136</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
	An analysis of employee benefits expense - by function			
Operating costs	\$ 821,576	\$ 1,312,428	\$ 2,997,920	\$ 4,493,937
Operating expenses	<u>3,174,838</u>	<u>2,985,548</u>	<u>9,260,765</u>	<u>8,418,199</u>
	<u>\$ 3,996,414</u>	<u>\$ 4,297,976</u>	<u>\$ 12,258,685</u>	<u>\$ 12,912,136</u>

(Concluded)

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

	For the Year Ended December 31			
	2014		2013	
	Cash Dividends	Share Dividends	Cash Dividends	Share Dividends
Bonus to employees	<u>\$ 88,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

No employee bonus was estimated as the Company reported net loss for the nine months ended September 30, 2015. The employee bonus for the nine months ended September 30, 2014 should be appropriated at 5% of net income before deducting employee bonus expenses. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the stockholders' meeting.

f. Impairment losses on non-financial assets

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
	Inventories (included in operating costs)	\$ 1,078,724	\$ (88,130)	\$ 1,450,536
Property, plant and equipment (included in other gains and losses)	-	-	524,247	-
Prepayments (included in other gains and losses)	<u>-</u>	<u>-</u>	<u>2,395,643</u>	<u>-</u>
	<u>\$ 1,078,724</u>	<u>\$ (88,130)</u>	<u>\$ 4,370,426</u>	<u>\$ 168,979</u>

g. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Foreign exchange gains	\$ 5,056,974	\$ 1,747,909	\$ 8,499,361	\$ 3,944,215
Foreign exchange losses	<u>(4,750,814)</u>	<u>(1,666,943)</u>	<u>(7,814,912)</u>	<u>(3,671,061)</u>
	<u>\$ 306,160</u>	<u>\$ 80,966</u>	<u>\$ 684,449</u>	<u>\$ 273,154</u>

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Current tax				
In respect of the current period	\$ 27,526	\$ 46,833	\$ 214,693	\$ 218,615
Adjustments for prior periods	<u>(15,764)</u>	<u>475</u>	<u>(21,421)</u>	<u>555</u>
	11,762	47,308	193,272	219,170
Deferred tax				
In respect of the current period	<u>(22,702)</u>	<u>(47,308)</u>	<u>66,243</u>	<u>280,884</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (10,940)</u>	<u>\$ -</u>	<u>\$ 259,515</u>	<u>\$ 500,054</u>

b. Integrated income tax

The imputation credit account (“ICA”) information as of September 30, 2015, December 31, 2014 and September 30, 2014, were as follows:

	September 30, 2015	December 31, 2014	September 30, 2014
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 25,206,761</u>	<u>\$ 41,381,753</u>	<u>\$ 48,247,109</u>
Imputation credits accounts	<u>\$ 8,187,498</u>	<u>\$ 8,164,935</u>	<u>\$ 8,164,935</u>

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of HTC was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of HTC was based on the imputation credits accounts 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 provided for the income tax assessed by the tax authorities.

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

28. (LOSS) EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Basic (losses) earnings per share	<u>\$ (5.41)</u>	<u>\$ 0.78</u>	<u>\$ (14.68)</u>	<u>\$ 1.23</u>
Diluted (losses) earnings per share	<u>\$ (5.41)</u>	<u>\$ 0.78</u>	<u>\$ (14.68)</u>	<u>\$ 1.23</u>

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 September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
(Loss) profit for the period attributable to owners of the parent	<u>\$ (4,476,954)</u>	<u>\$ 640,683</u>	<u>\$ (12,151,142)</u>	<u>\$ 1,016,837</u>

Shares

Unit: In Thousands of Shares

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Weighted average number of ordinary shares in computation of basic (loss) earnings per share	826,956	823,438	827,654	823,438
Effect of dilutive potential ordinary shares:				
Bonus issue to employees	<u>-</u>	<u>453</u>	<u>-</u>	<u>453</u>
Weighted average number of ordinary shares in computation of diluted (loss) earnings per share	<u>826,956</u>	<u>823,891</u>	<u>827,654</u>	<u>823,891</u>

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

29. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

Qualified employees of HTC and its subsidiaries were granted 15,000 thousand options in November 2013. Each option entitles the holder to subscribe for one 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 Nine Months Ended September 30			
	2015		2014	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance, beginning of period	31,908	\$140.37	15,000	\$149.00
Options granted	1,000	54.50	-	
Options forfeited	<u>(6,896)</u>		<u>-</u>	
Balance, end of period	<u>26,012</u>	137.22	<u>15,000</u>	149.00
Options exercisable, end of period	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted per unit (NT\$)	<u>\$ 15.00</u>		<u>\$ -</u>	

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

	September 30, 2015	December 31, 2014	September 30, 2014
Range of exercise price (NT\$)	\$54.5-\$149	\$134.5-\$149	\$149
Weighted-average remaining contractual life (years)	7.54 years	8.22 years	6.12 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, the shareholders approved a restricted stock plan for employees with a total amount of NT\$50,000 thousand, consisting of 5,000 thousand shares. On October 31, 2014, and August 6, 2015, HTC's board of directors passed a resolution to issue 4,600 thousand shares and 400 thousand shares, respectively.

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

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

If an employee fails to meet the vesting conditions, HTC will recall or buy back and cancel the restricted shares. In April and July 2015, the Company retired 49 and 117 thousand restricted shares for employees amounting to NT\$492 thousand and NT\$1,167 thousand. As a result, the amount of the Company's outstanding employee restricted shares as of September 30, 2015 was 4,834 thousand shares, the other information was as follows:

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

Compensation Cost of Share-based Payment Arrangements

Compensation cost of share-based payment arrangement recognized were NT\$481,389 thousand and NT\$146,544 thousand for the nine months ended September 30, 2015 and 2014, respectively.

30. CAPITAL RISK MANAGEMENT

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

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

31. FINANCIAL INSTRUMENTS

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

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

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

a. Fair value hierarchy

September 30, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	\$ <u>-</u>	\$ <u>254,358</u>	\$ <u>-</u>	\$ <u>254,358</u>
Available-for-sale financial assets				
Domestic listed stocks - equity investments	\$ <u>59</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>59</u>
Financial liabilities at FVTPL				
Derivative financial instruments	\$ <u>-</u>	\$ <u>250,246</u>	\$ <u>-</u>	\$ <u>250,246</u>

December 31, 2014

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

September 30, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	\$ <u>-</u>	\$ <u>275,725</u>	\$ <u>-</u>	\$ <u>275,725</u>
Hedging derivative assets				
Derivative financial instruments	\$ <u>-</u>	\$ <u>29,445</u>	\$ <u>-</u>	\$ <u>29,445</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed stocks - equity investments	\$ 183	\$ -	\$ -	\$ 183
Financial liabilities at FVTPL				
Derivative financial instruments	\$ -	\$ 13,290	\$ -	\$ 13,290 (Concluded)

There were no transfers between Levels 1 and 2 in the period.

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

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
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

	September 30, 2015	December 31, 2014	September 30, 2014
<u>Financial assets</u>			
FVTPL			
Held for trading	\$ 254,358	\$ 262,544	\$ 275,725
Derivative instruments in designated hedge accounting relationships	-	-	29,445
Loans and receivables (Note 1)	64,416,918	87,417,203	82,221,622
Available-for-sale financial assets (Note 2)	3,348,500	2,586,571	2,809,004
<u>Financial liabilities</u>			
FVTPL			
Held for trading	250,246	22,424	13,290
Amortized cost (Note 3)	56,340,585	76,290,450	78,343,235

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments without active market - current, other current financial assets, trade receivables, other receivables and refundable deposits.

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

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

Financial Risk Management Objectives and Policies

The Company's 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 36.

Sensitivity analysis

The Company was mainly exposed to the currency United States 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)
<u>For the nine months ended September 30, 2015</u>		
USD	\$ (15,312)	\$ -
EUR	(16,133)	-
RMB	(60,130)	-
JPY	(1,191)	-
<u>For the nine months ended September 30, 2014</u>		
USD	53,415	(3,956)
EUR	(1,156)	-
RMB	(72,517)	-
JPY	462	3,658

- 1) This was mainly attributable to the exposure outstanding on each currency receivables and payables, which were not hedged at the end of the reporting period.
- 2) This was mainly as a result of the changes in fair value of derivative instruments designated as hedging instruments in cash flow hedges.

b. Credit risk

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

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

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

c. Liquidity risk

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

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

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

September 30, 2015

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>			
Note and trade payables	\$ 10,964,695	\$ 18,782,473	\$ -
Other payables	11,856,879	14,323,466	-
Other current liabilities	264,315	122,770	-
Guarantee deposits received	-	-	<u>25,987</u>
	<u>\$ 23,085,889</u>	<u>\$ 33,228,709</u>	<u>\$ 25,987</u>

December 31, 2014

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

September 30, 2014

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<u>Non-derivative financial liabilities</u>			
Note and trade payables	\$ 13,824,580	\$ 29,597,352	\$ -
Other payables	10,103,963	24,461,240	-
Other current liabilities	210,060	105,949	-
Guarantee deposits received	-	-	<u>40,091</u>
	<u>\$ 24,138,603</u>	<u>\$ 54,164,541</u>	<u>\$ 40,091</u>

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

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

September 30, 2015

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<u>Net settled</u>			
Foreign exchange contracts	\$ <u>(20,542)</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Gross settled</u>			
Foreign exchange contracts			
Inflows	\$ 8,106,687	\$ 12,674,548	\$ -
Outflows	<u>(7,994,273)</u>	<u>(12,742,159)</u>	<u>-</u>
	\$ <u>112,414</u>	\$ <u>(67,611)</u>	\$ <u>-</u>

December 31, 2014

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

September 30, 2014

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<u>Net settled</u>			
Foreign exchange contracts	\$ <u>19,335</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Gross settled</u>			
Foreign exchange contracts			
Inflows	\$ 16,079,204	\$ 982,082	\$ -
Outflows	<u>(15,839,811)</u>	<u>(977,671)</u>	<u>-</u>
	\$ <u>239,393</u>	\$ <u>4,411</u>	\$ <u>-</u>

3) Bank credit limit

	September 30, 2015	December 31, 2014	September 30, 2014
Unsecured bank general credit limit			
Amount used	\$ 1,811,330	\$ 1,638,476	\$ 1,840,208
Amount unused	<u>41,092,785</u>	<u>43,623,999</u>	<u>42,092,222</u>
	<u>\$ 42,904,115</u>	<u>\$ 45,262,475</u>	<u>\$ 43,932,430</u>

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

32. RELATED-PARTY TRANSACTIONS

Balance and transactions 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.

Sales

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2015	2014	2015	2014
Key management personnel	\$ -	\$ -	\$ -	\$ 2,430
Joint ventures	-	-	9,971	-
Other related parties - Employees' Welfare Committee	221	339	20,720	22,080
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	<u>1,067</u>	<u>560</u>	<u>5,152</u>	<u>8,992</u>
	<u>\$ 1,288</u>	<u>\$ 899</u>	<u>\$ 35,843</u>	<u>\$ 33,502</u>

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

	September 30, 2015	December 31, 2014	September 30, 2014
Joint ventures	\$ 506	\$ -	\$ -
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	<u>-</u>	<u>925</u>	<u>370</u>
	<u>\$ 506</u>	<u>\$ 925</u>	<u>\$ 370</u>

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 nine months ended September 30, 2015 and 2014 for the amounts owed by related parties.

Purchase

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2015	2014	2015	2014
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	\$ <u>-</u>	\$ <u>226</u>	\$ <u>-</u>	\$ <u>4,454</u>

Purchase prices for related parties and third parties were similar.

Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel for the nine months ended September 30, 2015 and 2014 were as follows:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2015	2014	2015	2014
Short-term employee benefits	\$ 36,171	\$ 262,996	\$ 143,376	\$ 386,612
Post-employment benefits	276	422	1,428	1,967
Share-based payments	<u>44,183</u>	<u>10,366</u>	<u>131,106</u>	<u>30,872</u>
	\$ <u>80,630</u>	\$ <u>273,784</u>	\$ <u>275,910</u>	\$ <u>419,451</u>

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

Property, Plant and Equipment Acquired

	<u>Price</u>			
	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2015	2014	2015	2014
Other related parties - other related parties' chairperson or its significant stockholder, is HTC's chairperson	\$ <u>1,275</u>	\$ <u>-</u>	\$ <u>2,695</u>	\$ <u>-</u>

Other Related-party Transactions

- The Company leased staff dormitory owned by a related party under an operating lease agreement. The rental payment is determined at the prevailing rates in the surrounding area. The Company recognized and paid rental expenses amounting to NT\$3,285 thousand and NT\$3,906 thousand for the nine months ended September 30, 2015 and 2014, respectively.
- Other related parties provide selling and marketing service to the Company. The selling and marketing service expenses were NT\$10,300 thousand and NT\$16,000 thousand for the nine months ended September 30, 2015 and 2014, respectively. As of September 30, 2015, December 31, 2014 and September 30, 2014, the unpaid selling and marketing service expenses were NT\$1,092 thousand, NT\$158 thousand and NT\$5,250 thousand, respectively.

33. PLEDGED ASSETS

As of September 30, 2015, December 31, 2014 and September 30, 2014, the time of deposits amounting to NT\$642 thousand, NT\$664 thousand and NT\$666 thousand and were classified as other current financial assets were provided respectively as collateral for rental deposits.

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

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The 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:

	September 30, 2015		December 31, 2014		September 30, 2014	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<u>Financial assets</u>						
Monetary items						
USD	\$ 1,844,621	33.12	\$ 2,160,227	31.67	\$ 2,151,858	30.43
EUR	150,978	37.19	196,735	38.49	255,294	38.60
JPY	3,536,156	0.2760	6,488,920	0.2648	10,679,163	0.2782
RMB	1,330,841	5.22	1,109,920	5.10	1,122,511	4.94
Non-monetary items						
USD	81,903	33.12	61,581	31.67	69,331	30.43

(Continued)

	September 30, 2015		December 31, 2014		September 30, 2014	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Investments accounted for by the equity method						
USD	\$ 500	33.12	\$ 500	31.67	\$ -	-
<u>Financial liabilities</u>						
Monetary items						
USD	1,405,682	33.12	1,683,114	31.67	1,774,125	30.43
EUR	97,262	37.19	165,221	38.49	243,349	38.60
JPY	3,490,376	0.2760	8,025,706	0.2648	12,541,453	0.2782
RMB	432,599	5.22	801,706	5.10	975,084	4.94

(Concluded)

For the nine months ended September 30, 2015 and 2014, realized and unrealized net foreign exchange gains were NT\$689,819 thousand and NT\$537,274 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.

(Continued)

Contractor	Term	Description
Nokia Corporation	January 1, 2003 - December 31, 2016	Authorization to use wireless technology, like GSM; royalty payment based on agreement.
	January 1, 2014 - December 31, 2018	Patent and technology collaboration; payment for use of implementation patents based on agreement.
InterDigital Technology Corporation	December 31, 2003 to the expiry dates of these patents stated in the agreement.	Authorization to use TDMA and CDMA technologies; royalty payment based on agreement.
Koninklijke Philips Electronics N.V.	January 5, 2004 to the expiry dates of these patents stated in the agreement.	GSM/DCS 1800/1900 patent license; royalty payment based on agreement.
MOTOROLA, Inc.	December 23, 2003 to the latest of the following dates: a. Expiry dates of patents stated in the agreement. b. Any time when the Company is not using any of Motorola's intellectual properties.	TDMA, NARROWBAND CDMA, WIDEBAND CDMA or TD/CDMA standards patent license or technology; royalty payment based on agreement.
Siemens Aktiengesellschaft	July 2004 to the expiry dates of these patents stated in the agreement.	Authorization to use GSM, GPRS or EDGE patent license or technology; royalty payment based on agreement.
IV International Licensing Netherlands, B.V.	November 2010 - June 2020	Authorization to use wireless technology; royalty payment based on agreement.
Telefonaktiebolaget LM Ericsson (PUBL)	December 31, 2014 - December 31, 2016	Authorization to use GSM and wireless technology; royalty payment based on agreement.

(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.