VIVE

htc

HTC 2019 Annual Report

TWSE 2498

2019

htc Annual Report

Mops.twse.com.tw / htc.com / printed on April 21, 2020

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TABLE OF CONTENTS

1

LETTER TO HTC SHAREHOLDERS

LETTER TO HTC SHAREHOLDERS

Dear Shareholders,

Over 2019, HTC's continued laser focus on innovation paid off, with numerous product highlights across our hardware, software, platform and services, strengthening HTC's position in the global technology market. HTC remains intent on driving our vision of VIVE Reality, investing in the key technologies of virtual and augmented reality, artificial intelligence, high-speed 5G connectivity and emerging technologies like blockchain to drive a world where technology will fade into the background and human experiences will come to the forefront.

At the time of publication, much of the world has been afflicted by a new coronavirus pandemic (COVID-19) that is disrupting society in dramatic ways. Governments have imposed isolation policies on billions of people, requiring an immediate transition to home-based working, entertainment, education and communication. Through our VIVE virtual reality systems and platforms, HTC is helping to bridge those distances, working with strategic content and platform partners to enable remote socializing, meeting, collaborating, learning, training, wellness, and much more. And while major industry events such as Mobile World Congress 2020 have been cancelled to prevent further spread of the virus, HTC proceeded with 2020 VIVE Ecosystem Conference completely virtually, with over 2,000 people joining in VR and a million watching the livestream in many countries around the world, demonstrating our thought leadership and pioneering spirit. With our clear vision and focused product and platform strategy, HTC has prepared well to facilitate society changes and seize the opportunities arising from this and future transitions.

HTC's drive to enhance our operations, create a more balanced structure and be more thoughtful in our product decisions over the last few years has enabled HTC to commence its transformation into the next stage of its development. Accordingly, the Board of Directors appointed Yves Maitre as Chief Executive Officer in September 2019 to continue that transformation. A veteran executive of Orange, the leading telecom operator, Yves brings a deep reserve of experience in consumer and technology markets, and industry partnerships to HTC.

In terms of product success, HTC earned 36 awards at the Consumer Electronics Show (CES) in Las Vegas in January 2019, covering hardware, software and platform offerings. The VIVE Pro Eye earned a 'Best Invention of the Year 2019' award from Time Magazine, while the first product in our new 5G portfolio, the HTC 5G Hub, won ten awards at Mobile World Congress the following month, impressing carriers and consumers alike with its powerful connectivity and versatility. With such a strong foundation of technical expertise and market experience, HTC expects to continue driving innovation into 2020 and far beyond.

Product Strategy

In line with our VIVE Reality vision, HTC has focused on developing and implementing the core technologies of virtual reality, 5G connectivity, blockchain and artificial intelligence across our portfolio, and developing the platforms and content necessary for complete ecosystems to drive implementation and user adoption.

Smartphones and Connected Devices

Given the high levels of investment globally into forthcoming 5G mobile networks, HTC maintained a keen focus on 5G in 2019 to ensure a key position in this fast-developing ecosystem. The first product in this series, and one of the world's first 5G devices, the HTC 5G Hub, was launched at Mobile World Congress in February 2019, with leading telecom carriers joining as launch partners. The 5G Hub combines three devices in one compact form factor: a 5G-supported hotspot and a router that allows up to 20 users to benefit from the ultra-fast connectivity, and a plug-and-play entertainment hub for 4K video streaming and low-latency gaming, providing a convenient way to integrate the burgeoning 5G connectivity into homes and offices as well as on the go. The 5G Hub maintained momentum over the year, with more telecom carriers realizing its potential to help drive 5G adoption among their customers. HTC will continue to focus on product offerings that take full advantage of 5G for multiple market segments.

Also in 2019, HTC launched four highly targeted mid- to low-level smartphones: the HTC U19e, Desire 19+, Wildfire X, and Desire 19s in select markets around the world.

VIVE Virtual Reality

HTC continued to gain the world's attention and numerous awards over 2019. Most importantly, HTC once again redefined premium VR with a high-quality user experience for both consumers and enterprise through revolutionary hardware and software applications as well as content services.

At CES 2019, HTC unveiled the brand new VIVE Pro Eye headset. With the growth of commercial VR demand, the launch of VIVE Pro Eye introduced eye tracking technology to the VR sector, with applications including advanced training and eye movement-based data analysis, providing professional users with a way to continue to improve how we interact and work with VR. The VIVE Pro Eye integrates artificial intelligence to deliver far greater accuracy in tracking human behaviour and attention, leading to more sophisticated commercial, training and educating techniques, as well as enabling foveated rendering for greater power efficiency.

For standalone VR, the latest generation VIVE Focus Plus started shipping in April 2019. Designed to meet training and collaboration needs of enterprise users, the VIVE Focus Plus is a professional-grade all-in-one VR headset with six degrees of freedom, enabling users to seamlessly interact with their virtual environment with the same freedom as PC VR devices.

Later in the year, the VIVE Cosmos was launched, representing a new approach to PC VR. Delivering the most impressive VIVE visual resolution yet, the VIVE Cosmos enables a dive into virtual reality with a much simplified setup and inside-out tracking for plug-and-play portability, with no need for base stations.

Six camera sensors expand the range of motion, with accurate inside-out tracking via a wide field of view and six degrees of freedom support. VIVE Cosmos also heralds the era of being able to tailor the VR experience with a forthcoming range of modular faceplates that change the functionality of the device, providing an adaptable headset that can grow with users.

VIVE Cosmos was the platform of choice for the highly successful VIVE Arts collaboration with the Louvre museum in Paris, where an engaging insight into the Mona Lisa painting was experienced by thousands of visitors to the museum's remarkable exhibition to mark the 500th anniversary of the passing of Leonardo da Vinci. VIVE Arts participated in other exhibitions around the world, including at the National Palace Museum in Taiwan, and again worked with contemporary artists on acclaimed VR installations at Art Basel Hong Kong and the Venice Biennale, while VIVE Originals collected numerous awards for its co-produced VR movie shorts at international film festivals.

For the development of VR and AR, we believe that it is important to focus not only hardware, but also on software, platforms, services and associated content. In 2019, we launched the world's first new unlimited cross-brand virtual reality subscription service, VIVEPORT Infinity, and our new VR portal interface, the VIVE Reality System, which significantly updated the presentation interface of the VIVE platform. The VIVE Reality System is an entirely new design philosophy for VR, designed to make VR feel less like launching apps and more like stepping between worlds.

The VIVE X accelerator program continued in six cities around the world, attracting exciting talent to the program to create new tools, applications and solutions in the VR space and beyond. The proportion of companies involved in enterprise applications increased in 2019, reflecting the importance and potential of this market.

The wide implementation of isolation and distancing practices prompted by the COVID-19 pandemic has changed the way we interact with each other, and we recognize that in every disruptive change in the world, there arises opportunity for technology to improve our lives. Accordingly, during the lockdowns, we have broadened access to our Viveport content store to enable people to enjoy entertainment and learn more about our world in VR, as well as run pilots of our VIVE Sync virtual business meeting application. We envisage that the current conditions will extend the trend towards remote working and online lifestyles long after the pandemic subsides, and that VR will increasingly come to the forefront as the most realistic in-person remote working experience.

Looking ahead to 2020, we expect to continue to introduce more breakthrough software and hardware products in the VR and AR fields. Since VIVE Reality involves the combining of VR with AR, 5G, AI, and blockchain technology, the launch of 5G commercialization in 2020 is expected to be a huge breakthrough both for the VR and AR industries.

Financial Performance

Over 2019, the Company continued the important work of streamlining operations, reducing expenditure where prudent while investing in new technologies, with an 18% reduction on operating expenditure from NTD 14.5 billion to NTD 11.9 billion. HTC has exerted considerable effort into refining the product mix to raise margins, with significant success, seeing sequential quarterly gross margin increases over the last two years; in 2019, gross margin was NTD 2 billion, representing strong year on year growth from 2.2% to 20.3%.

While positive trends could be seen in key product areas, overall business performance was again put under pressure; in 2019, HTC earned revenues of NTD 10 billion, gross profit of NTD 2 billion, and net loss after tax of NTD 9.4 billion. However, we believe the operational and portfolio changes put in place over the year will position HTC well for the next few years.

Social Responsibility

HTC continues to enhance operations in the factory and our R&D and testing labs, improving manufacturing processes and quality standards, as well as seeking areas to reduce our emissions and raise our power efficiency.

HTC was proud to be awarded a gold medal in recognition of our EcoVadis CSR Rating 2019, which assesses a wide range of corporate social responsibility indicators in the core areas environment, labour and human rights, ethics, and sustainable procurement. In addition, HTC continues to combat climate change, calling on supply chain partners to jointly continue evaluations and actions on climate change measures. In the Carbon Disclosure Project, the world's largest carbon disclosure platform, HTC has attained management level in the climate change rating and leadership level in the supplier engagement rating.

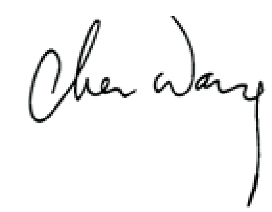
HTC actively promotes the concept of waste reduction through concrete measures such as the classification, recycling and management of waste at the front end for employees to reduce waste generation as well as setting dedicated areas for general waste, resource recycling, and kitchen waste to facilitate resource recycling and reuse, to reduce the amount of waste produced, and to improve on the cleanliness of the environment. As an illustration of this, HTC's waste recycling rate has increased from 57% in 2011 to 85% in 2019; a remarkable achievement.

In early 2020, HTC was swift to implement appropriate measures to prevent the spread of COVID-19 in our offices across the globe to protect our most important asset, our talents, in line with and often exceeding the advice of local government and health officials, and continue to monitor the situation closely.

HTC would like to warmly thank our shareholders for their continued support. With the new leadership in place, HTC looks forward to another strong year of execution and improved operational performance as we maintain our path towards VIVE Reality.

HTC Corporation

Chairwoman



2

COMPANY PROFILE

COMPANY PROFILE

About HTC

HTC is an innovation company, creating powerful new products, solutions, and platforms in mobile computing and immersive technologies. Beginning with a vision to put a personal computer in the palm of our customers' hands, we have led the way in the evolution from palm PC to smartphone, and are now applying that same innovative approach to connected devices and virtual reality.

At the heart of this is a bold entrepreneurial spirit of pushing new boundaries, while leveraging the capabilities we have developed in our history in the pursuit of brilliance.

The notion of Dare to Dream is at the heart of our daily ambitions. We ask fundamental questions at the intersection of customer aspirations and our capability to delight and surprise with innovative solutions. We challenge ourselves and our customers to achieve their full human potential. What's your dream? Can you visualize it? Will it shift our perspective? Will we feel it? The future belongs to the dreamers to power creation and innovation. Because our dreams power the future. Dare to Dream.

As we live this philosophy of Dare to Dream, we employ powerful technologies and combine them in creative new ways in order to deliver this. At this time in history, mobile, VR, AR, 5G, AI, and blockchain are evolving and coming together with the potential to deliver utility and experiences previously unavailable. We call this VIVE Reality.

Our future is enhanced in a world where HTC innovation and VIVE experiences blend to create a new reality.

There are three important pillars to ensuring our approach is true to our intentions:

Humanity

For HTC, our innovation is human-centered in the broadest sense. We endeavor to expand our vision to impact people's lives in ways never before considered.

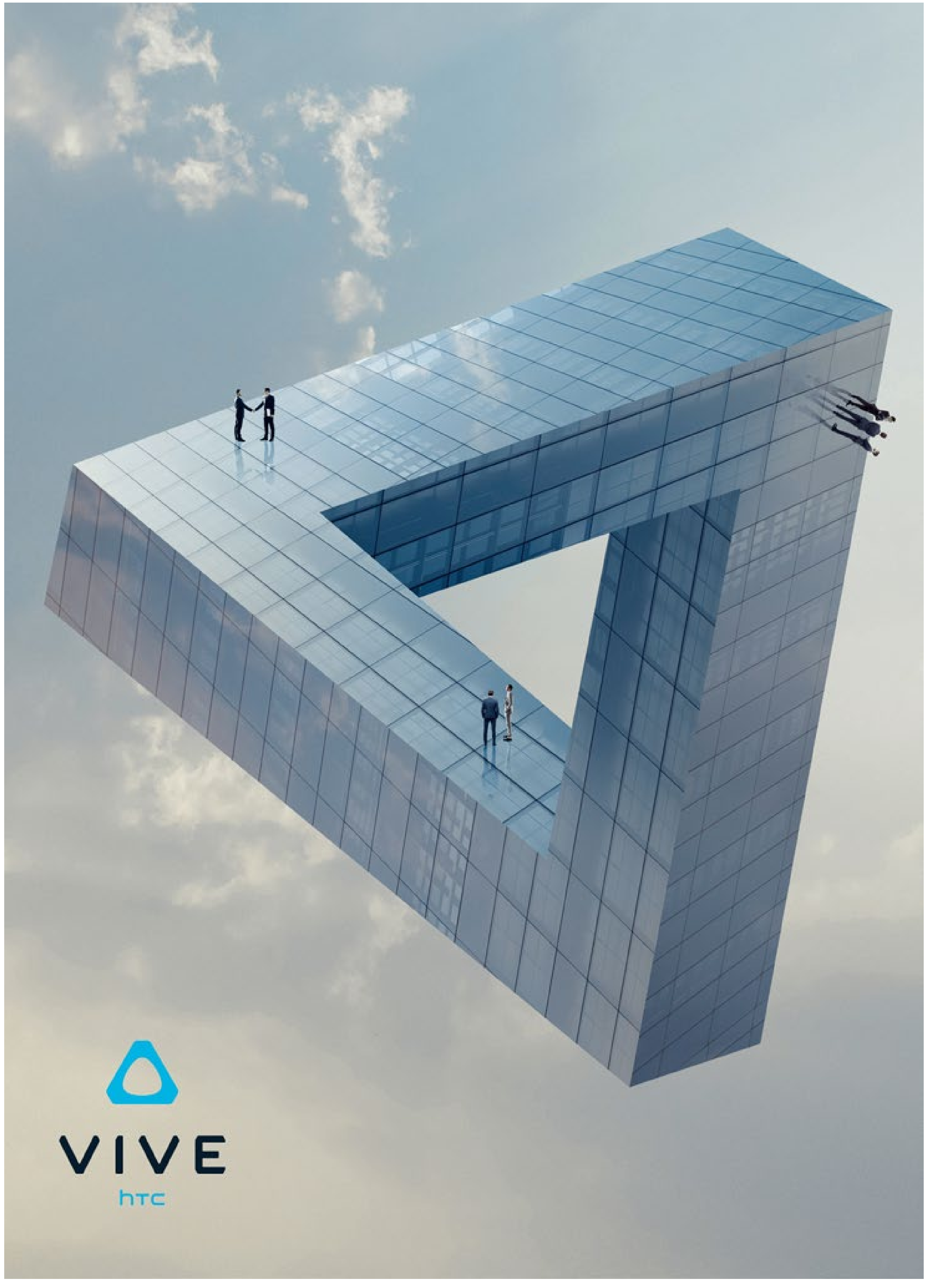
Technology

Our history and commitment to technology excellence is the great enabler of our pursuits. We strive for a world in which customers, large and small, have access to the most powerful hardware, platforms, tools, and services.

Imagination

Imagination is one of the most powerful tools we know, and one we seek to unlock. A world where a continuum of immersive realities is possible, and experience is unbounded.

This Dare to Dream philosophy and approach are reflected in a steady stream of world-class innovation, as we continue to advance new products in VR, mobile, and 5G with greater capability and convenience. We also continue to advance our societal, environmental and cultural initiatives, and our support of education. From our people to our products, Dare to Dream represents a guiding philosophy that energizes HTC as a global organization.



2.1 Company History

HTC was founded with the goal of bringing the power of computing and communication into the hands of people around the world. On this quest, HTC has pioneered new technologies, devices, and designs, and repeatedly set new standards in innovation. And as technology changes at an ever-faster rate, so HTC has reinvented itself several times to maintain our industry leading position.

1997
HTC founded in Taiwan

1998
World's first Windows CE PDA
HTC Kangaroo

2005
World's first Windows 3G smartphone
HTC Universal

2007
World's first touch-centric smartphone
HTC Touch

2008
World's first Google Android smartphone
HTC Dream

2010
First 4G Android smartphone in the US
HTC Evo 4G

2011
HTC listed among "Best Global Brands" by Interbrand

Interbrand

2013
World's first metal body smartphone
HTC One

2014
World's first smartphone with refocusing Duo Camera
HTC One M8

Launched new-format standalone camera
HTC RE

2015
World's first dual tone finished all metal flagship smartphone
HTC One M9

2016
First room-scale consumer virtual reality system
HTC VIVE™

First VR app store that curates content for exploration and creation in VR
VIVEPORT

2017
World's first smartphone with Edge Sense "squeeze" technology
HTC U11

First all-in-one VR system with "world-scale" 6DoF tracking
VIVE Focus

The enterprise-grade PC VR with unrivaled graphics, audio and tracking accuracy
VIVE Pro

Untethers PC VR systems for true freedom to roam
VIVE Wireless Adapter

Transforms real-world objects into VR accessories
VIVE Tracker

Comprehensive smart connected fitness system
UA HealthBox™

2018
Bigger, bolder, and edgier
HTC U12+

First native Web3 blockchain phone
HTC EXODUS

2019
First smart hub with 5G speeds for homes, businesses and on the move
HTC 5G Hub

HTC EXODUS with Zion Vault
First all-in-one private vault on the blockchain
HTC EXODUS

First moddable VR headset, with the highest display resolution yet
VIVE Cosmos

AI cameras for impeccably sharp photos
HTC U19e

First all-in-one VR system with 6DoF tracking in headset and controllers
VIVE Focus Plus

First unlimited subscription service for VR content
VIVEPORT Infinity

The VR system that enhances commercial VR applications via eye-tracking
VIVE Pro Eye

2020
Ultimate tracking precision for elite-level gaming
VIVE Cosmos Elite

Professional PDA Designer

Shortly after commencing operations in 1997, HTC was selected by Microsoft to develop handheld products using Windows CE, their newly launched embedded operating system designed specifically for consumer electronics products.

The co-founder and then President (now Director of the Board) HT Cho and then Vice President Peter Chou assembled HTC's first R&D team and developed the world's first handheld personal data assistant (PDA) to run on Microsoft Windows CE, the HTC Kangaroo, released in 1997. This significant first step helped HTC become an important and enduring partner of Microsoft Corporation. The Compaq iPAQ, manufactured by HTC for Compaq Computer became a huge market success when launched in 2000, and firmly established HTC as a world leader in the PDA segment.

Smartphone Pioneer

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

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

HTC Brand

In 2007, HTC launched its brand globally, committing the Company to long-term global brand development. Shortly afterwards, HTC launched the HTC Touch smartphone, bringing the world's first touch-centric phone to market and placing HTC at the forefront of growing worldwide excitement over this new smartphone direction. In 2009, HTC unveiled its new user interface, HTC Sense®, delivering a simpler and much more intuitive user experience. HTC then proceeded to introduce its competitive new lineup to the world through its 'Quietly Brilliant' tagline and global 'YOU' advertising campaign. HTC also sponsored initiatives that reflect our values, with each step along the way carefully considered to raise HTC brand awareness in all key markets.

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

In 2014, HTC undertook to evolve its brand strategy and identified our organizational purpose: to bring brilliance to life by striving to develop innovation that enables consumers to pursue their brilliance. The pursuit of brilliance is at the heart of everything we do. It is the impulse to create, to venture into the unknown with an unwavering dedication to bring innovation to life. It pushes us every day to re-imagine new ways to connect the world, our consumers, and their pursuits in ways never before thought possible. By streamlining our communication channels, we deliver simplified and consistent brand messages to enable consumers to better understand our brand vision. Through the reinforcement of global social media and interaction with users, we establish strong social engagement and amplify the message of our connections to each other.

Diversification into Connected Devices and Virtual Reality

In 2014, HTC began to seek new fields to apply our distinguished heritage in design, engineering and manufacturing excellence. Partnering with leading brands in diverse fields, HTC built 'Powered by HTC' teams to work with leading brands to innovate for their field. Starting with fitness, together with our partner Under Armour®, the leading brand in the fitness space, our 'Powered by HTC' teams created the UA HealthBox™, providing comprehensive holistic information to enable users to monitor and improve their performance.

The same 'Powered by HTC' teams also worked with Google on creating their own devices, cementing a decade-long partnership with Google on establishing the Android operating system that started back in 2008 with the creation of the very first Android smartphone, the HTC Dream, and continued through to the launch of the first Google Pixel smartphones in 2016. That close partnership continued to flourish, such that in 2017, it was announced that the 'Powered by HTC' teams would be permanently transferred to Google, a move completed in January 2018 in a deal worth $1.1 billion.

Partnering with Valve®, the strongest brand in PC gaming, we developed a highly advanced yet compact virtual reality system under our own brand called the HTC VIVE™, launching the first headset in April 2015. As the first complete, room-scale consumer virtual reality system, the HTC VIVE earned universal media and consumer acclaim, and won over 100 awards in its first year.

With the total immersion of VIVE and the potential for its application in so many aspects of our lives, HTC recognized the onset of a new computing paradigm, inspiring a new vision and direction for the Company: VIVE Reality. The transfer of the 'Powered by HTC' teams to Google in early 2018 provided the focus for us to pursue our new vision with singular purpose.

The VIVE Reality Era

HTC recognized early that the convergence of new and emerging building block technologies, such as virtual and augmented reality, artificial intelligence, and blockchain combined with the super high speed connectivity of 5G, will change how we work, learn, play, communicate, and believe. This set the Company on a new direction, striving to facilitate the merging of these advanced technologies with the best of our humanity to unleash human imagination from the limitations of reality. This new vision, unveiled in early 2018 to unite all teams and businesses around a single direction, is VIVE Reality.

Through our leading virtual reality line, HTC VIVE, our rich history of experience in mobile internet devices, and focused investment in key technology areas, HTC is now helping to drive this new computing paradigm and the society transformation that will ensue. This remarkable new world will be all-embracing, generating a far larger virtual economy, a much broader range of fantastic experiences, and far more meaningful social interaction, which will bring people closer together and foster greater empathy for each other.

Knowing that a robust ecosystem and diverse content are the key factors to grow the VR market, we have undertaken considerable investment to support the development of compelling VR content, and offer a dedicated platform in VIVEPORT through which to monetize their efforts while providing users with a comprehensive VR app market place. HTC has created VIVE WAVE, a new platform to power both HTC's VR devices and those of device partners in the industry. HTC has also founded or plays a key role in industry alliances, such as the Asia-Pacific Virtual Reality Industry Alliance formed in 2016, and is a founding member of the Global VR Alliance. We also rolled out the VIVE X accelerator program in the same year to help cultivate, foster and grow the global VR ecosystem by supporting startups working in strategic new areas, providing them with education, investment and mentorship.

The scope of VIVE Reality is all-encompassing. HTC launched the VR for Impact program in 2017 in support of the United Nations' Sustainable Development Goals, dedicated to encouraging the development of VR content that shows how VR can positively impact society and empower people. In early 2018, we announced a partnership with the World Economic Forum (WEF) to drive the VR/AR for Impact initiative going forward. HTC also has a strong VIVE Arts program, partnering with leading museums and art galleries around the world to enhance the exhibition experience through VR, and working with contemporary artists who are using VR as an art medium.

The pursuit of VIVE Reality sees HTC transition into a complete solution company, creating not only leading hardware in strategic markets, but also building industry-leading platforms, software, content and services to create new revenue streams and lay the foundation for our future growth.

2.2 Product Development

In the past 20 plus years, our products, such as the widely acclaimed smartphone series and the industry-leading VR system, HTC VIVE, have received numerous international awards and established several industry benchmarks. In recent years, we have been the trailblazer in the development of the most advanced VR system technology. The launch of our VIVE series means that we have fulfilled our commitment to continuously present to the world the topnotch VR software/hardware and a well-connected VR market. HTC is currently building a 5G ecosystem that will in future produce real-time high-quality VR and AR content following the imminent 5G innovative revolutions. Artificial Intelligence (AI) will fully comprehend our needs, while VR and AR will be the predominant tools in releasing AI's invincible power. This means, such topnotch technologies as VR, AR, AI, 5G and blockchain will all be connected in the integration of humanity and art & culture to release our imagination. Such imagination will further create premium content that was previously unfathomable and will enable people to live and enjoy a better life.

5G

HTC 5G Hub

HTC 5G Hub was unveiled in February 2019. Designed for ease of use in both home and office environments, this versatile device enables smooth 4K video streaming, low-latency gaming, and 5G mobile hotspot features for up to 20 users. The HTC 5G Hub allows customers to use 5G on multiple devices while on the go, at work, or at home for fast connectivity, content sharing, entertainment and more.

A 5-inch HD touchscreen allows for ease of use and high-quality visuals, and long-lasting power makes for a travel companion that harnesses 5G speeds dramatically faster than 4G LTE networks. As a home media center, the HTC 5G Hub uses next-gen 5G speeds to stream 4K videos to a second screen and deliver crisp, clear content. It can also replace a Wi-Fi router and remove unnecessary cables with an easy to use plug-and-play setup. Intuitive voice command and remote-control features make it quick and easy to manage entertainment and productivity needs. For gaming, HTC 5G Hub offers ultra-low-latency, 60fps and 4K resolution.

HTC 5G Hub is powered by the Qualcomm® Snapdragon™ 855 Mobile Platform with the Snapdragon X50 5G Modem and antenna modules with integrated RF transceiver, RF front-end (RFFE) and antenna elements. Along with Android™ 9 Pie, this allows for unprecedented download speeds and power for native Android and PC games supported on the large screen. This product is also at the forefront of cloud-based virtual reality (VR) technology. In the future, users will be able to stream VR content from the cloud to a VIVE Focus headset via the HTC 5G Hub—no PC or unnecessary cables required—to enjoy a mobile, high-end VR experience in real time.

Smartphones

HTC U19e

Announced June 2019, HTC U19e came packed with innovative new features, including AI-enhanced cameras, powerful camera zoom functionality, biometric phone securitization and more, all blended seamlessly into a new design that is as pleasing to the hands as it is to the eyes.

HTC U19e provides sensational true to life imaging, with full sensor PDAF and large f /1.8 sensor for eye-popping crispness and ultra-sharp bright photos even when the lights are down. 2x optical zoom allows for brilliant sharp photos even from afar, while AI-enhanced cameras deliver extraordinarily vivid photos and videos, allowing users to adjust the brightness, sharpness, color balance and much more, turning ordinary shots into works of art.

The translucent HTC U19e brings a new twist to our liquid surface design and an entirely new color palette that is both refreshing and modern. It's a phone that looks different up close or from afar and seamlessly blends in to everyday life. Requiring craftsman-like precision, the process entails a precipitation of metal particles applied to the device to achieve the smooth gradient color that's stands out amongst other glass phone designs.

HTC U19e lets users dive deep into gaming , allowing them to tune out distractions with Immersive mode and an optimized the gaming experience that allows users to achieve peak performance. The handset also comes equipped with HTC BoomSound Hi-Fi edition speakers for a loud, detailed audio experience,

The stunning OLED display takes entertainment immersion to new heights, boasting a wide color gamut with striking accuracy, displaying colors look natural with just the right amount of saturation HTC U19e's intuitive display with great contrast and brightness even when the sun is shining.

HTC U19e even uses biometric scanning user irises to instantly unlock the phone, even in low-light environments.

HTC Desire 19+

Introducing HTC Desire 19+, HTC's first phone with three powerful main cameras- to let your creativity fly. HTC Desire 19+ features a mesmeric 19:9 aspect ratio screen and the largest battery ever installed on an HTC Desire phone. Added all up, HTC Desire 19+ delivers the perfect trifecta.

HTC Desire 19+ has a game-changing tri-camera setup, allowing users to seize the moment and capture their photo exactly how they frame it, whether it's ultra-wide photography, subjects on the move or photographs up close with professional-looking portraits.. HTC Desire 19+ puts the fun into photography, allowing users to get exactly the shot you want.

The one-of-a-kind HTC Desire 19+ stands out with a metallic gradient-to-solid shine and modern design which fits effortlessly with your lifestyle. The 6.2", 19:9 edge-to-edge display is our biggest ever, making your favorite content more immersive than ever, whilst still feeling compact in the hand.

A big HTC Desire 19+ deserves a big, powerful battery to keep up with users. The 3,850 mAh battery is the largest battery we've ever put on an HTC Desire phone. 30% more capacity than its predecessor, providing additional hours of movies and viral videos in your pocket. With so much juice, you'll be able to extend your watching, playing, streaming, reading, downloading, surfing and much more.

HTC Desire 19s

The HTC Desire 19s was launched in November 2019 with a three-lens main camera for mind-blowing photos and videos. Featuring a 3,850mAh battery and digital payment technology, it's a phone that is designed to be as helpful as it is beautiful on the outside.

HTC Desire 19s offers a tri-camera setup for exemplary detailed photos, including ultra-wide angle shots, moving subjects and detailed close-ups. The high-powered main camera is perfect in low light situations, while next-level HDR gives supplies high quality photos even in backlit conditions. The quick shutter and superfast focus are perfect for subjects on the move for clear detailed photos anytime of the day. With a second shooter and a large 16MP front camera, users can enjoy studio-like portraits on the front or back cameras.

Virtual Reality

VIVE Pro

Launched at CES 2018 and shipped in the second quarter of 2018, the VIVE Pro is a new head-mounted display (HMD) upgrade from VIVE, built for VR enthusiasts and enterprise users who want the best display and audio for their VR experiences. VIVE Pro is the first HMD to pass all the first-level indicators in the "General Specifications for Virtual Reality Head Mount Device" (T/IVRA 0001-2017) of China Electronics Standardization Institute (CESI). VIVE Pro won the 'Best VR Headset' award at the 2018 VR Annual Awards Ceremony, and also earned a 'Best Invention of the Year 2019' award from Time Magazine.

VIVE Pro delivers immersion unlike any other: true-to-life precise tracking, ultra-vibrant colors, and uber-realistic sounds create a world that transports the user to any scene in split seconds. The VIVE Pro includes dual-OLED displays for a crisp picture resolution of 2880 x 1660 combined, a 78% increase in resolution over the HTC VIVE HMD. The VIVE Pro also features integrated, high-performance headphones with a built-in amplifier to offer a heightened sense of presence and an overall richer sound. The VIVE Pro's new head strap was built with enhanced ergonomics and comfort, including a sizing dial for a more balanced headset that decreases weight on the front of the headset.

VIVE Pro Eye

VIVE Pro Eye was announced at CES 2019 in U.S and set a new standard for high-end VR headsets. Built for the most demanding professional users, the new VIVE Pro adds precision eye tracking to its renowned feature set of world-class graphics, high-end audio, and expansive modular tracking. Providing a more intuitive way to interact, VIVE Pro Eye features precise eye movement tracking and analysis enabling quicker reaction times, easier navigation and access, and an enhanced understanding of what users see and when.

The eye-tracking simply looks at the target and aim with precision with no need to even point with the controllers. Maneuvers are faster and more intuitive than ever. Moreover, eye tracking allows for foveated rendering, which properly allocates GPU power to focused objects and areas for sharper images. VIVE Pro Eye will allow businesses and developers to gather more data about their training environments, help optimize computer and VR performance, and offer product design and research groups unprecedented levels of feedback.

VIVE Pro Eye is equipped with Hi-Res Certified 3D Spatial audio technology for users to add life-like dimensions to simulations. The high definition image quality brings more immersive experiences for virtual reality enthusiasts. Engineered top-down for maximum comfort, the VIVE Pro headset is made for easy on and off, prolonged use, and accommodates a wide range of head sizes, vision types, and even glasses. With the VIVE Wireless Adapter, users can enjoy true freedom with the most powerful VR wireless solution.

VIVE Cosmos

VIVE Cosmos was unveiled at CES in January 2019. VIVE Cosmos is the newest VR headset from VIVE, offering absolute comfort, ease of set-up and use-ensuring consumers can access their virtual world whenever their life may call for it. VIVE Cosmos with no external base stations required, and maximizes the flexibility of usage space, whether at home or on the go, and has the capability to be powered by more than a traditional gaming PC. With the introduction of VIVE Cosmos, HTC aims to redefine how VR is accessed by offering a headset that is quick to set up and use and can be taken on the go to new play environments. VIVE Cosmos will be the first VIVE headset to feature the "VIVE Reality System," an entirely new design experience for VR.

VIVE Cosmos was built to adapt to the needs of VR customers with ease, versatility and performance at the forefront. The all-new Vive tracking system offers a simplified setup that makes getting into VR faster and easier than ever before, with six camera sensors for wide and accurate inside-out tracking. VIVE Cosmos features a 2880 x 1700 combined pixel resolution—an 88% increase over the original Vive—delivering crystal-clear text and graphics. All-new LCD panels reduce the distance between pixels and combined with real RGB displays minimize screen-door effect.

A unique flip-up design allows users to jump between reality and virtual reality in seconds—all without disrupting VR journeys. Superior ergonomics and comfort allow for longer VR experiences and integrated on-ear headphones provide fully immersive sound. VIVE Cosmos also features completely redesigned controllers that maximize functionality within VR and offer extended comfort during long play sessions. VIVE Cosmos is also compatible with the Vive Wireless Adapter for those who want to enjoy moving in VR without being tethered.

VIVE Cosmos Elite

VIVE Cosmos Elite pairs the performance of external tracking alongside the flexibility of inside-out technology to meet the needs of the most demanding VR entertainment enthusiasts.

By using Lighthouse base station technology, users will be able to experience the power and precision of SteamVR tracking. VIVE Cosmos Elite also supports VIVE's ecosystem of peripherals including the VIVE Tracker—delivering unprecedented input freedom for VR controls—and the Wireless Adapter for an untethered VR experience.

VIVE Cosmos Elite includes a pre-installed External Tracking Faceplate, two SteamVR base stations, and two VIVE controllers. The External Tracking Faceplate can be used with base station versions 1.0 or 2.0 as well as the original VIVE orVIVE Pro controllers and is easily swapped with the original inside-out tracking faceplate that ships with VIVE Cosmos.

VIVE Focus

Following the launch of the world's first room-scale PC VR solution in early 2016, HTC announced the VIVE Focus, and once again, was the first to bring 6DoF 'world-scale' VR experiences in an all-in-one VR headset to the VR market in early 2018. The combination of advanced capabilities, usability and comfort in an affordable package was unmatched in the market when launched. The launch of VIVE Focus signaled the beginning of VR's entry into the mass consumer space in 2018.

VIVE Focus was the first 6DoF stand-alone VR headset to be made commercially available. Without needing to be attached to a PC or a phone, the VIVE Focus delivers a premium VR experience with unparalleled convenience and comfort. The built-in battery, central processor and surround-sound speakers allow users to experience robust VR at home or outside. It also comes with water-resistant padding and is designed to be glasses-friendly, with an ergonomically balanced design which allows for all-day wear. The VIVE Focus gives users the freedom to wander anytime and anywhere.

The VIVE Focus delivers a compelling experience through world-scale tracking. Its one-of-a-kind triangle support design distributes weight and pressure while still delivering a stylish appearance. The adjustable hinge design and the water-repellent faux-leather paddings provide a comfortable wearing experience. This thoughtful design fits seamlessly with the user's own personal taste and was recognized by winning the Gold Award of International Design Excellence Award 2018 (IDEA 2018).

With VR enjoying increasing attention and widespread application in the enterprise market, HTC announced in April 2018 that VIVE Focus had officially entered into the enterprise-class VR application market. TOYOTA was the first company to use VIVE Focus in Taiwan. In the TOYOTA VR security simulation, HTC VIVE Focus enables customers to experience TOYOTA 's new upgrade security without having to drive. All 109 Taiwan TOYOTA exhibition venues will be equipped with VIVE Focus, allowing customers to experience three main test drive scenarios: National Road, Night Mountain Road and City Summit, and to learn how new TOYOTA security measures can help in each situation.

In October 2018, VIVE Focus went one step further with education integration in the Taiwan and Chinese markets. Combined with K12 educational VR content, the VIVE Focus educational portfolio not only includes gaming, but a range of new VR learning experiences. In fact, VR courses have been designed to be suitable for school-age students from the first grade of elementary school to the third grade of senior high school. VIVE Focus with educational VR courses cover a wide range of subjects such as astronomy, science, biology, physics and chemistry.

In January 2019, HTC announced that DeepQ, our health care division, is cooperating with Taipei's Wanfang Hospital to create a virtual multi-user "patient education room," where doctors can use sophisticated 3D models to explain medical issues and treatment options to patients. VIVE Focus can be used as a tool to break down barriers between doctors and their patients in order to improve care and drive patient education to new levels. With VIVE Focus, medical consultation can become mobile and more approachable to patients and doctors alike.

VIVE Focus Plus

VIVE Focus Plus was unveiled in February 2019 and is a professional-grade all-in-one VR headset for enterprise applications.

VIVE Focus Plus is designed to meet the demanding needs of commercial users, improving on the existing six degrees of freedom (6DoF) VIVE Focus headset by incorporating dual immersive 6DoF controllers, providing users the ability to seamlessly interact with their virtual environment with the same freedom as PC VR devices. This enhancement also makes porting existing PC VR content easier for developers while making it physically more portable and natural to use. VIVE Focus Plus furthers our commitment to rapidly iterate and refine the VR market for both businesses and consumers across a wide range of use cases including showrooms, training simulations, virtual conferences, and more.

VIVE Focus Plus offers two ultrasonic 6DoF controllers featuring an analog trigger that gives users the ability to control objects or interactions with pressure-sensitive input, making experiences truly immersive. Additionally, with the aid of the Wave platform and SDK tools, porting from PC-based VR to VIVE Focus Plus will be relatively easier for developers.

VIVE Focus Plus also ships with several professional features including Kiosk Mode, Gaze Support, and device management tools to remotely enroll, monitor, and manage multiple headsets all at once. Powered by the VIVE Wave Platform with content from VIVEPORT with 19 languages supported, subscribers will also have access to a growing library of titles on VIVEPORT Infinity, which is the first unlimited subscription service for VR.

Companies across the globe such as SimforHealth and Immersive Factory are already implementing VIVE Focus Plus for medical training and safety simulation purposes. This all-in-one solution, powered by Qualcomm® Snapdragon™ 835 Mobile VR Platform, enables business users to collaborate and engage in new and effective ways.

VIVEPORT

VIVEPORT is a global VR platform, subscription service and store offering users engaging experiences in more than 63 countries, and developers a brand agnostic platform. With over 2,000 apps & games, VIVEPORT delivers content for a range of virtual reality headsets including PC, standalone, and mobile devices. Due to user demand for more accessible content, VIVEPORT Infinity launched in April 2019 as the world's first unlimited and hardware agnostic VR subscription service and gives VR owners a way to discover hundreds of diverse entertainment offerings. This hardware agnostic and cross-platform approach not only broadens developers' reach, but also helps increase their audience pool, which is especially helpful for Indie developers. In 2020, VIVEPORT Infinity service will continue to take steps to align its business with the entire headset market in order to ensure it is able to capitalize on distribution partnerships and the opportunities presented by consumer 5G adoption.

Healthcare

VIVEPAPER

VIVEEPAPER is a virtual reality textbooks making and reading tool independently developed by HTC DeepQ Healthcare. It uses 360 videos as the main media format, with text, pictures, videos, 3D models and menu designs, allowing each teacher to easily produce VR textbooks that meet your teaching needs. Through gesture operation, students can also view VIVEPAPER content in the most easy and intuitive way. We have successively cooperated with many medical universities and hospitals to integrate first-aid training, surgical training, clinical technical training, and public health education through VIVEPAPER editor into highly immersive and multi-interactive VR teaching materials, which greatly enhance learning fun and effectiveness. In the future, it is expected that VIVEPAPER will be introduced into teaching units through teaching and counseling, so that teaching units have the ability to independently develop VR teaching materials, and make VR a powerful tool for medical and nursing education.

DeepQ AI Platform

HTC DeepQ Healthcare launched the "DeepQ AI Platform" in 2018. "DeepQ AI Platform" dramatically reduces learning thresholds and the cost of AI model training through an optimized training environment, built-in multiple AI models, fully automated parameter adjustments, and a simple user interface. In September 2019, HTC DeepQ launched the new "DeepQ AI Platform" for medical application. It is composed of DeepQ AIP workstation and NVIDIA DGX-1 and designed to operate inside a hospital IT environment. Doctor can quickly convert their own labeled data into the deployable AI model training without writing and designing a deep learning program.

DeepQ Medical Encyclopedia

DeepQ Medical Encyclopedia provides reliable and easy to understand contents which make it much simpler to the public when reading medical articles. Based on the public's need, we developed over 1,000 articles in this medical encyclopedia to help readers to know the definition, symptom, cause, diagnosis, treatment, and medication of the diseases fast and right. Going forward, we will innovate with AI and medical service to build an interactive platform for the public and medical professionals.

Blockchain

HTC EXODUS 1s

Following the HTC first blockchain phone – EXODUS 1, HTC announced the launch of the EXODUS 1s, which is a lower cost version of the pioneering HTC EXODUS 1, a smartphone with a built-in hardware wallet. In a ground-breaking development, the EXODUS 1s is the first smartphone ever to provide full Bitcoin node capabilities through powerful software tools. The EXODUS 1s is the combination of a smartphone with a hardware wallet and a full Bitcoin node all at an accessible price point.

EXODUS 1s will provide an opportunity for users who want to dip their toes into the crypto world and harness the powers of blockchain technology at the more accessible price point. Built-in HTC-developed hardware wallet, Zion Vault, providing users with a secure and user-friendly private vault on the blockchain. Using the Trusted Execution Environment (TEE), EXODUS 1s provides effective and military-grade security for users' cryptocurrencies and assets.

EXODUS is about empowering the user. HTC gave users the ability to own their own keys, and now HTC had gone one step further to allow users to run their own full Bitcoin node. Full nodes are the most important ingredient in the resilience of the Bitcoin network and HTC had lowered the barrier to entry for any person to run a node, which is simply a mobile phone, participating in the global Bitcoin network that propagates transactions and blocks everywhere, which is the foundation and fundamental definition of a peer-to-peer cash system.

Following the core values of blockchain and decentralization, HTC EXODUS believes in empowering users to own their data. In addition to not collecting user data, HTC EXODUS also works with partners with the same fundamental beliefs to provide more services while keeping our users secure. HTC EXODUS has been pushing for security and privacy for its users globally and dedicated to developing blockchain technologies.

2.3 Board of Directors

Cher Wang | HT Cho | Wen-Chi Chen | Chen-Kuo Lin | David Bruce Yoffie | Josef Felder | Vincent Thai

Board of Directors

Cher Wang
Chairwoman

HT Cho
Director

Wen-Chi Chen
Director

Chen-Kuo Lin
Independent Director

David Bruce Yoffie
Director

Josef Felder
Independent Director

Vincent Thai
Independent Director

Organization

Organization Functions

Core Products and Services

Global Virtual Reality, Smartphone and Connected Devices businesses, including Product Engineering, Sales & Business Development, Operations, Strategy Planning, Execution and Management.

New Platforms and Infrastructure

Value Innovation Businesses including Technology, Platform & Ecosystem Development, Strategic Planning and Commercialization of Artificial Intelligence, Healthcare, Blockchain and more future technologies.

Innovation Research and Development Center

Research & Development for exploring Advanced Technology, Product Development & Engineering and Innovations continuously.

Corporate Functions

Include Finance & Accounting, Legal, HR, IT, GA as well as the manufacturing and production managements.

Internal Audit

Inspect and review effectiveness of the internal control system and measure operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable laws, regulations and by laws.

3

BUSINESS OPERATIONS

BUSINESS OPERATIONS

3.1 Brand Strategy

While “Quietly Brilliant” and “the Pursuit of Brilliance” are deeply rooted within HTC’s corporate culture, we have a unique opportunity to relate the energy and vibrance of the VIVE brand back to the parent company to increase its appeal and relevance. At the same time, the HTC parent brand can act as an even more effective endorser of its brands like VIVE for virtual reality and EXODUS for blockchain by re-asserting itself as an engine of innovation.

HTC’s approach is to Dare to Dream, so that we might unlock the full human potential of our customers, employees, partners, and other stakeholders.

While we expanded from producing and marketing world-class smartphones into the exciting technology of connected devices and virtual reality, we are seizing the opportunity to re-energize the HTC brand story through the notion of an innovative parent company that will Dare to Dream, while expanding the VIVE and other brands to new audiences and segments.

The VIVE brand is about unleashing human imagination beyond the limitations of reality. Our vision can be understood from its triangle logo mark, which represents the unity of three key elements – humanity, technology, and imagination. The center of the logo symbolized a portal to a new kind of experience that VIVE delivers. VIVE was born from a faith in humanity and forged by a respect for technology, paving the way for bringing people closer to their imagination than ever before. VIVE has not only changed the gaming industry, its powerful influence has also stimulated innovation in entertainment, education, training, design, healthcare, art, shopping and social networking, and many other industries. Through the most immersive and considered virtual reality experience, VIVE can positively impact the world, affecting the way we live, learn, and believe.

HTC’s approach to brand building is meant to be both pragmatic and effective, and is based on principles including:

Authenticity: Being authentically true to the nature of our mission, and the belief that we can improve human lives and experience while creating value.

Entrepreneurial approach: We are agile, attentive to costs, and aim to achieve maximum effectiveness through an obsessive and energetic approach to building our brand.

Innovative products: For many customers, our products and services are the most concrete expression of our brand. By delivering a steady stream of innovation in mobile, virtual reality, 5G devices, blockchain, and related areas, we create proof through action.

Integrated solutions: Far more than just a hardware company, we deliver true solutions through platforms, software, and services to create positive experiences and net promoter scores with our customers. Our VIVEPORT store provides access to content, VIVE Studios creates software, and VIVE Enterprise engages business customers with full solutions.

Broader audiences: By continuing to improve and simplify our products and user experience, and support a broader range of software, we aim to access new customer segments.

Developing the ecosystem: Through VIVE X, we support and help develop the ecosystem for advancing VR, AR, 5G, AI, and blockchain. We create opportunities to work closely with our portfolio companies to explore mutually beneficial ways to advance entrepreneurial innovation. Through VIVE Wave, we help enable other hardware companies to deliver VR. And through our industry alliances and VIVE Ecosystem Conference, we build a powerful foundation for the industry while advancing our industry thought leadership.

Leveraging PR and social media: We develop the types of products that people love and want to learn more about, that spark their curiosity and tap into their imagination. These make for great stories and social engagement, which are among the most effective ways to build a brand, and are a focus of our efforts on that front.

Building community, forging customer relationships, and offering services that increase lifetime value: We have moved well beyond the transactional nature of selling consumer electronics to developing an ongoing relationship with our customers. Through our platform, software, and service offerings, we can continue to engage with them, as well as increase customer lifetime value.

3.2 Business Activities

3.2.1 Business Scope

In the mobile communication sector, HTC has been demonstrating its commitment to continue investing in the smart phone investment with cutting edge technologies. At this point in time as we step into an era of brand-new technologies, key technologies in our VIVE Reality vision will continue to set the direction for our product portfolio. Besides continuously optimizing the platform and diversifying the virtual reality (VR) and augmented reality (AR) content, what is also worth noting is the powerful impact of high-speed 5G networks, blockchain and artificial intelligence (AI)

5G

2019 ushered in a new era for 5G. Looking forward, 5G will open up new possibilities with powerful bandwidth and innovative technology applications. Distance and time will be redefined through high-speed and low-latency networks among the Internet of Things (IoT) and the Internet of Vehicles (IoV), as well as people-to–people and machine-to-machine networks. HTC is well poised to lead these new technological trends. In 2018, HTC started to cooperate with world-renowned manufacturers and regional large-scale operators to launch the 5G Hub and supported 5G trial operation and testing. In the coming year, HTC will continue to invest in the research and development of new 5G developments and products that combine VR/AR and AI technologies to further enhance and implement 5G strategies.

Smartphones

In addition to entering the VR market and establishing a VR ecosystem in recent years, HTC has continued to bolster its position in the smartphone industry. In 2019, we launched four mid-to-low end smartphones (U19e, Desire 19+, Wildfire X, and Desire 19s). Under the premise of developing 5G-based products in the future, our first task is to ensure that HTC holds a key position in the 5G ecosystem. HTC mobile phones have always proved popular in developing countries. When the expected maturity and coverage of 5G coverage is realized, we will focus on mid-to-high end 5G smartphones in high-consumption markets.

Virtual Reality

HTC VIVE

The HTC VIVE virtual reality system was released in February 2016 and became the world's first premium consumer virtual reality system with true room-scale tracking. Since its introduction, VIVE has not only driven the virtual reality industry, but has also led the development of the VR ecosystem.

At the end of 2017, HTC led the industry again, launching the VIVE Focus, the first high-end standalone VR device supporting six degrees of freedom (6DoF) designed with both the consumer market and enterprise users in mind.

At CES 2018, HTC released the VIVE Pro and VIVE Wireless Adaptor, earning almost 30 awards including several "Best of CES 2018" and "Coolest Innovation" awards. VIVE Pro is specifically designed for VR users seeking extreme experiences and boasts a double OLED lens with a 78% resolution upgrade (when compared to the original VIVE HMD), 3D surround sound and improved ergonomic hardware design, which has helped consolidate VIVE's status in the VR ecosystem. At the same time, HTC listened to consumers' demands for wireless capability, and released the VIVE Wireless Adaptor, a collaboration with Intel® WiGig technology, to enable consumers to enjoy VR experiences with greater freedom.

At CES 2019, HTC unveiled the brand new VIVE Pro Eye, VIVE Cosmos, the VIVEPORT Infinity program, and the VIVE Reality System. HTC gained the world's attention and received numerous awards. Most

importantly, HTC once again redefined premium VR with a high-quality user experience for both consumers and enterprise through revolutionary hardware and software applications as well as content services. With the growth and development of commercial VR demand, the launch of VIVE Pro Eye introduced eye tracking technology to the VR sector. With applications including advanced training and eye movement-based data analysis, VIVE Pro Eye provides professional users with a way to continue to improve how we interact and work with VR.

In terms of standalone VR, the new generation of VIVE Focus headsets, the VIVE Focus Plus, started shipping in April 2019. VIVE Focus Plus is a professional-grade all-in-one VR headset for enterprise applications and is designed to meet the demanding needs of commercial users by upgrading the existing six degrees of freedom (6DoF) VIVE Focus headset to incorporate dual immersive 6DoF controllers, giving users the ability to seamlessly interact with their virtual environment with the same freedom as PC VR devices.

For the development of VR and AR, we believe that it is important to focus not only hardware, but also on software, platforms and associated content. In 2019, we launched the world's first new unlimited cross-brand virtual reality subscription service, VIVEPORT Infinity, and our new VR portal interface, the VIVE Reality System, which significantly updated the presentation interface of the VIVE platform. The VIVE Reality System is an entirely new design philosophy for VR, designed to make VR feel less like launching apps and more like stepping between worlds.

In looking ahead to 2020, we expect to continue to introduce more breakthrough software and hardware products in the VR and AR fields. Especially in terms of VR software, 2020 will be the "development period" of VIVE Reality. Since VIVE Reality involves the integration of VR with AR, 5G, AI, and blockchain technology, the launch of 5G commercialization in 2020 is expected to be a huge breakthrough both for the VR and AR industries.

VIVEPORT

VIVEPORT is the leading app store for virtual reality, where customers can explore, create, connect, and experience the content they love, and it represents a new business model for HTC. In addition to the VIVEPORT Arcade and VIVEPORT M editions, in 2017, we successfully launched a new business model, VIVEPORT Subscription, which allows users to choose up to five VIVE titles for unlimited use per month with a low rate. At the end of 2018, VIVEPORT Subscription service experienced over 3 times growth in subscribers compared to 2017, thus becoming a key driver for VIVEPORT business growth.

To provide users with a great range of VR experiences, we've been working closely with VR content developers and publishers worldwide to expand VIVEPORT's variety and amount of content. By the end of 2018, more than 2000 titles have been published on VIVEPORT and support a variety of different types of VR devices. The content is more focused on supporting multiple languages to meet users' expectation.

In light of user demand for a wide range of content, we launched VIVEPORT Infinity, the first unlimited VR subscription service in April 2019. VIVEPORT Infinity members will gain unrestricted access to the service's library of over hundreds of apps. VIVEPORT Infinity will be available to VIVE, Oculus Rift, WMR, Valve Index owners. For compatible titles, VIVEPORT Infinity will also travel with members to any standalone headset built on VIVE's Wave platform. This hardware agnostic and cross-platform approach is bringing the service to a whole new category of VR devices while broadening a developer's reach and audience pool.

VIVE ORIGINALS

HTC VIVE ORIGINALS is one of the content brands and platforms of HTC VIVE, dedicated to produce originated content and original IP by integrating and exploring in forms of VR films, arts, animations, music, cultural preservation, and the cultural and creative entertainment industry. We actively foster creative teams to establish a standardized VR content production pipeline and continue to provide diverse solutions for virtual technology. Other than developing new business models such as cross-over content licensing, exhibitions, art digitalizing, cultural preservation and entertainment, we are also actively seeking collaboration opportunities such as securing government film and television funding support, expanding content scale and creating industrial value, and gathering VIVE Reality ecosystem to enrich our world through new innovations.

VIVE ORIGINALS team is established since 2017. In 2017 VR film "The Deserted" was nominated in the Venice Film Festival Official VR competition. In 2018 in collaboration with the Golden Horse Committee, project "5x1" was honored to have two short films "Only the mountain remains" and "Mr. Buddha" selected by the 2019 SXSW Film Festival as well as the Tribeca Film Festival. Other than that, VIVE ORIGINALS obtained a record of five projects selected in the 2019 Venice Film Festival, with two of the five short films in the 5x1 series, "O" and "Only the mountain remains" selected in official VR competition, along with immersive project "INORI" and VR Animation, "Gloomy Eyes". "The Making of" was also privileged to be part of the 2019 Venice Film Festival's Official "Best Of" selection.

Other than original content productions, HTC VIVE ORIGINALS independently developed a VR Theatre Management System (TMS) that meets theatre and festival broadcast standards. To connect content and commercial channels, HTC VIVE ORIGINALS aims to launch "Block chain Copyrights Trading Commercial System.", which will be the pioneer of establishing a platform to help content providers and arts and cultural developers. This platform will help content creators and entrepreneurs by integrating offline resources, business, and commercial channels to maximize the business model.

VIVE Arts

VIVE Arts is a global initiative aimed at enhancing artistic creation and appreciation through the latest technologies. VIVE Arts exemplifies the unity of technology, humanity, and imagination that forms the foundation and core values of the VIVE brand. Since 2016, HTC has been actively exploring the potentials of virtual reality in the creation, appreciation, education, and promotion of the arts. The establishment of VIVE Arts in 2017 not only provided artists with a brand new creative medium, and platform, but also opened a portal for humans to appreciate the humanities and arts without time-space limitations.

In 2019, VIVE Arts demonstrated a remarkable global impact through strategic partnerships and high-profile projects with the world's most renowned museums, cultural institutions and artists. A groundbreaking partnership with Musée du Louvre in Paris—the most visited museum in the world with 10.2 million visitors per year—culminated in the Museum's first VR experience, Mona Lisa: Beyond the Glass. Exhibited in a dedicated gallery equipped with 11 VIVE Cosmos headsets, this VR experience was at the center of the landmark exhibition Leonardo da Vinci, which commemorates the 500-year anniversary since the death of da Vinci in France. As the ultimate opinion leader in the museum world, the Louvre's enthusiastic embrace of VR technology for the exhibition and communication of art has generated extraordinary responses across global media, including The New York Times, BBC, Wall Street Journal, Financial Times, Guardian, The Times, and Art Newspaper. These positive reviews further established VIVE Arts' position as the most visible industry leader in art and technology.

VIVE Arts supported the first official VR art commission by the Venice Biennale, the world's oldest and most authoritative contemporary art exhibition, which serves as the indicator of the latest trend in art. This commission and exhibition symbolized the mainstream art world's official acknowledgment of virtual reality as an important artistic medium—for the first time, VR is official written into the mainstream art history book. In March 2019, VIVE Arts launched a major partnership with the American Museum of Natural History to present their first multi-player, interactive VR experience T. Rex: Skeleton Crew, as part of the Museum's 150th anniversary blockbuster exhibition T. Rex: The Ultimate Predator, on view in New York for 17 months. Also in March, for a second year as the official VR partner of the Art Basel International Art Fair's Hong Kong exhibition, VIVE Arts presented the Asian debut of To the Moon, the latest VR artwork created by the esteemed American avant-garde artist Laurie Anderson and Taiwan's leading new media artist Hsin-Chien Huang. These important presentations have all received major features in top-level international publications.

Other notable partnerships in 2019 include Museo Universitario de Arte Contemporaneo in Mexico City, Singapore's ArtScience Museum, The Old National Gallery in Berlin, Museum of Applied Art in Frankfurt, London Fashion Week, Kaohsiung Museum of Fine Arts, and a major presentation of VR art at the National Palace Museum in Taipei participated by leading international museums. VIVE Arts will continue to expand and deepen its partnerships with the world's top arts and cultural institutions, to bring more beautiful, meaningful and groundbreaking VR experiences to people.

VIVE X

VIVE X is an accelerator program that provides funding, mentorship, training programs, and partnership resources for developers and startups worldwide, with a vision to build the VR ecosystem. Currently, VIVE X operates in six major cities: Taipei, Beijing, Shenzhen, San Francisco, London, and Tel Aviv.

Since 2016, VIVE X has helped startups succeed in business operation, technology, product, and funding. VIVE X stands out from other accelerators due to the fact that it has exclusive access to HTC VIVE internal support and resources.

VIVE X has become well-known for its Demo days held at the end of each batch. VIVE X Demo days is one of the most important events in the VR and AR industry that attracts many global investors and companies. Demo days gives the teams that VIVE X has invested and trained a chance to demonstrate their applications and/or solutions to potential investors and industry leaders. In 2019, besides Beijing/Shenzhen and San Francisco, VIVE X hosted Demo days in Tokyo and London for the first time, and each of the events had more than 150 local investors and enterprises attend.

VIVE X will continuously strengthen and enhance, while enabling the effective growth of the ecosystem and promote VR to various industries; whilst seeking potential integration with other technologies such as 5G, AI, AR, and Blockchain.

VIVELAND

VIVELAND is the brand name of HTC VR LBE (location based entertainment) solution provider. Launched in October 2016 on the 3rd floor of Syntrend Creative Park, VIVELAND provides users with various mix reality (MR) and themed experience, such as multiplayer shooting games, VR eSports games, omnidirectional VR haunted house, room escape games, racing games, sports sections and 4D motion seats, etc. The new VIVELAND branch '8D-ZONE' located on the 8th floor of Syntrend Creative Park was launched in 2019, specifically designed for competitive multiplayer games. VIVELAND has accumulated quite a lot of operating experience since its establishment. At the end of 2018, it co-founded VIVELAND Kaohsiung with Kaohsiung City Government. Located in Taroko Park Kaohsiung, VIVELAND Kaohsiung occupies 826.45 m^2 and is currently the largest VR theme park in Taiwan. After its renovation in July 2019, VIVELAND Kaohsiung can accommodate 20-30% more visitors and provide the best VR experience to more users. VIVELAND is also actively expanding globally. The first overseas VIVELAND franchise was launched in Hong Kong in early 2019, partnering with Easco Telecommunications Limited. VIVELAND will continue to cooperate with global content providers to develop the most suitable VR content for arcade experience. Each game available in VIVELAND has been carefully tested and optimized to ensure that the content is engaging enough to generate profits constantly.

Healthcare

HTC DeepQ Healthcare comprises cross-domain experts and engineers in areas such as computer science, software engineering, medicine, regulations, user experience, design, through virtual reality and augmented reality, big data and artificial intelligence technology, with the goal of developing and providing precision personalized medical products and services to reduce costs and improve the effectiveness of healthcare.

Medical Virtual Reality Products

HTC DeepQ Healthcare is a medical VR platform to integrate and promote technologies and solutions to developers, medical schools, and hospitals in Asia-Pacific region. Currently, there are three medical VR products in development:

Surgical Theater, VIVEPAPER, and 3D Organon. Surgical Theater combines various DICOM medical imaging technology such as MRI, CT, DTI, MRA, and CTA to create a three-dimensional model. In addition, the product can fully recreate stereoscopic details with the HTC VIVE. Surgical Theater allows surgeons to quickly develop surgical training plans and allow residents to observe and practice repeatedly, vastly improving learning efficiency and effectiveness. Moreover, HTC DeepQ Healthcare has received TFDA Certification in Taiwan and collaborated with various medical centers to apply VR products in clinical operations.

VIVEPAPER is a unique virtual reality textbook making and viewing tool, which uses 360 videos as the main media format, and text, pictures, videos, 3D models and menu designs, each teacher can easily create VR textbooks that meet their own teaching needs. . Through gesture operation, students can also view VIVEPAPER content in the most easy and intuitive way. VIVEPAPER is suitable for a variety of vertical market applications, including education, travel and various training courses. VIVEPAPER can be viewed with various VR devices, including: PC VR, Stand-alone VR, and Mobile VR. It is suitable for various use scenarios and is the best way to promote self-made VR teaching materials.

3D Organon is the world's first fully-featured virtual reality anatomy atlas. Users can learn human anatomy with more than 5,500 realistic anatomical models and structures, and 500 sets of physiological animations. Combined with VR stereoscopic image rendering, the 3D anatomic models add important cognitive input for understanding the skeletal, muscle, blood vessels, organs, and other anatomical structures and examine structures from all angles. The atlas not only supports VR platform, but also supports various operating systems including Windows PC, Mac OS, Android and Apple iOS.

Medical Virtual Reality Business Results

In January 2019, HTC DeepQ Healthcare collaborated with Taipei Municipal Wan Fang Hospital to build the first multiuser VR patent education room using VIVE Focus. Using VIVE Focus devices installed with the VR human patient education applications, surgeons and families can join a shared VR world in which surgeons explain surgical procedures, educate patients, and share in the decision making. With this cutting-edge VR technology, doctors can improve care for patients. In the future, Wan Fang Hospital will also integrate the VR education platform with the Health Information System (HIS) system of the hospital's patient educational review system.

In December 2019, DeepQ has partnered with Taiwan National Defense Medical Center (NDMC) to build the largest Mixed Reality (MR) anatomy classroom in Taiwan. MR is the combination of Virtual Reality (VR) and Augmented Reality (AR.) Users can switch between real and virtual anatomy classroom, depending on the appropriate learning method. Students of NDMC can use MR classroom not only for self-previewing, but practicing the world's most advanced VR anatomy test. In the anatomy lessons, students and teachers can switch effortlessly between the virtual and the real world. With one click, the virtual human body shows up beside the teacher. By means of observing and comparing the virtual human body and the real pictures on the textbook, students can learn efficiently.

Blockchain

HTC EXODUS 1s has received much positive feedback and respect from the blockchain community since the launch in October 2019. The EXODUS 1s is the combination of a smartphone with a hardware wallet and a full Bitcoin node all at an accessible price point. Built-in HTC developed hardware wallet, Zion, providing users a secure and user-friendly private vault on the blockchain. Using the Trusted Execution Environment (TEE), EXODUS 1s provides an effective and military-grade security for users' cryptocurrencies and assets. Also, the industry first Social Key Recovery extends the protection and convenience of recovery users' keys.

EXODUS is about empowering the user. HTC gave users the ability to own their own keys, and now HTC had gone one step further to allow users to run their own full Bitcoin node. Full nodes are the most important ingredient in the resilience of the Bitcoin network and HTC had lowered the barrier to entry for any person to run a node, which is simply a mobile phone, participating in the global Bitcoin network that propagates transactions and blocks everywhere, which is the foundation and fundamental definition of a peer-to-peer cash system.

HTC and Binance announced a collaborative EXODUS 1 smartphone — the EXODUS 1 - Binance Edition in November 2019. The original EXODUS 1 device is the first smartphone built for a new internet and allows users to own their own keys. It's the world's largest crypto exchange meets the Swiss bank in users' pocket.

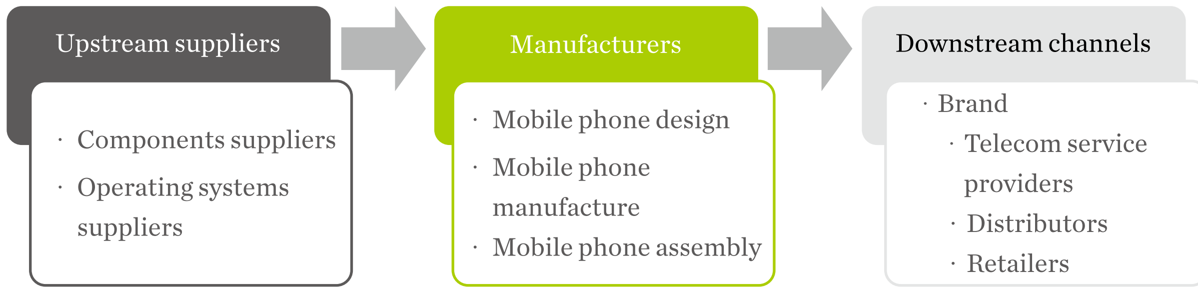
3.2.2 Industry Overview

Smartphones

Over the past 10 years, smartphones have been constantly updated and have constantly innovated in functionality. Smartphones have transitioned from traditional feature phones to touchscreen-enabled communication products with independent operating systems. Consumer demand has led to the development of components including camera lenses and powerful batteries, and this has stimulated the vigorous development of the communications-related hardware industry. At present, the smartphone industry is already a mature industrial chain with a professional division of labor. Each component of the smartphone comes from a different supplier. After being assembled by the manufacturer, it is sold by a dealer or a telecommunications company.

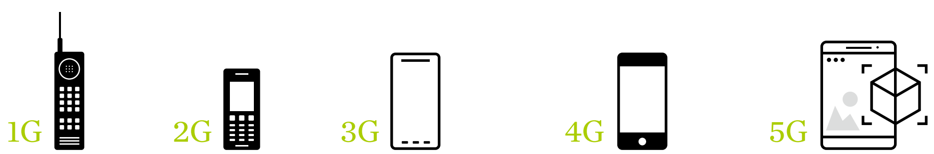
To maintain the high-quality production of products in the highly competitive smartphone industry, HTC maintains a highly innovative R & D spirit, in addition to working closely with upstream component manufacturers, and maintains strong, cooperative relationships with global telecommunications operators. The evolution of communication technology is more closely related to the demand for smartphones. In the 3G and 4G era, consumers have become accustomed to enjoying various everyday services that use smartphones as the operating center. Recently the sales growth of the smartphone sector has slowed, partly due to the maturation and standardization of the hardware functions found on mobile phones, and partly due to an industry-wide slowing of innovation. Even the performance optimization of new phones is not enough to encourage consumers to replace their mobile phones, and developed markets including Europe and the United States have reached saturation point, leading to longer life cycles and slower replacement rates for mobile phone products.

Figure Industry relationship chart



The smartphone industry will welcome new technologies in 2020 due to the transfer of new communication technologies. Faster communication speeds in the 5G era will mean various services will leverage communication technologies to offer new applications. Changes in the specifications of the communication chip will drive the possibility of replacement, and more opportunities for new services will drive changes in hardware specifications of smartphones and the emergence of new requirements. Looking at the development of 5G in the future, HTC will continue to leverage its leadership heritage in the market and bring innovative products to the industry.

Figure Communication Technology Evolution

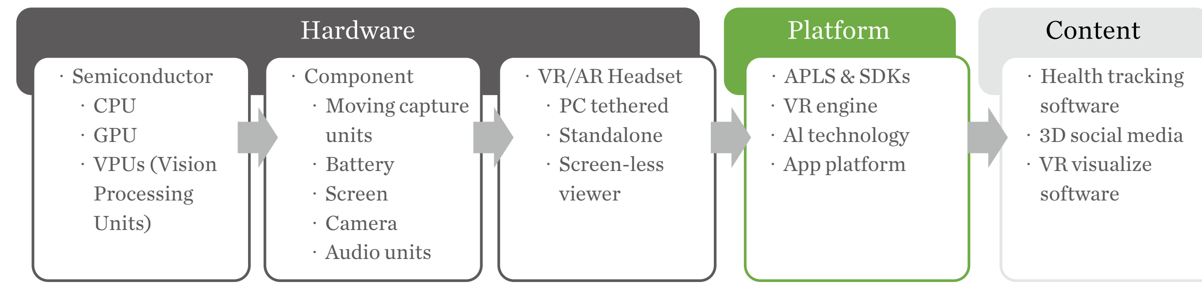


Time	1980	1991	2001	2008	2020
Technology	AMPS	GSM CDMA	WCDMA CDMA2000 TD-SCDMA	LTE	Millimeter Wave, Massive MIMO, Beamforming
Service	Call	Call, Message, Text mail	Call, Message, internet, Streaming service	Call, Message, internet, 1080P Video streaming service	Call, Message, internet, 4K Video streaming service, VR streaming, Auto Guided Vehicle
Speed	2 Kbps	10 Kbps	3.8 Mbps	0.1-1 Gbps	1-10 Gbps
Frequency	800-900 MHz	850-1900 MHz	1.6-2.5 GHz	2-8 GHz	3-300 GHz

Virtual Reality

Virtual reality comes from the human pursuit of immersion. It is also the technology development direction that has been encouraged by the smartphone industry through various display technologies, processors, controllers and other key technologies over the past 10 years. While consumers are satisfied with visual effects, they also hope to experience “virtual new worlds”.

The virtual reality industry chain is dominated by hardware manufacturers. Brand companies develop and define specifications and protocols which are followed by key components vendors, such as display and motion capture modules. Together these elements combined into virtual reality headsets which work either as a standalone unit or by tethering to local computers.



At present, the major hardware manufacturers in the VR industry are VIVE by HTC, Oculus by Facebook, and PSVR by Sony. Each manufacturer adopts different development paths due to different industrial strategies. The VR industry trends are divided into three major directions: one is to improve the hardware specifications of VR headset; the second is to cooperate with software vendors to develop application services to meet consumer needs; the third is to expand more optimized business applications in individual fields.

Hardware manufacturers from the so-called “first year of VR” in 2016, when VR products began to enter the consumer market, first attracted the public with gaming applications. Playing games with VR not only provides advanced visual stimulation, but also delivers a more immersive content experience. In the past, VR headsets were mainly connected to a computer. A gaming PC with strong graphics capabilities was required to have a better visual experience. Recently, manufacturers have been working diligently to develop standalone devices, which allow consumers to enjoy more freedom of movement, reduce the interference of the connection cable and to improve the user experience.

The development of VR hardware depends on the continuous cooperation of software developers. For example, game applications are represented by the well-known game platform Steam, and HTC cooperates with developers to independently develop the VIVEPORT platform so that developers can offer their application services, allowing for the use of VR not only in games, but also in movies, social media, and other visual mediums. As for VR, we believe that abundant content and application support is the key to attract consumers and stimulate VR market growth. That’s why we are building a VR ecosystem that can integrate software and hardware to expand our penetration into consumer market.

The third major development direction of VR is to develop useful applications in professional fields. From the perspective of the currently known application industries, medical and architectural professional fields are amenable to VR applications, especially for use cases which require heavy 3D visualization. HTC aims to use VR make medical training more efficient and effective, for example by using VR for surgery simulation and medical equipment operation training, boosting patient outcomes. With the emergence of the 5G era and the acceleration of network speeds, VR medical treatment can transmit images in real time, facilitate multi-party consultations and even enable remote surgery.

3.2.3 Progress in Research & Development

5G

5G is the next generation of wireless access technology, promising expanded capacity, higher data rates, lower latency, higher reliability, and lower power consumption than 4G. These capabilities open up opportunities for new use cases like connected cars, wireless broadband, fixed wireless and more. The most important market transition over the next few years will be the introduction of 5G whereas 5G services will be the focus of global mobile communication industry in the coming year.

Working together with U.S. telecommunications giant Sprint, HTC announced the powerful 5G smart hub in November 2018. HTC announced the partnership with Telstra in Australia in February 2019 and the recently added European carriers: Three in UK, Deutsche Telekom in Germany, Sunrise in Switzerland, and Elisa in Finland. Designed for ease of use in both home and office environment, HTC 5G Hub enables smooth 4K video streaming, low-latency gaming, and 5G mobile hotspot features for up to 20 users. HTC 5G Hus is equipped with a newly designed active cooling system to solve the 5G power consumption and heat problems. Built in with a 7,660mAh battery, the HTC 5G Hub is made ready to support a wide range of on-the-go duties to bring the perfect solution for the coming 5G era.

As a home media center, the HTC 5G Hub uses next-gen 5G speeds to stream 4K videos to a second screen and deliver crisp, clear content. It can also replace a Wi-Fi router and remove unnecessary cables with an easy to use plug-and- play setup. Intuitive voice command and remote control features make it quick and easy to manage entertainment and productivity needs. In addition, HTC 5G Hub is created in anticipation of the advancement in edge computing the developing 5G infrastructure. In the future, users will be able to stream VR content from the cloud to VIVE headsets via the HTC 5G Hub to enjoy a mobile, high-end VR experience in real time.

Smartphones

Since its inception, HTC has invested consistently to consolidate in-house R&D capabilities. Frequently, HTC products are trailblazers, earning a long line of “firsts” that includes the world’s first Windows Mobile and Android smartphones, first dual-mode GSM/WiMAX phone, first 3G/4G Android phone, and first LTE Android phone. HTC has earned its pioneering reputation through innovation and an exceptional understanding of industry and consumer trends. In 2011, with markets shifting up to 4G high-speed mobile networks, HTC launched HTC Thunderbolt and HTC Titan II - the world’s first LTE Android and LTE Windows Phone smartphones. Milestones like these further highlight HTC’s leadership in critical technologies.

HTC unveiled the HTC One family at the Mobile World Congress 2012. This addition to HTC’s portfolio further streamlined the user experience with unparalleled design aesthetics, with an amazing camera and authentic sound. The HTC One was the only smartphone in its class with the all-new ImageSense™ to enhance image and video capture functions. In order to further satisfy the different needs of the market, HTC in 2012 released multiple smartphones that combined performance and ergonomic design, such as the release of the first 4G LTE Windows Phone, named TITAN II. In addition, HTC also featured the critically acclaimed entry-level Desire series smartphones. In the high-end space, HTC released 5-inch full HD smartphones, such as the DROID DNA in partnership with US carrier Verizon, the HTC J Butterfly in cooperation with Japanese carrier KDDI, and the HTC Butterfly in China and Taiwan. Together with Microsoft, HTC released the Windows 8X and 8S. HTC continues to give consumers more choice by partnering with global technology leaders.

At a product launch held in London and New York in February of 2013, HTC unveiled the new flagship smartphone HTC One. The device disrupted the traditional mobile experience and featured a seamless metal unibody design. The HTC One came with the latest HTC Sense that includes HTC BlinkFeed™, which gives the user a real-time dynamic homepage to access global and personal social networks news. HTC Zoe™ shooting mode used HTC UltraPixel™-powered camera to bring image galleries to life, and redefined how people take pictures, play and share precious moments. In addition, HTC BoomSound™ provides the industry’s best mobile audio experience, utilizing front-facing speakers and dual dynamic microphones. Add to that a full HD screen, and users can immerse themselves in their music, movies, and games. In addition, HTC Sense TV™ allows for the control of most TVs, set-top boxes, and receivers by transforming the smartphone into a remote control. The HTC One M7 won the Best Smartphone of the Year at the 2014 MWC hosted in February by the GSMA as well as the iF Gold Design Award in Germany, among many other industry and media awards. These awards affirmed once more that design and innovation are a key part of HTC’s DNA.

In March 2014, the latest flagship model HTC One M8 was released in London and New York. HTC One M8 elevated craftsmanship to a whole new level. The new one-piece metal casing covers 90% of the device, presenting an immense challenge to antenna design. After extensive design and calibration, HTC One M8 was the only phone in the world with an all-metal unibody that has passed all carriers testing and sold simultaneously through 230 carriers worldwide. The ultra-thin HTC One M8 with its curved edges and brushed metal finish offers the ultimate grip and visual aesthetics. The new generation of HTC BoomSound™ increased 3D sound performance by a further 25%, and the proprietary Duo Camera provided super-fast focusing (300ms) to capture every exciting moment of the user. The UFocus™ function can be used to alter the focus of the images while all creative photo backgrounds and Seasons animations offer the user an incomparable photo experience. The new Zoe™ integrates all its functions

even more intuitively and seamlessly into the snapshot function. Combining Motion Launch™ gestures with the new Sense 6 and Smart Sensor Hub, HTC One M8 is able to recognize gestures and touch control tracks to intelligently launch corresponding functions or apps. The HTC One M8 incorporated all of these functions without compromising the battery life. More demanding conditions and specifications extend the extreme power-saving function increases the standby time to two weeks. With all of these smart functions, the HTC One M8 undoubtedly is the pioneer and undisputed leader for the next generation of smartphone applications and user experience.

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

In April 2016, HTC unveiled the new flagship smartphone, the HTC 10. With customer feedback an integral part of the development process combined with an obsessive attention to detail, the HTC 10 delivers everything that consumer would want from a flagship device. Inspired by light and sculpted to perfection, the HTC 10 employs new design approach where bold contours are carved out of solid metal. Capturing the light beautifully, the chamfered edges boast a slimmer and slender look with its full–glass front merging seamlessly into the metal body. With the world's first optically stabilized, new larger sensors, 12 million of our new generation UltraPixels, faster laser autofocus powering the main camera and a wide angle lens and screen flash on the front UltraSelfie™ camera, HTC 10 delivers brilliantly sharp, low light and high–resolution photos whether behind or in front of the lens. The HTC 10 combines vivid 4K video with the world's first stereo, 24–bit, Hi–Res audio recording — capturing 256 times more detail than standard recordings, across twice the frequency range. Whilst the HTC 10 raises the bar on the hardware, we have also delivered what we believe to be best–in–class software by focusing on getting the fundamentals right. With apps that launch twice as fast and that perform to the highest standard and a next generation quad HD display that is 30% more colorful, creating a true cinematic feel, and that is 50% more responsive to touch than its predecessor, even the smallest and fastest of finger movements track perfectly.

The HTC U11 was released in May of 2017 and comes with HTC Edge Sense, ushering in a new era of mobile phone interactions. With a simple squeeze, HTC Edge Sense lets users easily engage with their phone in an unprecedented yet intuitive way, helping consumers more naturally enjoy the things they love like launching the camera, taking photos, launching an application, instant recording, taking a screenshot, Google Assistant, Voice to Text and so on. Functions that used to demand several steps can be completed by a single squeeze now. The HTC U11 uses an astonishing 3D Liquid Glass Surface that is finely crafted using Optical Spectral Hybrid Deposition. By layering highly-refractive precious minerals across the phone's back cover, we've created stunningly vivid new colors that transform light with every movement users make. It is not only stylish and easy to hold with dust-proof and waterproof capabilities. The primary camera (12MP) of the all-new HTC UltraPixel 3 has the UltraSpeed Autofocus function that gets a high score of 90 on DxOMark benchmarking and ranks among the top in the world of smartphone cameras. The HTC USonic personalized sound is now integrated with active noise cancellation that can lower ambient disruptions and noises to bring users the purest music. Active noise cancellation can continuously monitor ambient sound levels and make quick adjustments on newly emerged noises and disruptions. HTC USonic and active noise cancellation will operate in parallel automatically, letting users focus on music, videos or games any time. The HTC BoomSound Hi-Fi edition is also fully upgraded. We have improved the speaker design to allow more loudness and have better dynamic range audio. The tweeter now offers an acoustic chamber that allows the highs and mids to sound richer. The woofer sports a new speaker and improved magnetic circuit design for louder, clearer and appreciably deeper bass tones to give users a natural soundscape with exceptional audio detail. The HTC U11 comes with Qualcomm® Snapdragon™ 835 Mobile Platform iv, which is the first 10 nm mobile processor. Consumers get 25% faster graphics than the HTC 10, with 35% or 3 hours more video playback, 30% or 8 hours more music playback and 43% or 3.5 hours longer web browsing time via LTE network.

Launched in November 2017, HTC U11+, inherited the innovative DNA of HTC U11, has developed even more sophisticated functions. HTC U11+ is equipped with an ultra-large 6-inch 18:9 display screen. The narrow and long stature is designed for ergonomics, making it easy to operate even with one hand. The built-in 3,930 mAh large-capacity battery can meet consumer demand throughout the day. The display screen supports the DCI-P3 wide color gamut, perfect for saturated and diversified hues with stunning color accuracy. The reinforced Edge Launcher allows users to complete tasks easily with one hand, such as launching the camera, accessing Google Assistant and Amazon Alexa, or simply opening different apps. Moreover, users can choose to use their dominant hand to operate the Edge Launcher. Inspired by the liquid surface glass design of HTC U11, HTC U11+'s "Translucent Black" reveals a higher level of exquisite craftsmanship where users can see some of the internal components through the translucent rear case, setting a new milestone in mobile phone aesthetics.

Launched in May 2018, HTC U12+ contains bran-new translucent liquid glass design, along with water-and-dust resistance IP68. Its innovative 3D glass and diamond-cutting technology creates an extremely narrow frame, which is reduced by 2mm in contrast to that of HTC U11. In addition, the brilliant interactive squeeze motion of creative Edge Sense 2 helps act easily with one hand. In terms of camera design, it highlights both front and rear dual cameras. Front dual cameras support depth sensor, face ID unlocking and portrait bokeh effect. Rear dual cameras harness 2x optical zoom as well as 10x digital zoom, PDAF (Phase Detection Auto Focus) & LASER AF (II), and OIS (Optical Image Stabilization) & EIS (Electronic Image Stabilization). With all these features, it can shot stunningly sharp images and capture phenomenal details even when the subject is in motion. HTC U12+ won a score of 103 by DxOMark, which is the highest among other smartphones with a dual-camera system. 4K Video Recording at 60 fps is included, attached with cutting-edge "Hearing Focus II" that is composed of sound microphone array and algorithm. The intellectual sound-picking range concentrates with the adjusting focuses while shooting videos. Its processor carries the latest Qualcomm® Snapdragon™ 845 mobile platform and accompanies the optimal display and processing speed, as well as the dual LTE connection ability.

The high-end U19e announced in June 2019 carries on the design technique of HTC flagship, with translucent glass back clover design. Through precise techniques, metal particles are scattered on the rear glass, presenting gradient luminescence on the mirror surface, featuring an unparalleled texture and smooth layered colors. HTC U19e adopts OLED screen, one of the best display in the industry, with wide color gamut and dynamic color control. Its color saturation is well tuned without color distortion. HTC U19e supports HDR10 and BoomSound Hi-Fi speaker, providing users the finest audiovisual enjoyment. On user recognition, U19e combines three bio-recognition technologies, including fingerprint, face and iris recognition, enhancing smartphone unlock experience in all aspects.

The mid-range Desire 19+ was announced in June 2019 as well, which is the first HTC smartphone with built-in triple camera setup on the rear, allowing users to take photos with unbounded creativity. Its primary camera is equipped with 120º super-wide-angle lens, which captures more amusing things and views, keeping the essence of the scene. It is also equipped with 6.2-inch display featuring a 19:9 aspect ratio, the HTC smartphone largest display ever, and with largest battery capacity ever among HTC desire series.

Virtual Reality

HTC VIVE is set to provide the most immersive virtual reality experiences to unleash human imagination from the limitations of reality. VIVE will change how we work, learn, play, communicate, entertained and believe. HTC has put considerable resources into building a thriving development environment. We are expanding the VR hardware and platform ecosystem to enable the whole industry to grow through the creation of compelling content and rich experiences to also further our commitment to rapidly iterate and refine the VR market for all consumers, developers and businesses. Since the first debut of HTC VIVE, partnered with Valve® in 2015, we have continued to introduce innovative products such as VIVE Pro, VIVE Wireless Adaptor, VIVE Pro Eye and VIVE Cosmos to bring virtual reality users more premium and immersive experiences. We launched VIVEPORT, a global platform and app store with the world's first VR subscription model to focus on the most innovative and diverse immersive experience for global virtual reality content developers. VIVE Focus is the revolutionary standalone VR device which delivers a premium VR experience with unparalleled convenience and exceptional comfort. VIVE Wave™ VR open platform is aimed at bringing together the highly fragmented mobile VR market to build and expand the global virtual reality ecosystem.

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

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

At VRLA 2016, the world's largest virtual reality expo, VIVE launched VIVEPORT™, the destination for VR content and experiences. VIVEPORT features a wide range of VR experiences across education, design, art, social, video, music, sports, health, fashion, travel, news, shopping, creativity tools, and more. Together with the global community of content creators and developers, VIVEPORT provides all customers with a unique and fast-growing selection of apps and experiences. In addition, VIVEPORT continues to roll out new platform features supporting content creation, distribution, and customer engagement.

At Consumer Electronics Show (CES) 2017, HTC debuted two premium accessories, the VIVE Tracker™ and VIVE Deluxe Audio Strap™. The VIVE Tracker opens new options for developers to make VR even more immersive with additional tracking capabilities and new peripherals. The VIVE Deluxe Audio Strap is designed for a more comfortable and convenient VR experience, with integrated earphones and a sizing dial for a quick adjustment of the headstrap.

At the VIVE Developer Conference 2017, HTC VIVE unveiled VIVE Focus, the standalone VR headset, and VIVE Wave VR open platform. VIVE Focus is the commercial standalone device to deliver inside-out 6-degree-of-freedom tracking (6DoF) which VIVE calls "world-scale". Without the need to be attached to a PC or a phone, the VIVE Focus provides unlimited freedom of mobility while reducing the total cost for users to own a premium VR device. Its high-resolution AMOLED screen realizes the best possible VR experience, with low latency and unmatched clarity. The VIVE Focus is powered by the advanced features of the Qualcomm® Snapdragon™ 835 VR platform. VIVE Wave, a VR open platform and toolset that will open up the path to easy mobile VR content development and high-performance device optimization for third-party partners. VIVE Wave is a clear step forward in bringing together the highly fragmented mobile VR market.

In January 2018, HTC announced the hardware upgrades that deliver premium VR experiences to consumers and enterprises with the introduction of VIVE Pro and VIVE Wireless Adaptor. VIVE Pro is a new HMD upgrade from VIVE, built for VR enthusiasts and enterprise users who want the best display and audio for their VR experiences. VIVE Pro includes dual-OLED displays for a crisp picture resolution of 2880 x 1660 combined, a 78% increase in resolution over the HTC VIVE HMD. This premium resolution enhances immersion for VR enthusiasts, and the improved clarity means text, graphics and overall experience all come into sharper view. VIVE Pro also features integrated, high-performance headphones with a built-in amplifier to offer a heightened sense of presence and an overall richer sound. VIVE Pro's new headstrap was built with enhanced ergonomics and comfort, including a sizing dial for a more balanced headset that decreases weight on the front of the headset. Additional improvements include dual microphones with active noise cancellation and dual front-facing cameras designed to empower developer creativity. VIVE Wireless Adaptor is the first to market with a truly wireless VR headset integration for both HTC VIVE and VIVE Pro. The VIVE Wireless Adaptor offers a premium VR wireless experience that operates in the interference-free 60Ghz band, which means lower latency and better performance.

HTC VIVE launched two new devices, VIVE Pro Eye and VIVE Cosmos, at Consumer Electronics Show (CES) 2019. VIVE Pro, built to meet the needs of the professional VR user, just got even better with integrated eye tracking on the new VIVE Pro Eye—giving users new levels of accessibility, including gaze-oriented menu navigation and removing the need for controllers. With the inclusion of eye tracking, the new VIVE Pro Eye will allow businesses and developers to gather more data about their training environments, help optimize computer and VR performance, and offer product design and research groups unprecedented levels of feedback. VIVE Cosmos is the newest VR headset from VIVE, offering absolute comfort and ease of set-up and use. With no external base stations required, VIVE Cosmos maximizes flexibility of usage space.

VIVE Cosmos was built to adapt to the needs of VR customers with ease, versatility, and performance at the forefront. The all-new Vive tracking system offers a simplified setup that makes getting into VR faster and easier than ever before, with six camera sensors for wide and accurate inside-out tracking. Cosmos features a 2880 x 1700 combined pixel resolution—an 88% increase over the original Vive—delivering crystal-clear text and graphics. All-new LCD panels reduce the distance between pixels and combined with real RGB displays minimize screen-door effect.

A unique flip-up design allows users to jump between reality and virtual reality in seconds—all without disrupting VR journeys. Superior ergonomics and comfort allow for longer VR experiences and integrated on-ear headphones provide fully immersive sound. Cosmos also features completely redesigned controllers that maximize functionality within VR and offer extended comfort during long play sessions. Cosmos is also compatible with the Vive Wireless Adapter for those who want to enjoy moving in VR without being tethered.

In February 2019, HTC VIVE announced VIVE Focus Plus for premium standalone VR experiences. The upgraded six degrees of freedom (6DoF) VIVE Focus headset to incorporate dual 6DoF controllers can precisely detect hand movement to bring improved graphics, the ultimate in ergonomic comfort, and more immersive VR experiences. VIVE Focus Plus offers two ultrasonic 6DoF controllers featuring an analog trigger that gives users the ability to control objects or interactions with pressure-sensitive input, making experiences truly immersive. VIVE Focus Plus has new Fresnel lenses which offer a sharper visual to reduce any screen door effect, and the new lenses create a crisper, more true-to-life visual for users to truly immerse the headset use.

Healthcare

HTC DeepQ Healthcare is comprised of cross-domain experts and engineers in areas such as computer science, software engineering, medicine, regulations, user experience, design, through virtual reality and augmented reality, big data and artificial intelligence technology, all with the goal of developing and providing precision personalized medical products and services to reduce costs and improve the effectiveness of healthcare.

HTC DeepQ Heathcare announced the gesture recognition SDK at the World Game Developers Conference in May 2019, and developed it through deep learning algorithms. The camera achieves two major functions such as two-hand skeleton tracking and two-hand gesture recognition with no special camera lens. The gesture recognition SDK allows global VR content developers to import gesture applications in the most convenient way to enhance the overall user experience. The intuitive gesture operation function in VIVEPAPER is also implemented through the gesture recognition SDK.

In September 2017, HTC DeepQ Healthcare cooperated with the Center for Disease Control in Taiwan to develop the "LINE @ chatbot - Disease Manager." The chatbot was upgraded to Version 2.0 to extend counseling services in 2018. In addition to the infectious diseases that users often suffer at home, users can also consult the Disease Manager before going abroad to learn about local epidemics and related epidemic prevention information. In May 2019, "Disease Manager" was upgraded to version 3.0, which provides vaccination consultation and reminders for pregnant women and infants. As long as the parent enters the child's birth date, the Disease Manager will actively provide infant vaccination information to help calculate the vaccination day, health assessment before vaccination, inquiries at nearby vaccination institutions, vaccination reminders, etc. If you have any health education questions, you can ask him directly.

In 2017, HTC DeepQ Healthcare has cooperated with the Taipei Municipal Wanfang Hospital to launch Taiwan's first artificial intelligence medical services chat robot called "Wan Xiaofang." Wan Xiaofang was upgraded in 2018 to include a comprehensive series of medical care application from AI-assisted registration, outpatient notes, hematology reports, and medication management.

In May 2018, HTC DeepQ Healthcare launched the "DeepQ AI Platform." The DeepQ AI Platform dramatically reduces the learning thresholds and the cost of AI model training through an optimized training environment, built-in multiple AI models, fully automated parameter adjustments, and a simple user interface. It is different from the existing AI training platforms and services available on the market, users of DeepQ AI Platform can quickly convert their own labeled data into the deployable AI model training without writing and designing a deep learning program. In September 2019, it has been promoted to hospitals in Taiwan.

In January 2019, HTC DeepQ Healthcare cooperated with Changhua Christian Hospital to launch the "Changhua Christian Hospital Line Bot". Changhua Christian Hospital Line Bot is the first AI and blockchain medical care chat robot across 10 hospitals in Taiwan that strengthens information security across the hospital medical care network through medical blockchain technology. With the power of AI department consultation, pre-examination notes, and post-consultation personal medical education combined with medical blockchain information security, Changhua Christian Hospital Line Bot is creating a hospital care solution to comprehensively upgrade the quality of medical care experiences before, during, and after medical treatment.

Blockchain

HTC's Project EXODUS is a smartphone solution that integrated with the hardware wallet, secure users' crypto assets and powers the decentralized web. For more than 20 years, HTC has created foundational technology for worldwide mobile and virtual reality technology. Through EXODUS, HTC is investing in the development and implementation of blockchain technology that will usher in a new area of secure data storage and transactions and take blockchain technology mobile for the first time.

HTC launched the first model HTC EXODUS 1 in October 2018, continues to develop cutting-edge blockchain and encryption technologies. All of the users' private keys and crypto signing algorithm are storing and executing in the trusted Execution Environment (TEE), a locked area on the device that is protected from the Android OS. EXODUS provides an effective and military-grade security for users' cryptocurrencies and digital data.

HTC EXODUS launched the second model, EXODUS 1s, in October 2019, it's the first smartphone ever to provide full Bitcoin node capabilities through powerful software tools, moves forward to realize the decentralized web. Full nodes are the most important ingredient in the resilience of the Bitcoin network and HTC had lowered the barrier to entry for any person to run a node, which is simply a mobile phone, participating in the global Bitcoin network that propagates transactions and blocks everywhere, which is the foundation and fundamental definition of a peer-to-peer cash system.

HTC EXODUS released the Web 3.0 browser built in the Zion Vault in November 2019, allow users to experience the unlimited possibilities of decentralized applications in a private and secured way. HTC EXODUS helps to build a rigorous Internet structure while exploring the future of data. In addition to balancing security and privacy, it also transfers data ownership back to the owner of the data. HTC EXODUS is about the future of data and getting the right architecture for the Internet, one that includes security, privacy and transfer of ownership of data back to the person generating it.

R&D Expenditures in Recent Years

Unit: NT$ millions

Item	2018	2019	2020 Q1
Worldwide R&D Expenditures	7,070	5,652	971
Percentage of Worldwide Revenue	30%	56%	73%

3.2.4 Business Development

In addition to actively entering the VR market and establishing a VR ecosystem in recent years, HTC will also continue to cultivate its position in the smartphone industry. Under the premise of developing 5G-based products in the future, our first task is to ensure that HTC holds a key position in the 5G ecosystem. When the expected maturity and coverage of 5G construction in the future is realized, HTC will focus on mid-to-high 5G mobile phones in high-consumption markets. HTC will also focus on 5G applications, tightly integrating 5G mobile phones and 5G Hub terminal products with cloud computing to break through the limitations of terminal computing, and improve the user experience of mobile terminals.

With the advent of the 5G era at hand, the global industry will bring another wave of new changes, which also includes the development of VR products and content. In the next 5 years, we predict that HTC's virtual reality products will exceed the company's mobile phone business, and will continue investing in all aspects of VR software and hardware technology. HTC will stay committed to VR applications with intensive cooperation in key industry in fields including healthcare, education, arts and culture, entertainment and sports. To change the world and enhance humanity's well-being in the long run, we will continue to grow and develop the VR product and services ecosystem, integrate our 5G technologies expertise, and strive to redefine cloud computing and artificial intelligence to maximize the benefits of VR and AR. HTC is uniquely positioned to create and deliver a completely new domain of convergence technology and pioneer a new era for people and machines.

3.3 Markets and Sales Overview

3.3.1 Market Analysis

Smartphones

In the past few years, global smartphone shipments have declined due to longer user replacement cycles and a saturated mobile market in developed countries. The maturity of the mobile product feature set has also contributed to the declining shipment rate. It is expected that 5G mobile phones will start replacing 4G mobile phones in 2020, and the smart phone market will at this time return to growth. According to The Institute for Information Industry research, 5G mobile phone shipments will reach 260 million in

2020 and 540 million in 2021. At present, no device can easily supplant the functionality of mobile phones, and they remain an important part of daily consumer technology use. For mobile phone manufacturers, how to maintain profitability in the face of lower prices and increasing competition will be a key issue to address.

According to Ericsson's mobility communications report, 65% of the world's population will be covered by ultra-high-speed 5G networks by the end of 2025. It is expected that 45% of the world's mobile data will be transmitted through 5G networks, and the number of 5G mobile users will exceed 2.6 billion in the next 6 years. 5G users will significantly increase mobile data usage due to ultra-high-speed Internet access. The average communication usage per user will increase by more than three times. The fastest-growing regions are North America and China.

Due to the high cost of deployment, 5G services may not have significant diffusion in the short term, but as more telecom operators launch 5G-related products and services, it will stimulate consumers who were not sensitive to high network speeds in the past. This will also result in more high network speed business customers. Once 5G services become more popular, consumer 5G experience will improve. Mobile phone manufacturers will benefit as operators promote replacing old 4G phones with new 5G mobile phones.

Virtual Reality

Games are still the main driving force for VR and AR sales. CCS Insights estimates that 70% of consumers who own VR headsets have purchased games. According to the CCS consumer survey, applications that use virtual reality include: virtual travel, remote participation in concerts or other events, and virtual social interactions, all of which are growing in popularity, showing that consumers are highly interested in entertainment-related VR applications, as well as an interest in gaming.

Although VR has many applications in entertainment, medical, art, education, and enterprise, the increase in the use of professional fields can help improve market visibility and penetration in the VR industry. IDC predicts that more than half of AR / VR spending will be for business, including corporate training and industrial equipment maintenance; consumer-side applications are mainly VR games and movie viewing. There are also some vendors trying to make a breakthrough with social applications, but currently the numbers of consumers who own VR equipment are still limited, and no killer application services have yet appeared.

With the growth of 5G networks, the user experience of VR / AR can be optimized as VR is also one of the key applications for popularizing 5G. Additionally, since augmented reality is a technology that superimposes digital data on the real world, it must rely on high-speed, ultra-low latency and high-bandwidth wireless 5G networks in order to provide a satisfactory VR experience.

IDC predicts that in 2020, global spending on AR / VR will grow to $ 18.8 billion (approximately NT $566.1 billion), a 78.5% growth rate compared to 2019, with a compound annual growth rate of 77% by 2023, meaning the AR / VR industry will continue to grow strongly in the next few years. In addition to the subscription revenue from content on the VIVEPORT platform, HTC is actively converting VR

applications and services into revenue and expanding in the enterprise application market, especially sectors including medical care and manufacturing.

3.3.2 Product Marketing

5G

5G is the next generation of wireless access technology, promising expanded capacity, higher data rates, lower latency, higher reliability and lower power consumption than 4G. These capabilities open up opportunities for new use cases like connected cars, wireless broadband, fixed wireless and more. The most important market transition over the next few years is the introduction of 5G and 5G services will be the focus of global mobile communication industry in the coming year.

Working together with U.S. telecommunications giant Sprint, HTC announced the powerful 5G smart hub in November 2018. HTC announced the partnership with Australia's Telstra in February 2019 and the recently added European carriers: Three in UK, Deutsche Telekom in Germany, Sunrise in Switzerland, and Elisa in Finland. Designed for ease of use in both home and office environment, HTC 5G Hub enables smooth 4K video streaming, low-latency gaming, and 5G mobile hotspot features for up to 20 users. At GTC 2019, HTC joined NVIDIA's GeForce Now Alliance as a partner to drive the future of both cloud gaming and cloud VR technologies, powered by 5G. Announced in March 2019 in Seattle, USA, HTC VIVE announced Collaboration with Qualcomm Technologies to Pre-Integrate and Optimize VIVE Wave for Snapdragon Standalone XR HMDs and 5G Smartphones.

Smartphones

HTC continues to face the challenges, with world-class excellent strength of technology and innovative, we are obsessed with designing cool and innovative experiences that enable people to shape their lives to be more brilliant. And in the face of the downward trend of telecommunications tariffs, HTC has launched smartphones in different price bands to meet the needs of various groups, so that everyone can enjoy a smarter life.

In 2019, we were determined to continue the goal of producing innovative products to differentiate our brand among competitors. In the face of the changes in telecom tariffs, the demand for mid-range products in the market is increasing. HTC responds quickly to meet market changes and successively launches many models for young people. Introduced a mid-range and entertainment-oriented U series and entry-level models, and Web 3.0 blockchain smartphones with more comprehensive functions and complete privacy and security protection.

Following the model "HTC Desire 12s" with an affordable price has been launched in the market, which is also in line with the choice of low and medium tariffs for the main telecommunications channel. in order to seize the market of main telecommunication tariffs in the New Year, we introduced the new red color that people love to choose for the Chinese New Year in February 2019,. This model inherits the design DNA of HTC 's flagship machine series. It is laser engraved with delicate lines and presented on the same back. Double texture innovation unique design language. In addition, "HTC Desire 12s" is the only product of the same level equipped with NFC and supporting dual CA network, easily enjoy the smart and convenient life brought by mobile payment and high-speed network. As high technology is becoming more and more inseparable from the lives of modern people, everyone pays more attention to information security. HTC also attaches great importance to and strives to meet the security standards of Taiwan and other countries in the world. From European GDPR and industry-related standards such as ISO27001 and BS10012 : 2017, to the domestic NCC regulations, etc., which also includes individual asset protection and information security regulations.

In May 2019, there was a breakthrough in the development of blockchain smartphones. HTC released the new "EXODUS 1s", which is the world's first blockchain smartphone with complete node functions, which includes a complete Bitcoin zone Blockchain can provide a truly decentralized experience. "EXODUS 1s" is like transferring financial services to individuals. The meaning of having Bitcoin on a smartphone allows users to perform services like banking , You can complete the purchase, sale, sending, receiving, trading, lending and borrowing of virtual currency on your mobile device, and even have bank services such as borrowing and generating interest, like the Swiss bank in your pocket.

Immediately in June, in order to meet the needs of consumers and provide different price options, HTC released the entertainment- oriented model "HTC U19e" and 3-cameras "HTC Desire 19+" together to provide more purchasing options for young consumer groups. "HTC U19e" with AI artificial intelligence camera will turn ordinary photos into artistic masterpieces, and launch a new "game assistant mode", which can support the game while talking while playing the game, and can improve the performance of the mobile phone. Not only does it take into account the appearance, audio-visual entertainment and smooth functions at the same time, it also allows consumers to experience HTC U19e premium-level wisdom with excellent cost performance. The new "HTC Desire 19+" is HTC's first smartphone with three main camera lenses and is equipped with the largest and extremely narrow bezel screen in HTC history. It is also the HTC Desire series mobile phone with the largest battery capacity Entry model.

In October of the same year, the first blockchain entry smart phone "EXODUS 1s" was officially launched, giving users who want to enter the world of encrypted virtual currency and for the first time to contact and use the powerful functions of blockchain technology to bring great opportunities. This innovative product is purchased in various virtual currencies such as fiat currency or equivalent Bitcoin (BTC), Ethereum (ETH), Litecoin (LTC), Binance Coin (BNB), and Bitcoin Cash (BCH). After breakthrough development, "EXODUS 1s" became the first smart phone that combines a hardware wallet and a complete bitcoin node, with an approachable price.

In November, HTC launched the entry-level new model, "HTC Desire 19s", which is providing a 6.2-inch ultra-high screen ratio large screen, ultra-large capacity 3850mAh battery and ultra-wide angle. The three mirrors are designed with a multi-layered and exquisite texture appearance. At the same time, they incorporate a thin and compact design, which is not only comfortable and easy to hold, but also like mastering a superb translucent glass gloss boutique.

We have launched a full range of products at all price points to suit consumer needs, which meets the needs of telecommunications companies in the main tariff market, and in this way, we also can maintain a close cooperation relationship with telecommunications partners. In January 2020, we collaborated with Taiwan's well-known fashion designer Jiang Yixun ANGUS CHIANG. At the 2020 Paris Fashion Week in Paris, using modern technology as the main axis, through the "HTC U19e" to play AR augmented reality experience interaction, borrow the mobile phone presents the design focus of ANGUS CHIANG this season, and allows international guests to experience the latest season visual effects. Many guests on the show held "HTC U19e"-the world's original translucent glass design carefully crafted by HTC's top design team. Through precise process technology, the irregular distribution of metal particles is deposited on the glass back cover. Its ingenious design the craftsmanship and precision of the unique perfect process made the guests on site amazed. This cross-border cooperation combines VR and AR virtual reality in this season's fashion show, as a highlight experience of the show, and at the same time demonstrates the innovative design strength of Taiwan's fashion, mobile phones and VR brands.

Virtual Reality

HTC VIVE continued to consolidate its leading position in the high-end virtual reality (VR) market during the course of 2018. Hardware developments included the next-generation VIVE Pro VR with an upgraded performance on the original VIVE VR system as well as the Wireless Adaptor for both VR systems to allow users an increased immersive experience and greater freedom in the virtual world.. In 2019, HTC VIVE continued to build on its innovations and passion in the VR industry from 2018 with the release of "VIVE Cosmos" and "VIVE Pro Eye" that redefined the premium end of the consumer and commercial markets. "VIVE Focus Plus", the world's first multi-mode VR all-in-one headset with 6DoF (Six Degrees of Freedom) was also launched in 2019 Q2. On the software front, the VIVEPORT team continued to concentrate on building the largest VR content platform in the world. An all-new "VIVEPORT Infinity" subscription service was launched in April 2019 to provide unlimited access to a large selection of VR content.

HTC VIVE has stayed true to its original mission by continuing to develop novel products, accessories, and VR applications for consumers that enrich the entire VR ecosystem. Providing consumers with even more immersive experiences has always been one of HTC VIVE's key missions in the VR industry. The "VIVE Wireless Adaptor" and "VIVE Pro" headset launched by VIVE in 2018 freed high-end VR devices from the restriction of cables for a more immersive experience. In 2019, the VIVE Cosmos, the latest iteration of VIVE's head-mounted displays, made its first appearance at CES (Consumer Electronics Show), the largest international consumer electronics trade show in America. The "VIVE Cosmos" was the first device to feature the all-new "VIVE Reality System." Developed from our customer's perspective, it completely redefined the ease of installation and the selection of usage environments for VR devices. Thanks to its ease of setup, intuitive operation, and comfortable ergonomics, the VIVE Cosmos allow users to enter the virtual world at any time and place conveniently.

The technical specifications of VIVE Cosmos are designed to satisfy the needs of VR users by emphasizing convenience, multi-function, and high performance/quality. The all-new VIVE Inside-out tracking system offers streamlined configuration by eliminating the need for external tracking devices and maximizes the usability of physical spaces. Six image sensors for wider, more accurate tracking and control allow users to enter the VR world easily. The 2880x1700 display resolution of the VIVE Cosmos is 88% greater than the 1st generation VIVE, resulting in crystal-clear display of text and graphics. Every pixel in the new LCDs are capable of displaying in RGB for richer, more accurate colors. The screen door effect is also greatly reduced. An exclusive flip-up design let users switch between reality and VR within seconds without interrupting their VR experience. Wear comfort and exceptional ergonomics allow users to indulge in the VR experience for even longer periods of time. The fully enclosed headphones provide immersive sound. VIVE Cosmos is compatible with the VIVE Wireless Adaptor as well. Users can therefore move unrestricted within the VR environment. Last but not least is the all-important controller, a brand new design which optimizes its functionality in VR while ensuring a more comfortable experience during extended gameplay.

For the professional VR user and commercial market, the "VIVE Pro Eye," with the latest eye-tracking technology is based on the prize-winning VIVE Pro. More intuitive interaction methods including eye-controlled menu browsing and controller-free mode. The eye-tracking function allows users to turn pages without a controller. Movements of the eye can be used to focus and perform actions. The human gaze effect can even be replicated by optimizing GPU computations to enhance the clarity of the focal point for the most "immersive" AR/VR experience. The visual focus of VR/AR device users can be fully tracked by the all-new eye-tracking technology and converted to the eyes of virtual characters. Virtual characters can then stare, blink, and roll their eyes for a realistic representation of the user's feelings and position. In the future, the integration of other new technologies such as lip-tracking and hand-recognition with VR applications will provide users with an unprecedented level of realism. VIVE Pro Eye featuring the latest eye-tracking technology can offer the following advantages:

1. Precise tracking of eye movements: Create even more expressive virtual avatars for more immersive interactions during meetings or co-working tools.
2. Dynamic training environment: Simulate real-world scenes and provide the user with smart performance feedback.
3. More in-depth data analytics: How long users' eyes look at different objects and regions in VR shops and experiences can be tracked for enhanced analysis of user habits or special training.
4. Intuitive user experience: Activating the gaze-orientated menu navigation means no controller is necessary. The convenience of VR theme parks or mobile entertainment experiences are greatly improved.

The "VIVE Focus Plus" launched in 2019 Q2 is a new all-purpose all-in-one VR headset aimed at enterprise users and general consumers that guarantees sound interactivity, mobility and fidelity. The new 6DoF controller and multi-mode function of VIVE Focus Plus not only let the user access native content for VR all-in-one headsets but also all the applications developed for PC VR, PC and notebook computers, smart phones, game consoles, set-top boxes, 360-degree panoramic cameras, and the soon-to-be-launched 5G cloud VR services. The all-new Fresnel lens on the VIVE Focus Plus greatly reduces the screen door effect to present the user with more realistic visuals.

To construct and realize a more complete "VR ecosystem," HTC introduced "VIVEPORT Infinity," the first unlimited subscription service in the VR sector. Thousands of virtual reality content are made available for members to explore at will. Since the launch, VIVEPORT has received an extensive collection of user feedback and further refinements to the content platform that strive to deliver a win-win outcome for both publishers and developers. Even as it provides developers with more revenue options, VIVEPORT hopes that it can provide consumers with the best user experience in terms of both software and hardware. On April 2019, VIVEPORT chose VIVE Day in April 2019 for launching "VIVEPORT Infinity," a subscription-based VR membership platform that offers the richest and most diverse range of content for a small monthly fee. VIVEPORT Infinity is the next evolution of the VIVEPORT platform. Once you become a VIVEPORT subscription member, you can download nearly one thousand content packages from the VIVEPORT platform without any restrictions. The new subscription service will save VR enthusiasts over a thousand US dollars on premium content and encourage them to explore even more new content. Through VIVEPORT Infinity, members will not only have access to the most popular triple-A VR titles but also try out new indie games or small works. Users can even use existing or future VIVE devices, Oculus Rift, and other VR devices that support the Wave ecosystem to activate VIVEPORT Infinity services and embrace HTC VIVE's vision for a complete "VR ecosystem."

New VR devices are being released all the time. To make VR products a greater part of consumers' lives, VIVE not only continued to release a number of successful product bundles in 2019 but also secured an exclusive Asia-Pacific licensing deal with the world-famous Toei Animation company in Japan, the international Mecca of anime and manga, to launch a VIVE Focus "Kitaro" limited-edition bundle featuring the classic anime character. The classic character was reborn through the VR world and the ability to interact directly with anime characters was something that only the latest VR technology could deliver. The package generated widespread interest upon launch and became a hot topic in the anime community.

HTC VIVE was first unveiled on April 5, 2016, and by 2018, almost three years had passed. It continued to shine at international trade shows during this time. HTC VIVE also continued to promote the concept of VR around the world and introduce this new yet enduring technology to more people. By 2019, VR had gained widespread acceptance so VIVE decided to channel its passion for promoting VR into in-depth communication and discussion with top VR developments. In addition to attending "PAX AUS" in Melbourne Australia, the largest international video game show in the southern hemisphere in 2019, HTC VIVE also engaged closely with top VR developers in the Asia-Pacific region. More than a dozen large-scale HTC VIVE developer conferences as well as dozens or small and medium-sized developer events were hosted in Taiwan, Japan, Korea, Vietnam, Malaysia, Thailand, Singapore, Hong Kong, Australia, and New Zealand. VIVE is convinced that successful content is just as important as successful products. VIVE knows that quality content generates sustained positive word-of-mouth. That is why VIVE not only works closely with top developers but also spares no effort when it comes to content promotion. Inter-industry cooperation with professional sport leagues, technological integration with multimedia, humanities and the arts, and alliances with international e-sports events are all ways of letting partners from other industries learn about VR, experience VR, and ultimately, incorporate VR to make the VIVE "VR Ecosystem" more complete.

HTC VIVE set many milestones and benchmarks for the VR industry in 2019. The globe knows just how much VIVE has contributed to the VR industry and the world. VIVE will continue to create endless possibilities for this world of ours in 2020!

VIVE ORIGINALS

In 2019, HTC VIVE ORIGINALS led original international collaborative VR contents "5x1", "Gloomy Eyes," and "INORI" across 14 international festivals. Projects were selected and nominated in 30 diverse international festivals, which also includes the astonishing record of 5 VR projects shortlisted in the Venice Film Festival this year. Overall, HTC VIVE ORIGINALS has accumulated over 10 VR related award recognitions from international festivals. We have also been on the cover of renowned international film festival's media partners "SCREEN" and "VARIETY." HTC has come from developing the greatest VR hardware to exploring VR content, and with the hard work of HTC VIVE ORIGINALS, we have shown the world the wonders of bringing virtual to reality.

In 2018, HTC VIVE ORIGINALS collaborated with Taipei Golden Horse Film Festival Executive Committee, under the Executive Producer of Hou Hsiao-Hsien and Liao Ching-Sung, five golden awarded Asia directors including Lee Chung, Qiu Yang, Tan Seng-Kiat, Chiang Wei-Liang, and Midi Z were invited to direct five VR films called 5x1. The films were shot in a high spec of 8K S3D, with 16 tracks of 3rd-order Ambisonic spatial sound, creating a 360 cinematic VR immersive viewing experience.

"5x1" has made its appearance at major international film festivals since the beginning of 2019. In March, Midi Z's "The Making of" was shortlisted in the SXSW Film Festival. "Mr. Buddha", a first-person perspective film directed by Director Lee Chung, was selected by Tribeca Film Festival and the New Image Film Festival in France. In addition, the "5x1" series also shined at the 76th Venice Film Festival this year. Qiu Yang's "O" and Chiang Wei-Liang's "Only the mountain remains" was shortlisted in the VR competition of the Venice Film Festival. Midi Z's "The Making of" was also selected as the "Best of" section within the film festival. In September, "Mr.Budhha" won the Best Cinematic VR at the Vancouver International Film Festival, and "- O" won the "Reflet d'Or de la meilleure-vre immersive" at the Geneva International Film Festival in November.

In addition to making 360 VR movies, HTC VIVE ORIGINALS co-produced immersive VR animation "Gloomy Eyes" with French production company Atlas V last year. Renowned actor Colin Faro voiced the international version, and Taiwanese superstar Jam Hsiao voiced the Mandarin version. "Gloomy Eyes" has swept over eight major international film festivals, including SXSW Film Festival with Best Storytelling, Annecy International Animated Film Festival's highest honor "Cristal for the Best VR Work," Rain Dance Film Festival's "Best Audio Achievement Award" and "Best Artistic Achievement Award." In November, "Gloomy Eyes" was screened for the first time in Taiwan at the Golden Horse Film Festival. The piece was not only highly praised by filmmakers, media, and fans during the festival, but also regarded as a production that elevated animation to the next level!

As a cross-collaboration with Japanese artist Miwa Komatsu and music composer Kay Huang, immersive VR art "INORI" was nominated in the 2019 Venice Film Festival official VR category, and was appointed to lead the official red carpet along with the 39 projects. After showcasing in Venice Film Festival and was highly-appraised by international curators, media, and film lovers, "INORI" was then exhibited in Kaohsiung and Taipei. In addition, "INORI" launched a limited of 20 editions of VR digital work to explore the high-end art market and creating value for VR digital art.

VIVE Arts

VIVE Arts harnesses cutting-edge technology to transform the way culture is experienced, delivering one-of-a-kind projects that can be accessed anywhere in the world. It fosters digital innovation, and works with leading artists, museums and cultural organizations. Since its launch in 2017, VIVE Arts has established nearly 50 partnerships with leading cultural institutions, providing them with key resources in various areas. At the same time, VIVE Arts leverages expertise and resources from VIVE Studios, VIVEPORT and VIVE X teams to maximize the support for partners to realize their vision, transforming the way they present artistic creation, exhibitions, and public and educational programs. In doing so, VIVE Arts' mission addresses a diverse, global audience and contributes to the knowledge and enjoyment of our cultural heritage.

For instance, VIVE Art formed a groundbreaking partnership with Tate Modern, the world's most-visited contemporary art museum, to present the museum's first virtual reality experience as an integrated component of its major Modigliani exhibition in November 2017. Throughout the 19 weeks, approximately 78,250 visitors experienced this thoughtfully curated content through VIVE headsets. The content is also available to the global audience through VIVEPORT. Since this successful project, VIVE Arts has received enthusiastic partnership invitations from renowned museums around the world.

VIVE Arts has continued to engage new audience by presenting in major art exhibitions of the world. Since 2018, VIVE Arts has been the official Virtual Reality Partner—first of its kind—of Art Basel Hong Kong, the world's most prestigious contemporary art fair. In addition to providing support to galleries presenting virtual reality artworks at the fair, VIVE Arts also presents works by leading contemporary artists on the latest VIVE headsets to the 80,000 international visitors to the fair. In 2019, VIVE Arts supported Venice Biennale's first official VR art commission, Endodrome by renowned French artist Dominique Gonzalez-Foerster. As the world's oldest and most authoritative contemporary art exhibition, this commission indicated the mainstream art world's official acknowledgment of VR as an important artistic medium like painting, sculpture, and video. By providing valuable support to the most forward-thinking artists of our time, the VIVE Arts program furthers HTC's long-standing commitment to arts and culture.

In March 2019, VIVE Arts partnered with the world-renowned science museum American Museum of Natural History, and presented its first multiplayer interactive VR experience T. Rex: The Skeleton Crew, in the blockbuster T. Rex exhibition dedicated to the museum's 150th anniversary. The museum's leading paleontologists and science visualization team worked closely with VIVE Arts and VIVE Studios, creating the most accurate 3D model of T. Rex to date. The exhibition leveraged HTC VIVE Pro's premium wireless technology, allowing visitors to interact with each other while learning about the latest scientific discoveries on this famous dinosaur. This important exhibition is open to the public for 17 months.

In October 2019, VIVE Arts launched a prominent partnership with Musée du Louvre in Paris—the most visited museum in the world with 10.2 million visitors per year—culminated in the Museum's first VR experience, Mona Lisa: Beyond the Glass. Exhibited in a dedicated gallery equipped with 11 Cosmos headsets, this VR experience was at the center of the landmark exhibition Leonardo da Vinci, which commemorates the 500-year anniversary since the death of da Vinci in France. An extended home version is available on VIVEPORT and all other major VR and mobile VR platforms, making the content accessible to the maximum number of audience possible. This extraordinary partnership and exhibition generated responses across global media, including The New York Times, BBC, Wall Street Journal, Financial Times, Guardian, The Times, and Art Newspaper, further establishing VIVE Arts' position as the most visible industry leader in art and technology.

VIVELAND

VIVELAND is committed to enriching and diversifying the entertaining content for theme parks. For the upcoming VR eSports era, we have prepared ourselves in various ways. For example, we have brought in a variety of VR room escape games from abroad, held VR eSports summer league and 2019 eSports College Cup exhibition game. Other than games, VIVELAND has also been exploring the applications and the potentials of VR in reality. At the end of 2019, VIVELAND worked with NQU and built the first "MR and eSports Center" for universities across the country. We also worked with Chang Jia M&E Engineering Corporation and built the first stadium with VR playing field in Luzhu Civil Sports Center in Taoyuan, which has never been done before in the country. Currently, the brilliant concepts of VIVELAND have reached Japan, Mainland China and Hong Kong. We have been actively expanding into global markets since 2019 and aiming to enter the markets of Arab countries and Southeast Asia. With the most advanced VR equipment-integrating technology and a huge amount of new VR entertaining contents, VIVELAND was able to create a lifelike virtual reality world. We will continue to share this exciting theme-park style entertaining experience with our global consumers in the future.

Blockchain

2019, launching of the EXODUS 1s, a lower cost version of the pioneering HTC EXODUS 1. The EXODUS 1s is the combination of a smartphone with a hardware wallet and a full Bitcoin node all at an accessible price point. EXODUS 1s provides an opportunity for users who want to dip their toes into the crypto world and harness the powers of blockchain technology at the more accessible price point. Built-in HTC-developed hardware wallet, Zion, providing users with a secure and user-friendly private vault on the blockchain. Using the Trusted Execution Environment (TEE), EXODUS 1s provides effective and military-grade security for users' cryptocurrencies and assets. HTC EXODUS continues on the way of innovation to realize the vision of rebuilding the trust.

HTC and Binance announced a collaborative EXODUS 1 smartphone — the EXODUS 1 - Binance Edition in November 2019. The original EXODUS 1 device is the first smartphone built for a new internet and allows users to own their own keys. It's the world's largest crypto exchange meets the Swiss bank in users' pocket.

Following the core values of blockchain and decentralization, HTC EXODUS believes in empowering users to own their data. In addition to not collecting user data, HTC EXODUS also works with partners with the same fundamental beliefs to provide more services while keeping our users secure. HTC EXODUS has been pushing for security and privacy for its users globally and dedicated to developing blockchain technologies.

Business Results

HTC is the 3rd biggest vendor in revenue for VR HMD shipments with a market share of 13.6% worldwide.

In early 2020, HTC VIVE Pro Eye received the 2020 Innovation Award from the Consumer Electronics Show (CES) in the US. VIVE Pro Eye has become the very first VR wearable device with built-in advanced Precision Eye Tracking technology to be widely used.

In the Mobile World Congress (MWC) held in February 2019, HTC 5G Hub being the first in our brand-new 5G line-up also obtained 10 major awards. Its powerful connectivity and multiple features have left an indelible impression on the consumers and telecom operators present at the show.

Looking ahead to 2020, we expect to continue to introduce more breakthrough software and hardware products in the VR and AR fields. Since VIVE Reality involves the combining of VR with AR, 5G, AI, and blockchain technology, the launch of 5G commercialization in 2020 is expected to be a huge breakthrough both for the VR and AR industries.

As of the close of December 31, 2019, HTC's 2019 revenue was at NT$10 billion with a gross margin of 20.3%.

Competitive Advantages, Business Growth and Assessment of Risks Potential Factors That May Influence HTC's Competitiveness/Business Growth and Related Countermeasures

The main factors of competition in the industry and products of the company summarized as the capabilities of product development and innovation, the strategic partnerships with industry leaders, and the ability to grasp the market trends. The following is an analysis of the industry competitiveness based on the perspective of the advantages and disadvantages of the development.

- Favorable factors for the company's development prospects

1. Constantly improving in product development and innovation strength

Since the first 5G Hub launched, HTC has been actively cooperated with major operators in every region over the world, shifting 5G technology from the experimental field to real-world application, demonstrating the leading strength and technic of the R & D team. Subsequently, the implementation of blockchain technology that focuses on privacy improvement enables users to control their own private data. In the development of artificial intelligence capabilities, the gesture recognition SDK officially released at the World Developers Conference in May 2019 developed through deep learning algorithms, allowing global VR content developers only need to through the front lens of the VR HMD to reach hands skeleton tracking and gesture recognition functions to enhance the overall user experience.

2. The enterprise solutions driving ability by cross-industry deep cooperation

Crossing industry fields, to promote industrial value-added services by integrating visualization information into the real world. In industrial applications, together with partners, HTC provides solutions for automotive development and design and assembly training. In medical applications, in addition to collaborating with hospitals, through virtual mannequins to communicate with patients to explain organ structures and surgical methods and make medical and disease sharing decisions, also establishing a VR anatomy classroom with the Medical University, allowing students to break through the time-and-space constraints and conduct multi-scenario operation simulation. In the real-estate industry, cooperating with the construction companies to create the VR multi-person house-watching experiences through the VR multi-person synchronous solution. Entering the space of the home through VIVE Focus equipment, helping builders save the cost of constructing a model house and shorten the preparation time, and quantifying the consumer experience during the virtual house watching tour at the same time, enabling sales staff to understand more about consumer preferences and needs. In education, cooperating with government education units to build VR smart-learning demonstration classrooms. Integrating VR immersive experience into teaching and learning, bringing changes in the classroom teaching, making learning and teaching no longer narrowed by imagination, and release students to an unlimited learning model and inspiring innovative thinking skills. In the field of arts and humanities, collaborating with the Louvre for "The Mona Lisa: Cross-Border Vision", the first virtual reality art content in the history of Da Vinci's masterpiece. This virtual reality experience combines animation, sound, and interactive design allowing viewers to travel back in time to see the original look of this painting and experience how its appearance gradually changes after 500 years.

3. Integrating the ecosystem, combining technology and data, enhancing software and hardware service development and consumer experience

HTC continuously dedicated to building the world's largest virtual reality content platform, launching the VIVE Infinity membership service. It is the first content subscription service in the world supporting different VR hardware, providing users with the most unlimited experience of VR content. VIVE Cosmos, the new generation VR head-mounted display product developed based on the consumer's using behavior, providing users with quick installation, simple to use, and the most comfortable operating experience. VIVE Pro Eye product, aiming at the commercial market, has won numerous awards. The precise eye-tracking function can completely track the visual focus of users, delivering more immersive virtual interactions in conferences and collaboration modes, and through tracking users' VR experience, analyzing the gaze at the visual stay of objects and areas, user habits and special training data to provide more optimized content and more intuitively feedback.

- The unfavorable factors of the company's development prospects and countermeasures

Since 5G mobile communications are still in the early stages of development, the company's smartphone business and virtual reality business will accelerate the development when 5G is fully popular. Facing the generational alternation of the mobile communication network, and facing the existing and potential global competitors, the company's countermeasures are as follows:

1. More active cooperation with telecommunication operators and various industries, driving the commercial application of 5G and VR / AR from the enterprise operating perspective, and provide value-added feedback through service to accelerate the popularization of 5G network and drive the overall 5G and virtual reality Industrial development.

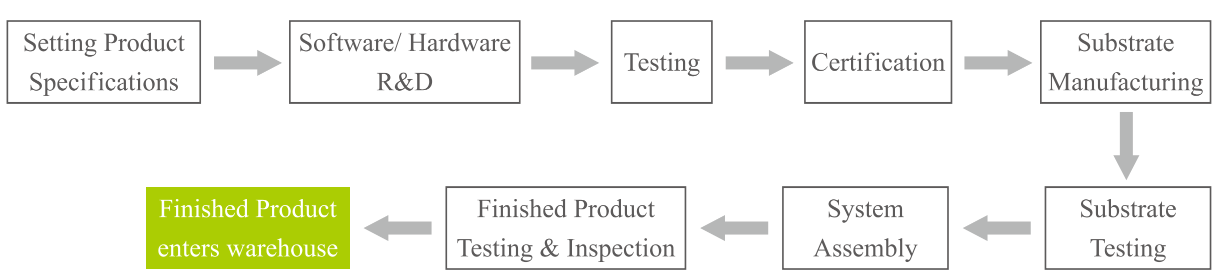
2. Continuous to invest in the research and development of relevant technologies and the development of various hardware and software applications. Greeting the 5G era, HTC will not be absent from the 5G mobile phone market, as a smartphone branding company the related R & D investment is also urgent. In the virtual reality application, expanding the cooperation with experts from various industries to jointly develop application tools and solutions applicable to various industries, more fully implement within industries, and bring the virtual reality applications to art and humanities of life.

3.3.3 Key Functionalities and Manufacturing Processes for Primary Product Lines:

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

Communication speed has evolved to 5G and the evolution toward wireless broadband and the increase of wireless bandwidth. Going forward the VR system devices will adopt the application of wireless technology in order to satisfy customers' various needs through faster speed.

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



3.3.4 The supply of major materials:

Major Material	Supplier
CPU Chipsets	Qualcomm, MediaTek
Logic IC	TI, NXP
PCB	Unitech, Compeq Career, Unimicron-FPC
Connector	Panasonic, Hirose, Molex
Memory	SK hynix, Samsung, Micron, SanDisk
LCD	JDI, Samsung, Tianma, Truly

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

Major suppliers representing at least 10% of gross purchase

Unit: NT$ millions

	2018		
Supplier Code	Amount	%	Relation to HTC
A	2,104	16	None
Others	10,945	84	
Total	13,049	100	

	2019		
Supplier Code	Amount	%	Relation to HTC
Others	5,399	100	
Total	5,399	100	

	2020 Q1		
Supplier Code	Amount	%	Relation to HTC
A	42	10	None
Others	361	90	
Total	403	100	

Major customers representing at least 10% of gross revenue

Unit: NT$ millions

	2018		
Customer Code	Amount	%	Relation to HTC
A	6,272	26	None
Others	17,469	74	
Total	23,741	100	

	2019		
Customer Code	Amount	%	Relation to HTC
B	1,175	12	None
Others	8,840	88	
Total	10,015	100	

	2020 Q1		
Supplier Code	Amount	%	Relation to HTC
B	193	15	None
Others	1,137	85	
Total	1,330	100	

3.3.6 Production for the Most Recent Two-Year Period

Unit: 1,000 units / NT$ millions

	2018		
	Production Capacity	Production Quantity	Production Value
Smart mobile and other items (accessories)	7,200	1,673	16,137
Total	7,200	1,673	16,137

	2019		
	Production Capacity	Production Quantity	Production Value
Smart mobile and other items (accessories)	6,900	563	5,527
Total	6,900	563	5,527

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

3.3.7 Sales for the Most Recent Two-Year Period

	2018			
	Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value
Smartphones and other items (accessories)	791	3,432	14,917	19,552
Total	791	3,432	14,917	19,552

	2019			
	Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value
Smart mobile and other items (accessories)	397	1,847	19,385	7,347
Total	397	1,847	19,385	7,347

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

3.4 Statistics Related to the Structure of Human Resources at HTC

Employees represent one of HTC's most valuable assets and we have also invested significant resources into making the work environment at HTC diverse, challenging, and encouraging.

As of March 31, 2020, HTC employed 3,500 staff worldwide. 31.86% (259) of all HTC managerial positions are held by non-Taiwanese managers. Non-Taiwanese managerial and technical staff filled 21.20% of HTC managerial and technical positions. Women held 24.23% of HTC's 813 managerial positions.

(Excluding outsourced labor)

Employees by Position Type

	Mar. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Management	813	874	870	1,608
Specialists	1,239	1,335	1,390	2,776
Administrators	498	577	615	879
Technical Staff	950	1,119	1,935	5,128
Total	3,500	3,905	4,810	10,391

Gender, Average Age and Average Years of Service

	Mar. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Male	2,108	2,304	2,679	5,151
Female	1,392	1,601	2,131	5,240
Average Age	36.63	36.54	35.43	33.31
Average of Service	6.60	6.43	5.95	5.22

Employees' Highest Level of Academic Achievement

	Mar. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Ph.D.	74	76	81	108
Master's	1,269	1,337	1,349	2,575
Bachelor's	1,231	1,378	1,581	3,099
Technical/Vocational	312	360	538	1,280
Other	614	754	1,261	3,329

3.5 Environmental Protection Expenditures

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

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

HTC is certified OHSAS18001:2007 occupational health and safety management system, ISO 14001:2004 environmental management, and decide to proceed ISO14001:2015 the revision of environmental management procedure in 2018, ISO 14064-1:2006 greenhouse gas emission standards and ISO50001:2011 energy management standard. Certification-mandated procedures and requirements further reduce HTC pollution emissions and energy consumption and move us forward toward clean production objectives. ISO45000: 2018 edition of the occupational safety and health management system revision work is scheduled to be carried out in 2020.

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

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

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

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

Unit: NT$ thousands

Item \ Fiscal Year	Anticipated Equipment Purchases / Expenditures	Anticipated Benefits	Expenditures (estimated)
2020	1. Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures. 2. Introduction of energy-saving air conditioning facilities. 3. Waste water retreatment for landscape irrigation within the campus. 4. Advocating and promotion of water-saving and energy-saving activities. 5. Induction faucet construction 6. Advocating of garbage classification and resource reuse activities. 7. Greening of campus landscape.	1. Use of energy-saving light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled. 2. Air conditioning systems fitted with inverters to save energy. 3. Waste water treatment and then used for landscape irrigation to reduce use of tap water. 4. Advocating kitchens and dorms to reach target of water saving through water saving management measures. 5. Install inductive faucets in public areas such as toilets and restaurants to reduce waste of water resources. 6. Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage. 7. Campus landscape greening to fight warming and achieve the effect of energy saving.	1,280
2021	1. Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures. 2. Introduction of energy-saving air conditioning facilities. 3. Waste water retreatment for landscape irrigation within the campus. 4. Advocating and promotion of water-saving and energy-saving activities. 5. Advocating of garbage classification and resource reuse activities. 6. Greening of campus landscape.	1. Use of energy-saving light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled. 2. Air conditioning systems fitted with inverters to save energy. 3. Waste water treatment and then used for landscape irrigation to reduce use of tap water. 4. Advocating kitchens and dorms to reach target of water saving through water saving management measures. 5. Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage. 6. Campus landscape greening to fight warming and achieve the effect of energy saving.	520
2022	1. Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures. 2. Introduction of energy-saving air conditioning facilities. 3. Waste water retreatment for landscape irrigation within the campus. 4. Advocating and promotion of water-saving and energy-saving activities. 5. Advocating of garbage classification and resource reuse activities. 6. Greening of campus landscape.	1. Use of energy-saving light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled. 2. Air conditioning systems fitted with inverters to save energy. 3. Waste water treatment and then used for landscape irrigation to reduce use of tap water. 4. Advocating kitchens and dorms to reach target of water saving through water saving management measures. 5. Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage. 6. Campus landscape greening to fight warming and achieve the effect of energy saving.	520

Environmental protection and employee health & safety measures Environmental protection:

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

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

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

Associated procedures include:

a. Set up energy conservation strategy through monitoring the energy usage and GHG emission;
b. Recertification of greenhouse gas records conducted by licensed, independent certification agency annually (certificate issued);
c. Voluntarily release annual greenhouse gas emissions data to the public through international non-profit organizations, CDP.

Employee safety and health:

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

Employees are the most valuable assets for HTC. To safeguard the health of our employees, the task of our health center works toward “health management”, “health promotion”, “occupational health care”, and “employee assistive programs(EAP)” for our employees, in a hope that this employee clinic (an affiliated medical room at HTC) would offer services such as ensured doctor visits, prescriptions, health consultation, physical therapy, for our employees. For employees with mid-to-high level risk of health issues after recent health check-ups, the center will arrange treatment and follow-ups from doctors and nursing staffs at the center.

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

Green product research and development

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

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

3.6 Labor Relations Management

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

Employee recruitment

With regards to HTC's global allocation, hiring and retaining motivated and exceptional employees is a key objective of HTC's human resources strategy. HTC hires new employees through open selection procedures, with candidates offered positions based on merit. We permit no discrimination based on ethnicity, skin color, social status, language, religion, political affiliation, country / region of origin, gender, sexual orientation, marital status, appearance, disability, professional association membership or other similar considerations not relevant to job performance. According to HTC global expansion requirement, we recruit elites with diversity around the world via various channels to spread the HTC innovation spirit.

HTC cares about corporate social responsibility on our shoulder and dedicate ourselves to this endeavor by cooperative education, internship programs and summer intern projects to support young generation's career goals.

Employee development

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

Personnel talent is HTC's most precious assets. It is also HTC's long-term commitment to every employee. In 2019, total training related expenditure were NT$4.74 million and training hours were 73,250 hours.

Employee benefits and employee satisfaction

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

Comprehensive employee benefits

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

We provide a diverse interface for employees, subsidize and reward employees to participate in community activities, encourage employees to develop sports and leisure interests during leisure time, enhance life experience, and organize various activities and cultural exhibitions. Through leisure, friendship and other gatherings, employees can enhance their tacit understanding and mutual understanding during their work. They also invite Taiwanese local artists to perform art exhibitions at the Taipei to allow employees to walk around during the company. Artistic works such as color and light enhance the quality of work and increase work creativity.

Employee awards

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

Employee retention

Specialist retention plan:

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

Long service awards:

Awards are presented at a company-wide ceremony that recognizes employees who have provided with 5-year, 10-year, 15-year and 20-year of services.

Internal transfer assistance:

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

Compensation and retirement benefits

HTC employees earn market-competitive salaries that take into consideration academic background, work experience, seniority and current professional responsibilities / position level. Performance and earnings bonus are allocated based on work performance and relative level of contribution in order to motivate employees effectively.

HTC's retirement policy has been in place, as required by law, since the company was founded. Starting in November 1999, HTC began to contribute an amount equal to 2 percent of each employee's salary into the corporate retirement fund. This system was replaced in 2004 when HTC began contributing an amount equal to 8 percent of each employee's salary into a general labor retirement fund managed by a labor retirement fund supervisory board. With the enactment of the new retirement system on 1 July 2005, employees hired under the previous retirement scheme that opted not to switch to the new retirement system were permitted, with supervisory approval, to adjust the current 8 percent contribution downward to 2 percent. As of May 2019, since the amount of corporate retirement fund already met the minimum requirement, the Ministry of Labor had granted us approval to postpone funding for one year.

Labor negotiations and measures to protect employee rights

HTC is committed to fostering an atmosphere of trust in its labor relations and places great importance on internal communications. Labor relations meetings are convened once every quarter (at least 4 regular meetings per year), with labor represented by seven elected employee representatives.

Meeting minutes are kept to ensure follow-on action and track results. HTC further offers employees various channels through which to submit opinions, suggestions and complaints, which may be delivered via a telephone hotline, e-mail address or physical mail as well as made known through HTC's regular employee opinion surveys. During the most recent fiscal year and as of the printing date of this annual report, labor relations management have been harmonious with no losses resulting from labor-management conflicts; and no loss of this type is expected in the future.

3.7 Principal Contractual Agreements

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

Contractor	Contract Term	Description
Qualcomm Incorporated.	December 20, 2000 to the following dates: a. If the Company materially breaches any agreement terms and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents. 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.
InterDigital Technology Corporation	December 31, 2003 to the expiry dates of these patents stated in the agreement.	Authorization to use TDMA and CDMA technologies; royalty payment based on agreement.
IV International Licensing Netherlands, B.V.	November 2010 ~ June 2020	Authorization to use wireless technology; royalty payment based on agreement.
KONINKLIJKE PHILIPS N.V.,	December 23, 2019 – December 31, 2024	Authorization to use UMTS/LTE patents and portable feature patents; royalty payment based on agreement.

4

CORPORATE GOVERNANCE

公司治理報告

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

4.1.1 Directors:

2020.04.21 unit: Share, %

Title	Nationality/ place of Registration	Name	Gender	Date Elected	Term Expires	Date First Elected	Shareholding When Elected		Current Shareholding (Note)		Spouse & Minor Sharing (Note)		Other persons holdingshares in their name (Note)		Principal work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Other executives, Directors and Supervisors who are spouses or within second-degree of kinship			Remark
							Shares	%	Shares	%	Shares	%		%			Title	Name	Relation	
Chairwoman	Republic of China	Cher Wang	Female	2019.06.21	2022.06.20	1999.04.30	32,272,427	3.94%	32,272,427	3.94%	22,391,389	2.73%	0	0.00%	• Bachelor in Economics, University of California, Berkeley. • General Manager of the PC Division, First International Computer, Inc. (FIC)	• Chairwoman (Representative), H.T.C. (B.V.I) Corp. • Chairwoman (Representative), HTC I Investment Corporation • Chairwoman (Representative), HTC Investment Corporation • Director (Representative), High Tech Computer Asia Pacific Pte. Ltd. • Director, VIA Technologies, Inc. • Director, Formosa Plastics Corporation • Director, Way-Chih Investment Co., Ltd. • Director, Hsin-Tong Investment Co., Ltd. • Director, Kun-Chang Investment Co, Ltd. • Director (Representative), Xander International Corp.	Director	Wen-Chi Chen	Spouse	None
Director	Republic of China	HT Cho	Male	2019.06.21	2022.06.20	2001.04.23	96,530	0.01%	96,530	0.01%	0	0.00%	0	0.00%	• Electronic Engineering, National Taipei Institute of Technology. • EMBA, National Chiao Tung University • President & CEO, HTC Corporation. • Consulting Engineer, Digital Equipment Corporation.	• Chairman, HTC Social Welfare Foundation. • Chairman, HTC Education Foundation. • Director, Chunghwa Telecom Foundation. • General Manager, Atrust Corporation • Director, Asia Pacific Fuel Cell Technologies, Ltd.	None	None	None	None
Director	Republic of China	Wen-Chi Chen	Male	2019.06.21	2022.06.20	1999.04.30	22,391,389	2.73%	22,391,389	2.73%	32,272,427	3.94%	0	0.00%	• MSCS, California Institute of Technology. • President, Symphony Laboratories.	• Chairman & President, VIA Technologies, Inc. • Chairman, Xander International Corp. • Chairman (Representative), Chander Electronics Corp. • Non-executive Director, Television Broadcasts Limited • Director (Representative), TVBS Media Inc. • Director, Way-Chih Investment Co., Ltd. • Director, Hsin-Tong Investment Co., Ltd. • Director, Kun-Chang Investment Co, Ltd. • Chairman (Representative), VIA Labs, Inc.	Chairwoman	Cher Wang	Spouse	None

(Continued)

							Shareholding When Elected		Current Shareholding (Note)		Spouse & Minor Sharing (Note)		Other persons holdingshares in their name (Note)				Other executives, Directors and Supervisors who are spouses or within second-degree of kinship			
Title	Nationality/ place of Registration	Name	Gender	Date Elected	Term Expires	Date First Elected	Shares	%	Shares	%	Shares	%	Shares	%	Principal work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Title	Name	Relation	Remark
Director	USA	David Bruce Yoffie	Male	2019.06.21	2022.06.20	2011.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	• B.A. Brandeis University • M.A., Ph.D. Stanford University for academic qualification • Director, Charles Schwab • Director, Spotfire • Director, E Ink • Director, Intel Corporation • Director, Financial Engines, Inc.	• Max and Doris Starr Professor at Harvard Business School • Director, The National Bureau of Economic Research	None	None	None	None
Independent Director	Republic of China	Chen-Kuo Lin	Male	2019.06.21	2022.06.20	2007.06.20	0	0.00%	0	0.00%	0	0.00%	0	0.00%	• Bachelor in Economics, National Taiwan University. • Advanced study at the Department of Economics, Oklahoma State University. • Advanced study at the Department of Economics, Harvard University. • Chairman, Board of Tunghai University. • Minister, Ministry of Finance, Executive Yuan. • Chairman, Taiwan External Trade Development Council.(TAITRA) • Chairman, Taiwan Asset Management Corporation. • Professor, Department of Economics in National Taiwan University. • Chairman, Taiwan-Hong Kong Economic and Cultural Cooperation Council • Independent director and Compensation Committee member, Taiwan High Speed Rail Corporation.	• Chairman, Angel Hearts Family Social Welfare Foundation. • Chairman, New Mainstream Cultural Foundation.	None	None	None	None
Independent Director	Swiss Confederation	Josef Felder	Male	2019.06.21	2022.06.20	2007.06.20	500,000	0.06%	500,000	0.06%	0	0.00%	0	0.00%	• Graduate of Advanced Management Program (AMP), Harvard Business School, Boston • Deputy Director, Crossair • Chief Executive Officer, FIG (Flughafen Immobilien Gesellschaft) • Chief Executive Officer, Unique (Flughafen Zurich AG)	• Independent Director , Flughafen Zürich AG, Zürich • Independent Director, Careal Holding AG, Zurich • Independent Director, AMAG Group AG, Zürich • Independent Director, Edelweiss Air AG, Zurich • Independent Director, Luzerner Kantonalbank AG, Lucerne • Chairman, Felder & Company AG, Lucerne • Chairman, Flaschenpost Services AG, Zürich • Chairman, Stöckli Swiss Sports AG, Wolhusen	None	None	None	None
Independent Director	USA	Vincent Thai	Male	2019.06.21	2022.06.20	2019.06.21	0	0.00%	0	0.00%	0	0.00%	0	0.00%	• UC Berkeley, Ca., USA • USC Undergrad Marketing, Ca., USA • Founder of Fun Creation, Inc • President of Placo Toys, Inc • General Manager of Best • Consumer Products, Inc • Manager of M & D Toys, Inc	• Founder & Chairman of Playmind Ltd • Founder & Chairman of National Products Ltd • Founder & Chairman of Sweet N Fun Ltd, world leader in gumball banks • Chairman of Toy Plus Far East Ltd	None	None	None	None

Note: Major shareholders of Institutional Shareholders: Not applicable.

Independence Analysis of Directors

2020.04.21

Conditions / Name		Meet one of the following professional qualification requirements, together with at least five years work experience: An instructor (or higher) in a department of commerce, law, finance, accounting, or other academic departments related to the business of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in commerce, law, finance, accounting, or other areas relevant to the business of the company	Conforms to criteria for independence (note): 1	2	3	4	5	6	7	8	9	10	11	12	Number of other public companies concurrently serving as an independent director
Chairwoman	Cher Wang			V	V					V	V		V		V	V	0
Director	HT Cho			V	V		V	V	V	V	V	V	V	V	V	V	0
Director	Wen-Chi Chen			V						V	V		V		V	V	0
Director	David Bruce Yoffie	V		V	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Chen-Kuo Lin	V		V	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Josef Felder			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Vincent Thai			V	V	V	V	V	V	V	V	V	V	V	V	V	0

Note: A check mark is placed in the box for directors who fulfill the following conditions during and two years prior to their time in office.

(1) Is not hired by the Corporation or any of its affiliates.

(2) Is not a director or supervisor of the Corporation or any of its affiliates. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)

(3) Is not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Corporation or ranking in the top ten in shareholdings.

(4) Is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of managers not conforming to subparagraph (1) above, or of any persons not conforming to subparagraphs (2) and (3) above.

(5) Is not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of total number of issued shares or ranks among the top five in shareholdings, or a director, supervisor, or employee of an institutional shareholder who has been appointed as a director or supervisor representative at the Corporation under paragraphs 1 and 2, Article 27 of the Company Act. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)

(6) Is not a director, supervisor, or employee of other companies controlled by Corporation directors or persons with more than half of voting rights at the Corporation. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)

(7) Is not a director, supervisor, or employee of other companies or institutions of the Corporation's chairperson, president, or persons with equivalent duties, or spouses thereof. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)

(8) Is not a director, supervisor, manager, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)

(9) Is not a professional individual, or an owner, partner, director, supervisor, or manager, or spouses thereof, of a sole proprietorship, partnership, company, or institution which provides audit services to the Corporation or its affiliates; or has in the past two years provided commercial, legal, financial, accounting, or related services not exceeding total compensation of NT$ 500,000 to the Corporation or its affiliates. The same does not apply, however, for members of remuneration committees, public tender offer review committees, or special committees for mergers/ consolidations and acquisitions exercising their duties in accordance with the laws and regulations of the Securities and Exchange Act and the Business Mergers and Acquisitions Act.

(10) Has no spousal relationship and are not relatives within the second degree of kinship of other Corporation directors.

(11) Has not violated any regulations in Article 30 of the Company Act.

(12) Has not been elected as a government, juristic person, or their representatives in accordance with Article 27 of the Company Act.

4.1.2 General Manager, Assistant General Managers, Deputy Assistant General Managers, and Managers of all divisions and branch units:

2020.04.21 Unit: Share; %

Title	Nationality	Name	Gender	Date Elected	Shareholding: Shares	Shareholding: %	Spouse & Minor Shareholding: Shares	Spouse & Minor Shareholding: %	Other persons holding shares in their name: Shares	Other persons holding shares in their name: %	Principal work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Managers with spouses or relatives within second-degree of kinship: Title	Managers with spouses or relatives within second-degree of kinship: Name	Managers with spouses or relatives within second-degree of kinship: Relation	Remark
Chief Executive Officer	France	Yves Maitre	Male	2019.09.17	0	0.00%	0	0.00%	0	0.00%	• Master II Nuclear Physics • Executive Vice President, Orange	• Independent Director, Sequans Communications S.A. • Independent Director, AWOX S.A.	None	None	None	
Chief Financial Officer	USA	Peter Shen	Male	2016.06.20	0	0.00%	0	0.00%	0	0.00%	• M.S. in Business Administration, University of Colorado • Chief Financial Officer, Inotera Memories, Inc. • Vice President, Finance, Micron Technology, Inc. • Financial Director, Jabil Circuit	• Director (Representative), HTC Investment Corporation • Director (Representative), HTC Communication Co., Ltd. • Director (Representative), HTC Holding Cooperatief U.A • Director (Representative), HTC Electronics (Shanghai) Co., Ltd. • Director (Representative), HTC EUROPE CO., LTD. • Director (Representative), HTC America Holding Inc. • Director (Representative), HTC America Inc. • Director (Representative), HTC VIVE Holding (BVI) Corp. • Director (Representative), HTC VIVE TECH (BVI) CORP. • Director (Representative), HTC VIVE INVESTMENT(BVI) Corp • Chairman (Representative), HTC VIVE Tech Corporation • Chairman (Representative), DeepQ Technology Corp. • Chairman (Representative), Uomo Vitruviano Corp.	None	None	None	
General Counsel	USA	Marcus Woo	Male	2014.10.31	12,500	0.00%	0	0.00%	0	0.00%	• PhD in Law, Indiana University • Vice President, Chunghwa Picture Tubes	• Director (Representative), HTC Investment Corporation • Director (Representative), High Tech Computer Asia Pacific Pte. Ltd. • Director (Representative), S3 Graphics Co., Ltd. • Director (Representative), HTC Europe Co., Ltd. • Director (Representative), HTC VIVE Tech Corporation • Director (Representative), HTC VIVE TECH (UK) Limited • Director (Representative), DeepQ Technology Corp. • Director (Representative), Uomo Vitruviano Corp.	None	None	None	
Chief Technology Officer	Republic of China	WH Liu	Male	2008.06.01	168,675	0.02%	0	0.00%	0	0.00%	• Master in Electronic Engineering, National Taiwan University of Science and Technology. • The Chinese University of Hong Kong EMBA • Senior Manager, WM System Architecture Design.	• Director (Representative), HTC Communication Technologies (Shanghai) Limited	None	None	None	
Senior VP of Research & Development	Republic of China	Adrian Tung	Male	2018.07.16	223,250	0.03%	0	0.00%	0	0.00%	• Master in Electrical and Control Engineering, National Chiao Tung University	None	None	None	None	
VP of Product & Strategy	Republic of China	Raymond Pao	Male	2018.07.16	80,000	0.01%	0	0.00%	0	0.00%	• Master in Electrical Engineering , University of Southern California • Master in Mechanical Engineering, National Taiwan University	None	None	None	None	
Chief Global Management Officer	Republic of China	Caleb OuYang	Male	2018.06.08	0	0.00%	0	0.00%	0	0.00%	• Bachelor in Marine Engineering, National Taiwan Ocean University	None	None	None	None	
Associate Vice President	Republic of China	Hsiu Lai	Female	2015.09.16	31,957	0.00%	0	0.00%	0	0.00%	• Bachelor in Finance, National Taiwan University • Master in Law, National Chengchi University • MBA, University of Southern California • Director of Finance & Accounting Division, LITE-ON TECHNOLOGY CORP	• Director (Representative), HTC America Innovation, Inc.	None	None	None	

4.2 Remuneration to Directors (Including Independent Directors), President, Vice Presidents, and Others in the Most Recent Year

4.2.1 Remuneration to Directors

2019; Unit: NT$ thousands

		Remuneration paid to Direcotrs								Total Remuneration (A+B+C+D) as a percentage of netincome (%)		Compensation earned as employee of HTC subsidiary affiliates								Total Compensation (A+B+C+D+E+F+G) as a percentage of net income (%)		
		Salary (A)		Retirement pay (B)		Remuneration (C)		Allowance (D)				Salary,Bonuses, and Allowance (E)		Retirement pay (F)		Employee compensation (G)						
																HTC		All Consolidated Entities				
Title	Name	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	Cash	Stock	Cash	Stock	HTC	All Consolidated Entities	Compensation paid to Directors from non-subsidiary affiliates
Chairwoman	Cher Wang	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Director	HT Cho	3,500	3,500	0	0	0	0	0	0	-0.04	-0.04	0	0	0	0	0	0	0	0	-0.04	-0.04	0
Director	Wen-Chi Chen	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Director	David Bruce Yoffie	12,212	12,212	0	0	0	0	0	0	-0.13	-0.13	0	0	0	0	0	0	0	0	-0.13	-0.13	0
Independent Director	Chen-Kuo Lin	3,500	3,500	0	0	0	0	0	0	-0.04	-0.04	0	0	0	0	0	0	0	0	-0.04	-0.04	0
Independent Director	Josef Felder	9,541	9,541	0	0	0	0	0	0	-0.10	-0.10	0	0	0	0	0	0	0	0	-0.10	-0.10	0
Independent Director (Note1)	Vincent Thai	779	779	0	0	0	0	0	0	-0.01	-0.01	0	0	0	0	0	0	0	0	-0.01	-0.01	0

1. Please describe policies, systems, standards, and structures for independent director remuneration, and connection between remuneration amounts and borne duties, risks, time invested, and other factors:
   When the Company's directors perform Company duties, the Company may pay remuneration regardless of whether the Company operates at a profit or loss. The board of directors is authorized with powers to resolve the rates of such remuneration based on the extent of their participation in the Company's business operations or value of their contribution, at a level consistent with general practices in the industry.
2. Remuneration paid to Corporation directors by all companies included in financial statements for services (such as nonemployee consultants and others) other than disclosed in the table above: None.

Note 1: Mr. Vincent Thai was elected as HTC's Independent Director at HTC's Annual Shareholders' Meeting on June 21, 2019.

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

4.2.2 Remuneration paid to Supervisors

2019; Unit: NT$ thousands

		Remuneration paid to Supervisors						Total Remuneration (A+B+C) as a percentage of net income (%)		
		Salary (A)		Remuneration (B)		Allowance (C)				
Title	Name	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	Compensation paid to Supervisors from non-subsidiary affiliates
Supervisor	Huang-Chieh Chu	875	875	0	0	0	0	-0.01	-0.01	0
Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee	972	972	0	0	0	0	-0.01	-0.01	0

Note 1: The Company has set up the Audit Committee to replace the Supervisors on June 21,2019

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

4.2.3 Remuneration paid to General Manager and Assistant General Managers

2019; Unit: NT$ thousands

Title	Name	Salary (A) (Note 1) HTC	Salary (A) (Note 1) All Consolidated Entities (Note 6)	Retirement pay (B) (Note 2) HTC	Retirement pay (B) (Note 2) All Consolidated Entities (Note 6)	Bonus & Perquisite (C) (Note 3) HTC	Bonus & Perquisite (C) (Note 3) All Consolidated Entities (Note 6)	Employee profit sharing (D) (Note 4) HTC Cash	Employee profit sharing (D) (Note 4) HTC Stock	Employee profit sharing (D) (Note 4) All Consolidated Entities (Note 6) Cash	Employee profit sharing (D) (Note 4) All Consolidated Entities (Note 6) Stock	Total Remuneration (A+B+C+D) as a percentage of net income (%) (Note 5) HTC	Total Remuneration (A+B+C+D) as a percentage of net income (%) (Note 5) All Consolidated Entities (Note 6)	Compensation paid to President & Vice Presidents from non-subsidiary affiliates (Note 7)
Chief Executive Officer (Note a)	Yves Maitre													
Chief Financial Officer	Peter Shen													
General Counsel	Marcus Woo													
Chief Technology Officer	WH Liu													
Senior VP of Research & Development	Adrian Tung	49,402.16	58,522.60	1,314.36	1,314.36	53,127.53	66,258.71	0	0	0	0	-1.11%	-1.35%	None
VP of Product & Strategy	Raymond Pao													
Chief Global Management Officer	Caleb OuYang													
Associate Vice President	Hsiu Lai													

Note 1: The most recent year's salary of the general manager and deputy general manager, salary increase, severance payment.
Note 2: Pensions funded according to applicable law.
Note 3: Various awards, bonuses, transportation allowances, special allowances, special subsidies, accommodations, and personal cars by General Manager and Assistant General Managers in the most recent fiscal year. The appropriated employee incentive and retention bonuses are estimated amount.
Note 4: The amount proposed to distribute to General Manager and Assistant General Managers as employee compensation (including stock and cash), as passed by the Board of Directors prior to the Shareholders' Meeting for the most recent fiscal year.
Note 5: The net loss after-tax in 2019 was NTD 9,358,078 thousands.
Note 6: Total amount of all remunerations paid to General Manager and Assistant General Managers by all consolidated entities (including HTC).
Note 7: Remunerations refer to salary, compensation, employee bonuses, and allowances relating to the conduct of business received by General Manager and Assistant General Managers in their capacity as director, supervisor, or managerial officer of a non-subsidiary affiliate.
Note 8: This chart lists persons who have served as HTC's General Manager and Assistant General Managers on 31 December 2019.
Note a: Newly appointed on September 17, 2019. The above amounts are annual remuneration.
* Compensation information disclosed in this statement differs from the concept of income under the Income Tax Act. This statement is intended to provide information disclosure and not tax-related information.

Remuneration paid to General Manager and Assistant General Managers

Scale of remunerations to managers of the Company	Name: HTC	Name: All Consolidated Entities
Under NT$ 1,000,000		
NT$ 1,000,000 ~ NT$ 2,000,000		
NT$ 2,000,000 ~ NT$ 3,500,000	1 (Note 1)	
NT$ 3,500,000 ~ NT$ 5,000,000	2 (Note 2)	2 (Note 2)
NT$ 5,000,000 ~ NT$ 10,000,000		
NT$ 10,000,000 ~ NT$ 15,000,000	4(Note3)	4(Note3)
NT$ 15,000,000 ~ NT$ 30,000,000		1(Note4)
NT$ 30,000,000 ~ NT$ 50,000,000	1 (Note 5)	1 (Note 5)
NT$ 50,000,000 ~ NT$ 100,000,000		
Over NT$ 100,000,000		
Total	8	8

Note 1: Peter Shen
Note 2: Caleb OuYang, Hsiu Lai
Note 3: WH Liu, Marcus Woo, Adrian Tung, Raymond Pao
Note 4: Peter Shen
Note 5: Yves Maitre

4.2.4 The individual remuneration paid to each of its top five management

2019; Unit: NT$ thousands

Title	Name	Salary (A) (Note 1) HTC	Salary (A) (Note 1) All Consolidated Entities (Note 6)	Retirement pay (B) (Note 2) HTC	Retirement pay (B) (Note 2) All Consolidated Entities (Note 6)	Bonus & Perquisite (C) (Note 3) HTC	Bonus & Perquisite (C) (Note 3) All Consolidated Entities (Note 6)	Employee profit sharing (D) (Note 4) HTC Cash	Employee profit sharing (D) (Note 4) HTC Stock	Employee profit sharing (D) (Note 4) All Consolidated Entities (Note 6) Cash	Employee profit sharing (D) (Note 4) All Consolidated Entities (Note 6) Stock	Total Remuneration (A+B+C+D) as a percentage of net income (%) (Note 5) HTC	Total Remuneration (A+B+C+D) as a percentage of net income (%) (Note 5) All Consolidated Entities (Note 6)	Compensation paid to President & Vice Presidents from non-subsidiary affiliates (Note 7)
Chief Executive Officer (Note a)	Yves Maitre	15,458.36	15,458.36	614.24	614.24	15,253.90	15,253.90	0	0	0	0	-0.33%	-0.33%	None
Vice President	Steve Wang	8,400.00	8,400.00	108.00	108.00	17,991.14	17,991.14	0	0	0	0	-0.28%	-0.28%	None
Chief Financial Officer	Peter Shen	2,605.60	11,726.03	52.11	52.11	-	13,131.80	0	0	0	0	-0.03%	-0.27%	None
Vice President	Drew Bamford	-	15,000.00	-	318.00	-	7,200.00	0	0	0	0	0.00%	-0.24%	None
Vice President	Paul Brown	-	16,500.00	-	825.00	-	4,500.00	0	0	0	0	0.00%	-0.23%	None

Note 1 : Refers to the salaries, duty allowances, and severance pay paid to the managerial officers with the top five remuneration amounts in the most recent year.
Note 2: Pensions funded according to applicable law to the remuneration paid to the managerial officers with the top five remuneration amounts.
Note 3: Refers to the remuneration paid to the managerial officers with the top five remuneration amounts, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc., in the most recent year.
Note 4: Refers to the amount of employee compensation approved by the Board of Directors for managerial officers with the top five remuneration amounts in the most recent year.
Note 5: The net loss after-tax in 2019 was NTD 9,358,078 thousands.
Note 6: The total remuneration paid by all companies in the consolidated statements (including the Company) to the managerial officers with the top five remuneration amounts in the most recent year.
Note 7: Remunerations refer to salary, compensation, employee bonuses, and allowances relating to the conduct of business received by managerial officers with the top five remuneration amounts in their capacity as director, supervisor, or managerial officer of a non-subsidiary affiliate.
Note a: Newly appointed on September 17, 2019. The above amounts are annual remuneration. The actual gross remuneration in 2019 was NTD 9,049 thousands.
* Compensation information disclosed in this statement differs from the concept of income under the Income Tax Act. This statement is intended to provide information disclosure and not tax-related information.

4.2.5 Employee Profit Sharing Granted to Management Team.

None.

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

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

Title	Total remuneration as a percentage of net income 2018 HTC	2018 All Consolidated Entities	2019 (Note) HTC	2019 (Note) All Consolidated Entities
Directors	0.24%	0.24%	-0.31%	-0.31%
Supervisors	0.03%	0.03%	-0.01%	-0.01%
President and Vice Presidents	0.77%	0.92%	-1.11%	-1.35%

Note: Net income with negative numbers in fiscal 2019.

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

4.3 The State of the Company's Implementation of Corporate Governance:

4.3.1 The state of operations of the Board of Directors:

A total of 6 meetings of the board of directors were held in 2019. Director attendance status is shown as follows:

Title	Name	Attendance in Person B	By Proxy	Attendance Rate in Person (%) (Note)	Notes
Chairwoman	Cher Wang	6	0	100%	Re-elected
Director	Wen-Chi Chen	5	1	83%	Re-elected
Director	HT Cho	6	0	100%	Re-elected
Director	David Bruce Yoffie	4	2	67%	Re-elected
Independent Director	Chen-Kuo Lin	6	0	100%	Re-elected
Independent Director	Josef Felder	4	2	67%	Re-elected
Independent Director	Vincent Thai	4	0	100%	Newly elected

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

Other matters required to be recorded:

1. If any of the following circumstances occur during board meetings, the date of said meeting, session number, proposal content, all independent director opinions, and the Corporation's responses to said independent director opinions:

(1) Items listed according to Article 14-3 of the Securities and Exchange Act:

Board of Director	Agenda Content	Independent Director Opinions	The Corporation's responses to Independent Director Opinions	Resolutions
2019.03.01 (8-15)	Report on Company's derivative transactions for fourth quarter 2018	Approved	Not applicable	Approved by all directors in attendance.
	Proposal on the appoint the Company's internal audit officer	Approved	Not applicable	Approved by all directors in attendance.
2019.05.10 (8-16)	Report on Company's derivative transactions for first quarter 2019	Approved	Not applicable	Approved by all directors in attendance.
2019.08.02 (9-2)	Report on Company's derivative transactions for second quarter 2019	Approved	Not applicable	Approved by all directors in attendance.
2019.11.11 (9-4)	Report on Company's derivative transactions for third quarter 2019	Approved	Not applicable	Approved by all directors in attendance.

(2) Other instances where an independent director expressed objections or reservations on record or through written opinions regarding board meeting proposals, apart from the aforementioned matters: None.

2. There was no Directors' abstention from discussion due to conflicts of interests in 2019.

3. Disclosures of exchange-listed or OTC-listed company self-evaluations (or peer evaluations) of the Board, including information on evaluation cycles and duration, scope of evaluation, method of evaluation, and content of evaluation, as well as implementation status of board evaluations: On November 11, 2019, the Corporation's "Regulation of Self-Evaluation of the Board of Directors" was approved at the 4th meeting of the 9th Board of Directors. The performance evaluation of the Board of Directors from 2020/1/1 to 2020/12/31 will be completed by the first quarter of 2021.

Evaluation Cycle	Evaluation Duration	Scope of Evaluation	Method of Evaluation	Content of Evaluation
Implemented every year.	2020/1/1-2020/12/31	Included performance evaluations of the Board, individual directors, and functional committees.	Internal self-evaluations were conducted on the Board, Board directors, and functional committees.	Assessment items for Board performance evaluations included five main aspects participation in corporate operations, enhancement of Board decision-making quality, Board composition and structure, director elections and continued training, and internal control. Assessment items for Board director performance evaluations included six main aspects: understanding of corporate goals and tasks, recognition of director responsibilities, participation in corporate operations, internal relations and communication, director knowledge and continued training, and internal control. Assessment items for functional committee performance evaluations included five main aspects participation in corporate operations, recognition of functional committee responsibilities, enhancement of functional committee decision-making quality, composition of functional committees and election of committee members, and internal control.

4. Measures taken to strengthen the functionality of the Board of Directors and the status of implementation during current and preceding fiscal years:

(1) The Company has elected Independent Directors. In order to establish a well board governance system, sound supervision function and strengthen management functions, the Company has established the regulations governing procedure for Board of Directors' Meetings according to the provisions of the securities authority. The main matters for discussion, operating procedures, matters to be recorded in the proceedings, the announcements and other matters to be followed shall be handled in accordance with the provisions of this code.

(2) In accordance with the provisions of the securities regulatory authority, the Company passed the resolution of the Board of Directors on Jun. 21, 2019 and set up the Audit Committee to replace Supervisors and has held 2 meetings in 2019 to submit the resolutions of the Board of Directors to the implementation of corporate governance

4.3.2 Audit Committee Meeting Status or Supervisors' Participation in Board Meetings

The operation of the Audit Committee

After the reorganization of The Board of Directors on June 21, 2019, the Audit Committee has set up to replace the supervisors in accordance with the law. Therefore, the Audit Committee held 2 times from June 21 to December 31 in 2019 as follows:

Title	Name	Attend in person	By Proxy	Attendance rate in person (%)	Remark
Independent Director (Convener)	Chen-Kuo Lin	2	0	100%	
Independent Director	Josef Felder	0	2	0%	
Independent Director	Vincent Thai	2	0	100%	

Other matters required to be recorded:

1. If any of the following circumstances occur during Audit Committee meetings, the date of said meeting, session number, proposal content, and the Corporation's responses to Audit Committee opinions:

(1) Items listed according to Article 14-5 of the Securities and Exchange Act:

Board Date Session (Term-Sitting)	Agenda Content	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
2019.08.02 (9-2)	Report on Company's derivative transactions for second quarter 2019	Approved
2019.11.11 (9-4)	Report on Company's derivative transactions for third quarter 2019	Approved

(2) There was no other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2019.

2. There were no recusals of independent directors due to conflicts of interests in 2019.

3. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2019 (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

(1) The Company's internal audit managers periodically present internal audit reports to the Audit Committee and fully communicate status and results of audit implementation follow-up of improvements to defects. Internal audit managers not only periodically provide independent directors with written audit reports, but also present business reports based on suggestions from independent directors.

(2) CPAs periodically present annual and quarterly audits of financial reports and audit reports to the Audit Committee, and also communicate other matters according to relevant laws.

(3) The aforementioned internal audit managers and CPAs also communicate with independent directors via email, phone, or faceto-face meetings as necessary.

The communications between the independent directors, the internal auditors, and the independent auditors are listed in the table below.

Meeting Dates	Communications between the Independent Directors and the Internal Auditors	Communications between the Independent Directors and the Independent Auditors
2019.08.02 (1-1)	The 2019 Q2 Internal Auditor's report.	The 2019 Q2 consolidated financial reports. Matters of communication with governance.
2019.11.11 (1-2)	The 2019 Q3 Internal Auditor's report. The 2020 audit plans.	The 2019 Q3 consolidated financial reports. Matters of communication with governance.
Result: all of above matters were reviewed and/or approved by the Audit Committee whereupon independent directors raised no objection		

Supervisor participation in Board of Directors meetings

The Company has set up the Audit Committee to replace the Supervisor in accordance with the law on June 21,2019 at the time of the reorganization of the directors. As a result, the supervisor has attended the board of meeting twice as of June 21, 2019.

Title	Name	Attendance in Person	Attendance Rate(%)	Notes
Supervisor	Wei-Chi Investment Co., Ltd. Representative: Shao-Lun Lee	2	100%	
Supervisor	Huang-Chieh Chu	2	100%	

Other matters required to be recorded:

1. Composition and Responsibilities of Supervisors:

(1) Supervisor communication with employees and shareholders (e.g., channels and methods of communication) Supervisors can make use of channels such as Supervisors Meetings, Board of Directors meetings, Shareholders Meetings, and internal audit reports to communicate with management-level officers and with shareholders.

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

Supervisors also hold regular private meetings with CPAs. Supervisors must first review and be satisfied with the CPA's independence and professional fees before such matters are submitted to the Board of Directors for resolution. The management team continuously emphasized and provided full support on corporate governance. All departments in the company conducted risk-oriented internal control assessment to evaluate the controls' efficiency and effectiveness, for the purpose of improving the internal control system. In the area of internal control self-assessment, HTC has asked all departments to evaluate the efficiency and effectiveness of their controls' design and execution to ensure the concreteness and transparency of the internal control system statement. All departments were required to issue individual internal control system statements based on their assessment results and the company would issue the internal control system statement based on individual department assessment results.

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

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

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

Item	Implementation Status			Reason for Non-implementation
	YES	NO	Summary	
1. Whether the company has adopted and revealed principles for practice of corporate governance in accordance with "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"?	v		In 2014, HTC adopted the "HTC Corporate Governance Principles". Its provisions are based on the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and are announced in the English and Chinese investor relations websites.	None
2. Shareholding Structure & Shareholders' Rights				
(1) Whether the company has the internal operation procedures of handling shareholder suggestions, questions, lawsuits or complaints, and proceed by complying with the procedures.	v		To protect shareholders' interests, HTC has appointed spokesperson to properly handle any questions, suggestions, or disputes involving shareholders.	None
(2) Whether the company understands the major shareholders and the ultimate owners of these major shareholders.	v		The Company has a good understanding of its major shareholders through shareholder registers provided by stock agents at book closures. HTC also provides information regularly on pledges and the increase and decrease in shareholdings of shareholders with a more than 10% stake in the company.	None
(3) Whether the company sets up and executing of risk management mechanism and "firewalls" between the company and its affiliates	v		The division of responsibilities between HTC and its affiliates with respect to management of personnel, resources, and finances is clear. Risk assessments are rigorously performed and appropriate firewalls have been established. HTC conducts business with affiliates based on the principles of fairness and reasonableness and fully observe the operating Procedures for transactions with Specific Companies, Enterprise Groups and Related Parties and other related regulations. Terms and conditions, pricing, and payment methods are clearly prescribed in contracts to avoid non-arms-length transactions and financial tunneling.	None
(4) Whether the company has adopted internal rules to forbid against use of unpublicized information in the market by internal staffs for purchase of priced stocks?	v		The company has adopted the "Operational Procedures for Handling Material Inside Information and Preventing Insider Tranding". It governs purchase and sale of priced stocks by internal staffs.	None
3. Composition and Responsibilities of the Board of Directors				
(1) Whether the Board of Directors has adopted guidelines for diversity of composing members and has put the guidelines into full practice?	v		The company has stipulated in the "Principles for practice of corporate governance" that the board of directors of the company have multiple professional backgrounds and rich experience in management, leadership decision, industrial knowledge, international view, financial analysis, and other diversified professional background and extensive business experience. There are 7 directors in the ninth board of directors; three of them are independent directors. At present, there is a female director. The directors' educational background, gender, professional qualifications and working experience, please refer to the corporate governance report 4.1.1 the Information on the Company's Directors. The data of directors in corporate governance reports are available. The directors all have sufficient experience in corporate governance and industrial technology, please refer to note 1.	None
(2) Whether the company is willing to set up various other functional committees, in addition to the committees for salaries/ compensations and auditing set up according to the law?		v	The Company has set up a remuneration committee after the resolution of the Board of Directors on December 22th, 2011. The Board of Directors also resolved on June 21st, 2019 to set up the Audit Committee in accordance with Article 14-4 of Securities and Exchange Act. At present, apart from the above two committees, the Company has not set up any other functional committees.	HTC has only set up the remuneration and Audit Committee.
(3) Whether the company establish methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	v		On November 11, 2019, the Corporation's "Regulation of Self-Evaluation of the Board of Directors" was approved at the 4th meeting of the 9th Board of Directors. The Board affairs assists in collecting information on Board activities at the end of each year. Self-assessments on Board operations (functional committees) and Board members are conducted via surveys. Survey results are organized and submitted to the Board of Directors as a basis for review and improvement. Additionally, assessment results of the Board and functional committees serve as a reference when selecting or nominating directors (and independent directors), while assessment results on individual directors may be used in the future as a reference for salaries and remuneration.	None
(4) Whether the company regularly evaluate its external auditors' independence?	v		HTC review the independence of CPAs on an annual basis. Prior to submitting a proposal to change CPA to the Board, the CPA will be interviewed and his credentials reviewed by the Supervisors to assess his independence. CPA assessment results for 2019 were approved by the 4th Board Meeting held by the 9th Board of Directors, confirming that the CPAs Wen-Yea Shyu and Kwan-Chung Lai of Deloitte & Touche both fulfilled the assessment standards for independence and competency (Note 2), and a letter of declaration was provided by Deloitte and Touche (Note 3).	None
4. Whether the company has appointed competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	v		HTC has set up corporate governance unit and personnel to be in charge of corporate governance affairs to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings.	None
5. Whether the company has established a channel for communicating with Stakeholders (including but not limited to shareholder, employee, customer and supplier, etc.), set up a section for Stakeholders on the company website, and properly responded to important topics regarding corporate social responsibilities that Stakeholder care about?	v		HTC provides detailed contact information, including telephone numbers and email addresses, in the "contact us" section of its corporate website. We also have personnel in place to exclusively deal with messages to the spokesperson and investor mailboxes so that various interested parties will have channels to communicate with HTC.	None
6. Whether the company has delegated a professional shareholder services agency for handing AGM affairs?	v		The company has delegated CTBC Bank Co., Ltd. to be the shareholder service agency for handling AGM affairs.	None
7. Information Disclosure				
(1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance	v		HTC has English and Chinese investor relations websites. Dedicated personnel have been assigned to collect and update information to websites. Chief Financial Officer has been appointed spokesperson and a spokesperson email address has been established.	None
(2) Other information disclosure channels (e.g. maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	v		HTC has English and Chinese investor relations websites. Dedicated personnel have been assigned to collect and update information to websites. Chief Financial Officer has been appointed spokesperson and a spokesperson email address has been established.	None
(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	v		The Corporation publicly disclosed and filed the financial report for 2019 on March 20, 2020, and the financial reports for the first, second, and third quarters of 2019 and monthly operational status reports for the same year were publicly disclosed and filed prior to the time limits set by regulations.	None

(Continued)

Item	Implementation Status: YES	NO	Summary	Reason for Non-implementation
8. Other important information helpful to understanding HTC's corporate governance practices (including but not limited in employee rights and interests, employee care, investor relations, supplier relations and rights of Stakeholders, professional development of the Board of Directors, Supervisors, and managerial officers, status of implementation of risk management policies and standards for measurement of risk, status of customer-protection policy implementation, and liability insurance provided by HTC to the Board of Directors and Supervisors) :	v		(1) Employee rights and interests and employee care HTC's employee code of conduct provides rules and guidelines for employees to follow when involved in company operations. All employees of the company and its branches and subsidiaries, regardless of their position, level, or location, need to abide by this code of conduct. Any unlawful conduct, either at the company or otherwise is prohibited. HTC is committed to providing a safe and healthy work environment, to respecting individuals and offering fair equality of opportunity, and to protecting company assets and personal information. In relations with customers and suppliers, HTC commits to maintaining long-term relationships on a fair and reasonable basis in order to create win-win partner relationships. In the Conflicts of Interest section in "HTC's Code of Conduct", HTC provides principles of conduct to guide employees. HTC's hiring policies comply with the relevant laws and regulations and provide fair opportunities to applicants. Hiring decisions are based on HTC's operational needs, nature of the work, and appli cants' abilities. Fair opportunities are provided to both applicants and employees. There will be absolutely no discrimination on the basis of nonwork-related factors, such as race, skin color, social position, language, belief, religion, political attillation, family origin, gender, sexual orientation, marital status, appearance, facial features, mental or physical disabilities, previous union affiliation, or any other factor protected by government order. HTC management adheres firmly to the principles of respect for the individual, good faith, and responsibility. These principles are applied (but not limited) to recruitment, hiring, training, promotion, pay scales, benefits, transfers, and community activities. HTC is committed to providing employees with a working environment free of discrimination or harassment (including sexual harassment). Any form of speech or conduct intended to incite hatred, conduct which could lead to accidental injury, or discrimination, will be immediately reported to the responsible department for investigation and punishment. In addition to complying with legal requirements, HTC respects the privacy of its employees and protects their personal information, and never arbitrarily discloses personal data of employees. Employees are also expected to abide by this principle in their interactions, and to avoid discussing private matters or secret information of others (including but not limited to salary and bonus information). (2) Investor relations HTC carries out its responsibility in the area of investor relations by endeavoring to enhance the transparency and timeliness of information disclosure. In addition to immediate announcement of material information and information disclosure. In addition to the regularly scheduled information disclosures above, HTC also participates in investment seminars held by local and overseas securities firms and investor/press conferences; and arranges meetings with domestic and foreign investors in order to further explain financial figures and operational results that have already been publicly released. (3) Supplier relations and rights of interested parties HTC has adopted "Procedures for Transactions with Specific Companies, Group Enterprises, and Related Parties and Supplier Integrity Commitment Letter" to guarantee the rights and interests of HTC and interested parties. Purchasing contracts are also signed with suppliers to govern to transactions and cooperative efforts to protect the lawful rights and interests of all parties.	None

(Continued)

Item	Implementation Status: YES	NO	Summary	Reason for Non-implementation
			(4) Director training programs in 2019 please refer to Note 4 for details. (5) Status of implementation of risk management policies and standards for measurement of risk: HTC has adopted relevant risk management policies and standards for measurement of risk, and has established a dedicated unit to carry out risk management and risk measurement. With respect to implementation, HTC has reassessed its business risks after transitioning into a brand company. Risk factors are also reflected in financial statement items such as bad debts and warranty reserves which are reviewed by Audit Committee and CPAs to ensure they are reasonable and appropriate. HTC's management of potential risk associated with promotion of its global brand is explained below: 1. Exchange rate risk: Foreign exchange movements are monitored and managed / hedged by dedicated personnel. Reserves for on-book liabilities are valued at the exchange rate on the balance sheet date, reducing as much as possible the effects of currency fluctuations on HTC's business and finances. 2. Receivables risk: Receivables risk is managed effectively by the finance department to ensure receivables quality and lower the risk of bad debt. 3. Management of idle inventory: In addition to enhancing supplier management and demand forecast, idle inventory is attended to early and reserves for loss taken in an appropriate manner. 4. Global tax risk: To comply with global tax compliance, our company engaged with international tax advisory for periodical review. 5. Product design quality: To ensure quality of design, HTC has established a department for design quality, which is exclusively responsible for control and management of quality in hardware and software, product safety, and conformance with environmental regulations around the world. The department provides a complete range of product testing and certification. (6) Status of customer-protection policy implementation: HTC strictly abides by the contracts it signs with customers to protect consumer rights and interests. Regular deliberation on and assessment of the Product Warranty Reserve for after-sales services ensures that allocations made to such reserves are reasonably sufficient and warranty responsibilities of the Company are adequately expressed. (7) Liability insurance provided by HTC to the Board of Directors and Supervisors: Currently, HTC has purchased Liability Insurance for the Board of Directors, Supervisors, and key personnel (please refer to Note 5 for details), thereby transferring the risk arising from erroneous or improper conducts by Directors, or Officers.	None
9. Please indicate the improvement of the results of the Corporate Governance Evaluation System issued by the Company's Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the last year and provide priority measures and measures for those who have not yet improved. HTC improved the Company's assessment of the orporate governance Or priority to improve the response measures, as follows: (1) The company has fully disclosed the various policies for the composition of Board of Directors in the annual report and website. (2) The Company will set up corporate governance officer and perform board performance evaluations in accordance with regulations.				

Note 1: Implementation of board diversification policy

	Basic Component									Core diversification item							
				Age			Independent director tenure										
Name	Nationality/ place of Registration	Gender	Positions held concurrently in the company	51 to 60	61 to 70	Over 71	Under 3 years	3 to 9 years	9 years or more	operational judgment	accounting and financial analysis	management administration	crisis management	Industrial knowledge	International market perspective	Ability to lead	Ability to make decisions
Cher Wang	Republic of China	Female	None		v					v		v	v	v	v	v	v
Wen-Chi Chen	Republic of China	Male	None		v					v		v	v	v	v	v	v
HT Cho	Republic of China	Male	None		v					v		v	v	v	v	v	v
David Bruce Yoffie	USA	Male	None		v					v		v	v	v	v	v	v
Chen-Kuo Lin	Republic of China	Male	None			v			v	v	v	v	v	v	v	v	v
Josef Felder	Swiss Confederation	Male	None	v					v	v		v	v	v	v	v	v
Vincent Thai	USA	Male	None	v			v			v		v	v	v	v	v	v

Note 2: Independence assessment indicators of CPA

Item	Evaluation Items	Yes	No
1.	Up to the latest certification practice, there's no such circumstance with working for the company for seven years in a row.	v	
2.	No major financial interested relationship with the client.	v	
3.	Avoiding any improper relationship with the client.	v	
4.	The accountant should supervise their assistants to strictly comply with honesty, justice and independence.	v	
5.	The accountant is prohibited from auditing certification for the company's financial report where he/ she has served in within the previous two years.	v	
6.	The accountant's identification is forbidden to be infringed by another individual.	v	
7.	The accountant does not hold any shares in the company or in its subsidiaries.	v	
8.	The accountant does not owe any debt to the company or its subsidiaries.	v	
9.	The accountant is not in any joint investment or benefit-sharing relationship with the company or its subsidiaries.	v	
10.	The accountant is not employed and paid regularly by the company or its subsidiaries.	v	
11.	The accountant does not interfere with any management function towards decision-making in the company or its subsidiaries.	v	
12.	The accountant does not run any business which will probably deprive him/her of audit independence.	v	
13.	The accountant is not related to any of the company's management personnel in the following relations: Spouse, blood-related relatives, direct relatives by affinity, second-degree of blood-related re	v	
14.	The accountant does not receive any commission which is occupational-related.	v	
15.	Up to now, the accountant hasn't been punished for violating any audit independence principle.	v	

Note 3: Letter of declaration from Deloitte & Touche

October 28, 2019

HTC Corporation

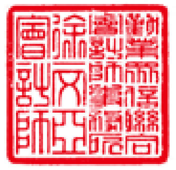
Gentlemen:

WE HAVE BEEN ENGAGED TO AUDIT THE FINANCIAL STATEMENTS OF HTC CORPORATION AS OF DECEMBER 31, 2019 AND FOR THE YEAR ENDED. THE AUDIT ENGAGEMENT TEAM MEMBERS MAKE THE DECLARATION OF COMPLYING WITH THE INDEPENDENCE EWQOIREMENTS GOVERNED BY THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS OF THE REPUBLIC OF CHINA.

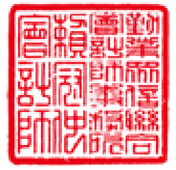
1. The audit engagement team members, their spouses and dependents do not participate in the following conditions:
   a. Holding a direct or material indirect financial interests with HTC Corporation.
   b. Having a close business relationship which may impair independence with HTC Corporation and its director, supervisor or officer.
2. During the period of the audit engagement, the audit engagement team members, their spouses and dependents are not appointed as HTC Corporation director, Supervisor, officer or in any key position having a direct and significant influence over the audit work.
3. The audit engagement team members do not have a relationship with HTC Corporation director, Supervisor, or officer or their immediate family or second degree relatives.
4. The audit engagement team members do not accept gifts or hospitality from HTC Corporation or its director, Supervisor, officer or major stockholder where the value is clearly significant.
5. The audit engagement team members execute necessary procedures and are not aware of any violation of independence or conflicts of interest.

Very truly yours,
DELOITTE & TOUCHE

Wen-Yea, Shyu
Partner



Kwan-Chung, Lai
Partner



Note 4: Continuous Education/Training of the Board of Directors and Supervisors

Title	Name	Date of Training From	Date of Training From	Organization	Training	Hours	Notes
Chairwoman	Cher Wang	2019.11.11	2019.11.11	Taiwan Corporate Governance Association	AI, Changing the Landscape of Corporate Governance	3	
		2019.11.13	2019.11.13	Taiwan Corporate Governance Association	Corporate governance and Laws & Regulations	3	
Director	HT Cho	2019.11.11	2019.11.11	Taiwan Corporate Governance Association	AI, Changing the Landscape of Corporate Governance	3	
Director	Wen-Chi Chen	2019.11.11	2019.11.11	Taiwan Corporate Governance Association	AI, Changing the Landscape of Corporate Governance	3	
		2019.11.13	2019.11.13	Taiwan Corporate Governance Association	Corporate governance and Laws & Regulations	3	
Director	David Yoffie	2019.11.11	2019.11.11	Taiwan Corporate Governance Association	AI, Changing the Landscape of Corporate Governance	3	
Independent Director	Chen-Kuo Lin	2019.11.11	2019.11.11	Taiwan Corporate Governance Association	AI, Changing the Landscape of Corporate Governance	3	
Independent Director	Josef Felder	2019.11.11	2019.11.11	Taiwan Corporate Governance Association	AI, Changing the Landscape of Corporate Governance	3	
Independent Director	Vincent Thai	2019.11.11	2019.11.11	Taiwan Corporate Governance Association	AI, Changing the Landscape of Corporate Governance	3	

Note 5: Directors' and Officers' Liability Insurance

No	Insured Object	Insurance Company	Insured Amount	Insurance Period	Notes
1	All Directors, Supervisors and juristic person directors' representatives at investee companies and key personnel appointed by HTC	Fubon Insurance Co., Ltd.	US$: 35,000,000	From: 2018.03.15 To: 2019.03.15	Renewal
2	All Directors, Supervisors and juristic person directors' representatives at investee companies and key personnel appointed by HTC	Fubon Insurance Co., Ltd.	US$: 35,000,000	From: 2019.03.15 To: 2020.03.15	Renewal

4.3.4 Formation, scope of duties and operation of the Compensation Committee

Compensation Committee Members' Information

2020.04.21

Condition		Meet one of the following professional qualification requirements, together with at least five years work experience			Conforms to criteria for independence (Note)											
Title	Name	An instructor (or higher) in a department of commerce, law, finance, accounting, or other academic departments related to the business of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney,certified public accountant or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in commerce, law, finance, accounting, or other areas relevant to the business of the company	1	2	3	4	5	6	7	8	9	10	Number of other public companies concurrently serving as an Compensation Committee member	Notes
Independent Director (Convener)	Chen-Kuo Lin	V		V	V	V	V	V	V	V	V	V	V	V	0	Re-elected
Independent Director	Vincent Thai			V	V	V	V	V	V	V	V	V	V	V	0	Newly elected
Other	Yeong-Cheng Wu			V	V	V	V	V	V	V	V	V	V	V	2	Re-elected
Other	Ti-Hsiang Wei			V	V	V	V	V	V	V	V	V	V	V	0	Resign

Note: A check mark is placed in the box for those directors who fulfill the following conditions during and up to two years prior to their time in office

(1) Is not hired by the Corporation or its affiliates.

(2) Is not a director or supervisor of the Corporation or any of its affiliates. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)

(3) Is not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Corporation or ranking in the top ten in shareholdings.

(4) Is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of managers not conforming to subparagraph (1) above, or of any persons not conforming to subparagraphs (2) and (3) above.

(5) Is not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of total number of issued shares or ranks among the top five in shareholdings, or a director, supervisor, or employee of an institutional shareholder who has been appointed as a director or supervisor representative at the Corporation under paragraphs 1 and 2, Article 27 of the Company Act. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)

(6) Is not a director, supervisor, or employee of other companies controlled by Corporation directors or persons with more than half of voting rights at the Corporation. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)

(7) Is not a director, supervisor, or employee of other companies or institutions of the Corporation's chairperson, president, or persons with equivalent duties, or spouses thereof. (The same does not apply, however, in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)

(8) Is not a director, supervisor, manager, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation. (The same does not apply, however, for specific companies or institutions that hold more than 20% and less than 50% of issued Corporation shares, or in cases where the person is a concurrent independent director of the Corporation and its parent company, subsidiaries, or subsidiaries of the same parent company, as appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.)

(9) Is not a professional individual, or an owner, partner, director, supervisor, or manager, or spouses thereof, of a sole proprietorship, partnership, company, or institution which provides audit services to the Corporation or its affiliates; or has in the past two years provided commercial, legal, financial, accounting, or related services not exceeding total compensation of NT$ 500,000 to the Corporation or its affiliates. The same does not apply, however, for members of remuneration committees, public tender offer review committees, or special committees for mergers/ consolidations and acquisitions exercising their duties in accordance with the laws and regulations of the Securities and Exchange Act and the Business Mergers and Acquisitions Act.

(10) Has not violated any regulations in Article 30 of the Company Act.

The Operations of the Compensation Committee

(1) The Corporation's Remuneration Committee is composed of three people, and committee members are appointed in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter." Following election of Board members by the shareholders' general meeting on June 21, 2019, the 9th committee members will serve until June 20, 2022. The Independent Director Chen-Kuo Lin was elected as convener by all committee members. The committee operates according to the "Charter of the Remuneration Committee" and convenes at least twice every year.

(2) The main duties and annual tasks of the committee include formulating and regularly reviewing policies, systems, standards, and structure of evaluations on director and manager performance, salaries, and compensation, as well as regular assessment and formulation of director and manager salaries and compensation.

The Remuneration Committee convened 6 times in 2019, and the operational status of the committee is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person(%) (Note)	Notes
Independent Director (Convener)	Chen-Kuo Lin	6	0	100%	Re-elected
Independent Director	Vincent Thai	3	0	100%	Newly elected
Other	Yeong-Cheng Wu	5	1	83%	Re-elected
Other	Ti-Hsiang Wei	3	0	100%	Resign

Other matters to be included:

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

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

4.3.5 Corporate Social Responsibility and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/ TPEx Listed Companies" and Reason

Item	Implementation Status			Reasons for discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies
	Yes	No	Summary	
1. Does the company conduct risk assessment on environmental, social, and corporate governance issues, related to the company's operations and establish related risk management policies or strategies?	V		Please refer to the "HTC Material Issues and Boundary" and "Management Approach and Its Components" section of the HTC Corporate Social Responsibility Report	None
2. Does the company establish exclusively (or concurrently) dedicated firstline managers authorized by the Board to be in charge of proposing the corporate social responsibility policies and reporting to the Board?		V	The CSR department is responsible for the planning and implementation of HTC's CSR activities, and following of the Responsible Business Alliance (RBA) (formerly "Electronics Industry Citizenship Coalition (EICC)"). The higher-level management has not yet been authorized by the Board of Directors to handle CSR-related matters, with no current practice of reporting to the Board on the handling of CSR.	The higher-level management has not yet been authorized by the company to handle CSR-related matters.
3. Environmental Issues				
(1) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		Please refer to "Sustainable Environment" of the HTC Corporate Social Responsibility Report.	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		Please refer to "Sustainable Agenda" of the HTC Corporate Social Responsibility Report.	None
(3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take action on climate-related issues?	V		Please refer to "Risk Management" of the HTC Corporate Social Responsibility Report.	None
(4) Does the company count the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?	V		Please refer to "Sustainable Environment" and "Sustainable Manufacturing Process" of the HTC Corporate Social Responsibility Report.	None
4. Preserving Public Welfare				
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		Please refer to "Staff Management" of the HTC Corporate Social Responsibility Report.	None
(2) Does the company declare reasonable employee welfare measures (including remuneration, vacations, and other benefits) and appropriately reflect business performance and results on employee remuneration?	V		Please refer to "A Sound Wage and Welfare System" of the HTC Corporate Social Responsibility Report.	None

(Continued)

Item	Implementation Status			Reasons for discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies
	Yes	No	Summary	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		Please refer to "Occupational Health and Safety" of the HTC Corporate Social Responsibility Report.	None
(4) Does the company provide its employees with career development and training sessions?	V		Please refer to "Complete Education and Training Plan" of the HTC Corporate Social Responsibility Report.	None
(5) Does the company's products and services adhere to related laws and regulations and international standards for customer health and safety, customer privacy, marketing, and labeling, and has the company established policies and appeal procedures to protect consumer interests?	V		Please refer to "Risk Management", "Customer Management" and "Sustainable Design" of the HTC Corporate Social Responsibility Report.	None
(6) Does the company establish a supplier chain management policy that requires suppliers to follow and implement related issues on environmental protection, occupational safety and health, or labor rights	V		Please refer to "Supplier Management" of the HTC Corporate Social Responsibility Report.	None
5. Does the company comply with international standards or guidelines for preparing corporate social responsibility or non-financial related reports? Have the previous released reports been verified by third-party certification entity with assurance or opinion statements?	V		HTC Publish "HTC Corporate Social Responsibility Report" since 2012, Report follow the Global Reporting Initiative(GRI) guidelines/ Standards have passed AA1000 verification by an impartial third-party and received the confirmation statement.	None
6. If the company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies," please describe any discrepancy between the Principles and their implementation: HTC follows the HTC Corporate Social Responsibility Policy and has yet to define a corporate social responsibility code of conduct. For corporate social responsibility operational status, please refer to "HTC Corporate Social Responsibility Report" and corporate social responsibility related information in our website: http://www.csr.htc.com/				
7. Other important information to facilitate better understanding of the company's corporate social responsibility practices: Please refer to corporate social responsibility related information in our website: http://www.csr.htc.com/				

4.3.6 Implementation of Ethical Corporate Management and Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/ TPEx Listed Companies” and Reason

Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles For TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Summary	
1. Establishment of Ethical Corporate Management Policies and Programs				
(1) Does the company establish ethical corporate management policies and procedures, approved by the Board , in its guidelines and external documents, as well as commitment from its Board and senior management to implement the policies?	V		HTC Code of Conduct is a guideline to provide high ethical standards for all employees in conducting HTC business activities. This Code includes three major sections: the General Moral Imperative, Vendors/ Suppliers and Customers Relationship, and Conflict of Interests which covers HTC's ethical management policy. This Code is disclosed in the Annual report and on the investor website. The Board of Directors and the executive management all place the greatest importance on adopting the highest standards of integrity and ethics in corporate management and employee work conduct. Bribery, corruption, deception, and all other forms of improper conduct are prohibited.	HTC does not produce a Ethical Corporate Management Best Practice Principles per the Ethical Corporate Management Best Practice Principles for TWSE/ GTSM-Listed Companies. HTC adopted Code of Conduct for follow up.
(2) Does the company establish assessment mechanisms against risks from unethical conduct, periodically analyze and assess operational activities with high potential for unethical conduct, and use these to establish solutions for prevention of unethical behaviors that at least encompass the preventive measures stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best Practice Principles for TWSE/ TPEx Listed Companies?	V		The Code of Conduct describes Corporate Confidentiality, Protection of Property, HTC's Assets, and Personal Information, standards for entertainment and Business Courtesies among All employees or their immediately family members, customers and suppliers/Vendors, Travel, Conflict of interest, Outside Employment and Inside Trading to prevent unethical conduct. HTC also provides dedicated e-mail for employee to complaint. The Code of Conduct is one of the courses in the new employee orientation and is declared in the e-learning courses. Further, in order to prevent insider trading, HTC invites legal professionals to provide trainings to managers. HTC also adopted the Corporation Rules for Donations Out of Income as the principle to approve and process Company's donation.	None
(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and commitment to implement the policies, and periodically assess said policies?	V		According to the Code of Conduct, new employees are required to go through code of ethics during orientation and revisit the ethic code periodically to prevent unethical conduct. At the same time, HTC also includes The Code of Conduct courses thru e-leaning in attempt to prevent unethical behavior. To prevent inside trading, HTC invites legal professionals to provide trainings to managers.	None

(Continued)

Item	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles For TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Summary	
2. Fulfillment of Operations Integrity Policy				
(1) Does the company evaluate business partners ethical records and include ethics-related clauses in business contracts?	V		When signing purchasing or engineering contracts with suppliers, HTC consistently requires the suppliers to cooperate by signing an Integrity Policy Statement or Supplier Integrity Commitment Letter, to expressly provide that its business partners will uniformly comply with national laws and refrain from using unethical conduct to gain advantages in business or work (for example by offering kickbacks, entertainment, or other improper benefits). The signed terms and conditions expressly stipulate that HTC will voluntarily terminate its dealings with any cooperating firm that violates the Integrity Policy. HTC will seek compensation for damages if any breach of commitment happens due to the violation of the policy in order to consistently maintain a relationship of integrity between HTC and its business counterpart.	None
(2) Does the company establish an exclusively (or concurrently) dedicated unit in charge of corporate integrity and to be supervised by the Board, which regularly (at least once a year) reports implementation status to the Board		V	HTC has not established a dedicated (or part-time) unit with responsibility for the enforcement of ethical corporate management. Currently, HTC has adopted an employee code of conduct that sets rules for compliance by all division supervisors and employees in their execution of company operations, to prevent violations of ethical corporate management principles by HTC. We have a dedicated email: anti-corruption@htc.com to report any violations. When violations of the employee code of conduct occur or are suspected, the human resources and legal divisions will cooperate to investigate and then report to management so that necessary disciplinary measures can be taken.	HTC has not established a dedicated (or part-time) unit with responsibility for the enforcement of ethical corporate management.
(3) Does the company establish and implement policies to prevent conflicts of interest and provide appropriate communication channels	V		HTC has set out high ethical standards in its employee code of conduct Additionally, in its employment agreements and employee handbook, it expressly stipulates non-competition provisions for the period of employment, to prevent conflicts of interest. Unit supervisors and internal auditors can investigate and audit any questionable conduct in line with these policies. Also, in its Rules of Procedure for Board of Directors Meetings, it has duly set out a system for recusal and avoidance of conflicts of interest by directors, for compliance in the operations of the board of directors. HTC also has established channels for statements of opinions and reports of violations, by which employees may report any questionable conduct discovered.	None

(Continued)

Item	Implementation Status: Yes	No	Summary	Deviations from "Ethical Corporate Management Best Practice Principles For TWSE/ TPEx Listed Companies" and Reasons
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, with internal audit units formulating audit plans based on risk assessments of unethical conduct which are used to review compliance with measures for preventing unethical conduct, or which are audited by CPAs?	V		HTC has established an accounting system that takes into account the characteristics of its industry and is based on applicable laws and regulations and generally accepted accounting principles. The system provides a basis for compliance in HTC's accounting affairs (including the types and formats of accounting evidence, account books, accounting classifications, and financial statements, and the rules and procedures for handling various kinds of accounting matters).The system enables the regular provision of reliable accounting information for reference by the management. The implementation of the operational procedures and rules of the accounting system ensures that HTC's business operations proceed according to rigorous procedural rules, with mutual checking and reconciliation between various operations, to prevent any occurrence of abuses, ensuring the security of HTC's assets. HTC has taken into account its overall operational activities in designing and faithfully implementing its internal control system. It regularly reviews the internal control system to ensure the continued effectiveness of its design and implementation in light of changes in HTC's internal and external environment. The internal auditors conduct scheduled or unscheduled site audits of audited units according to internal audit plans based on the results of risk assessment, and may require audited units to present documents, account books, and evidence to conduct document audits. When necessary, they also may conduct special audits of specific matters, and compile their work papers and related materials into reports and submit them to the board of directors.	None
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		Per the Code of Conduct, HTC will hold new employee orientation and ask employees to review the code periodically to prevent unethical conduct.	None
3. Operation of the Integrity Channel				

(Continued)

Item	Implementation Status: Yes	No	Summary	Deviations from "Ethical Corporate Management Best Practice Principles For TWSE/ TPEx Listed Companies" and Reasons
(1) Does the company establish both a reward/ punishment system and an integrity hotline Can the accused be reached by an appropriate person for follow-up?	V		HTC employee handbook specifically provides that an employee who commits fraud, accepts bribes, misappropriate funds, or violates employmentperiod non-competition clauses will be sanctioned by dismissal from employment. Complaints can be channeled through HTC's internal division supervisors,human resources division, and internal auditors. Disciplinary measures are administered by the human resources department. HTC also has established channels for statements of opinions and reports of violations, by which employees may report any questionable conduct discovered.	None
(2) Does the company establish standard operating procedures and subsequent procedures of following investigations and relevant confidential mechanism?	V		The company has adopted operating procedures and rules regarding confidentiality for investigation of the reported matters. Upon acquisition of relevant evidences, HTC will set up an investigation team to carry out corresponding procedures with a responsibility for maintaining	None
(3) Does the company provide proper whistleblower protection?	V		HTC has a dedicated email: anti-corruption@htc.com Employees can use the email to report the case to the company with provision of relevant evidences. HTC will have its team carry out investigation with the reporting parties placed under protection.	None
4. Enhancing Information Disclosure Does the company discloses its ethical corporate management policies and the results of its implementation on the company's website and MOPS	V		HTC discloses its Code of Conduct on its investor's website both in Chinese and English, the Corporate Responsibility webpage also discloses Supplier Code of Conduct. Supplier's business shall be ethical.	None
5. HTC does not produce a Ethical Corporate Management Best Practice Principles per the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies. HTC adopted Code of Conduct to provide high ethical standards for all employees in conducting HTC business activities. All employees of HTC Corp., including branches and subsidiary companies, must follow these ethical standards regardless of the employees' position, grade level, and location. This Code includes three major sections: the General Moral Imperative, Vendors/Suppliers and Customers Relationship, and Conflict of Interests.				
6. Other important information helpful to understanding HTC's exercise of good faith in management: HTC has always upheld the five major ideals of honesty, humble, simplicity, energy, and innovation as its highest criteria for operations. Everyone within the company, from the highest levels to the lowest, is asked to strictly uphold the spirit of these five ideals, as well as abiding by all laws, regulations, and rules. HTC has also formulated internal rules to ensure the exercise of good faith in management and the observance of laws and regulations.				

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

4.3.8 Other important information helpful to understanding HTC's corporate governance:

All material information is published on the MOPS in accordance with regulations, and information relating to the Corporation's finances, business matters and corporate governance is also regularly updated to our corporate website in a timely manner.

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

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

4.3.9 The state of implementation of HTC's internal control system:

Statement on Internal Control

HTC Corporation

Internal Control System Statement

Date: March 2, 2020

The Company states the following with regard to its internal control system for 2019, based on the findings of a self-assessment:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguarding of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Financial Supervisory Commission (hereafter, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has assessed the design and operating effectiveness of its internal control system according to the forementioned criteria.
5. Based on the findings of the assessment mentioned as of December 31, 2019, the Company believes that during the stated time period its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations and bylaws, was effectively designed and operating, and reasonably assured the achievement of the above-stated objectives.

6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement has been passed by the Board of Directors Meeting of the Company held on March 2, 2020, in which all of the 7 attending directors affirmed the content of this Statement.

HTC Corporation 

Chairman: 

President: 

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

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

4.3.11 Material Resolutions of the 2019 Shareholders Meeting and Board of Directors Meetings during the most recent fiscal year and the current fiscal year up to the date of printing of this annual report.

Material Resolutions of the Shareholders Meeting

Date	Material resolutions	Implementation Status:
2019.06.21	1. Adoption of the Fiscal 2018 Business Report and Financial Statements.	The Fiscal 2018 Business Report and Financial Statements are submitted to the competent authority for reference and announcement in accordance with relevant regulations.
	2. Adoption of the Fiscal 2018 Retained Earnings Distribution.	Cash dividends per share were NT$ 0.38, the ex-dividend date was set as August 19, 2019, and cash dividend distribution date was set as September 19, 2019.
	3. Discussion on the proposal to amend the Articles of Incorporation.	It was processed according to the revised.
	4. Discussion on the proposal to amend the "Bylaws for the Election of Directors and Supervisors".	It was processed according to the revised.
	5. Discussion on the proposal to amend the "Procedures for the Acquisition or Disposal of Assets".	It was processed according to the revised.
	6. Discussion on the proposal to amend the "Operational Procedures for Lending Funds to Others".	It was processed according to the revised.
	7. Discussion on the proposal to amend the "Procedures for the Handling of Derivatives Trading".	It was processed according to the revised.
	8. Proposal for the Company's re election of Directors.	Election of Directors to fill the vacancy
	9. Proposal to release the newly-elected Directors (include Independent Director) from non-competition restrictions	Implemented in accordance with proposal resolutions.

Material Resolutions of the Board of Directors Meetings

Date	Matevial resolution
2019.03.01	1. HTC Board of Directors Approved the Convening of 2019 Annual General Shareholders Meeting. 2. HTC Board of Directors Resolved to Amend the 2018 Employee Stock Options to 2019 Employee Stock Options. 3. HTC Board of Directors Approved the appointment of the Company's Internal Audit Officer. 4. HTC Board of Directors Resolved the Capital Reduction due to Cancellation of Restricted Employee Shares
2019.05.10	1. HTC Board of Directors Resolved the Dividend Distribution. 2. HTC Board of Directors Ratified to Amend the 2019 Rules for the Issuance and Subscription of Employee Stock Options. 3. HTC Board of Directors and its Major Subsidiary Resolved the Capital Injection to its Subsidiary. 4. HTC Board of Directors Resolved the 2nd Issuance and Subscription of Employee Stock Options of 2019
2019.06.21	1. Announcement of Election of Chairwoman by the Board of Directors. 2. The Board of Directors resolved to appoint the 4th Term Compensation Committee member.
2019.08.02	1. The Board of Directors Resolved the record Date of Ex-dividend for Fiscal 2018.
2019.09.17	1. Announcement on the change of Company's Chief Executive Officer & President.
2019.11.11	1. HTC Board of Directors Resolved the Capital Reduction due to Cancellation of Restricted Employee Shares.
2020.03.02	1. HTC Board of Directors Approved the Convening of 2020 Annual General Shareholders Meeting. 2. HTC Board of Directors Resolved the Capital Reduction due to Cancellation of Restricted Employee Shares.

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

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

Title	Name	Appointment Date	Effective Date	Type of the Change
President and CEO	Cher Wang	2015.03.20	2019.09.17	Position adjustment

Note: Cher Wang resigned as the Chief Executive Officer and President on the same day and remain as the Chairwoman.

4.4 Information on CPA Professional Fees

4.4.1 Scale of information on CPA professional fees

Accounting Firm	Name of CPA	Audit Period	Note
Deloitte & Touche	Wen-Yea Shyu Kwan-Chung Lai	Years Ended December 31, 2019	

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

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

Unit: NT$ thousands

			Non-Audit Fee						
Accounting Firm	Name of CPA	Audit Fee	System Design	Company Registration	Human Resource	Others (Note)	Subtotal	CPA's Audit Period	Note
Deloitte & Touche	Wen-Yea Shyu Kwan-Chung Lai	5,800				600	600	Years Ended December 31, 2019	Transfer pricing report and international tax consultation

4.4.3 The company does not change its accounting firm.

4.4.4 Audit fees paid for the current year are lower than those for the previous fiscal year by 10 percent or more:

The related costs and expenses reduced was in response to the operating scale.

4.5 The Company Does Not Replace Its Certified Public Accountant Within the Last Two Fiscal Years or Any Subsequent Interim Period

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

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

4.7.1 Changes in shareholdings of Directors, Supervisors, Managers, and Major Shareholders

Unit: Shares

		2019		2020.01.01 – 2020.04.21	
Title	Name	Change in quantity of shareholding	Change in quantity of pledged shares	Change in quantity of shareholding	Change in quantity of pledged shares
Chairwoman	Cher Wang	0	0	0	0
Director	HT Cho	0	0	0	0
Director	Wen-Chi Chen	0	0	0	0
Director	David Bruce Yoffie	0	0	0	0
Independent Director	Chen-Kuo Lin	0	0	0	0
Independent Director	Josef Felder	200,000	0	0	0
Independent Director	Vincent Thai (Date of Appointment: 2019.06.21)	0	0	0	0
Chief Executive Officer	Yves Maitre (Date of Appointment: 2019.09.17)	0	0	0	0
Chief Finance Officer	Peter Shen	0	0	0	0
General Counsel	Marcus Woo	12,500	0	0	0
Chief Technology Officer	WH Liu	50,000	0	0	0
Senior VP of Research & Development	Adrian Tung	15,250	0	0	0
VP of Product & Strategy	Raymond Pao	0	0	0	0
Chief Global Management Officer	Caleb OuYang	0	0	0	0
Vice President	Hsiu Lai	0	0	0	0
Supervisor	Way-Chih Investment Co., Ltd. Representative: Shao-Lun Lee (Date of released: 2019.06.21)	0	0	-	-
Supervisor	Huang-Chieh Chu (Date of released: 2019.06.21)	0	0	-	-

4.7.2 Stock transfer with related party: None

4.7.3 Stock Pledged with related party: None

4.8 Related Party Relationship Among the Company's 10 Largest Shareholders

2020.04.21

	Shareholding		Shareholding under spouse and children of minor age		Shareholding under the title of third party		Top 10 shareholders who are related parties to each other (Note 2)		
Name (Note 1)	Shares	%	Shares	%	Shares	%	Name	Relationship	Note
Way-Chih Investment Co., LTD. (Representative: Su-Lan Chiang)	43,819,290	5.35%	0	0.00%	0	0.00%	Way-Lien Technology Inc. Hon-Mou Investment Co., Ltd.	Same chairwoman Same chairwoman	
Way-Lien Technology Inc. (Representative: Su-Lan Chiang)	38,588,231	4.71%	0	0.00%	0	0.00%	Way-Chih Technology Inc. Hon-Mou Investment Co., Ltd.	Same chairwoman Same chairwoman	
Cher Wang	32,272,427	3.94%	22,391,389	2.73%	0	0.00%	Wen-Chi Chen	Spouse	
Hon-Mou Investment Co., Ltd.	23,197,081	2.83%	0	0.00%	0	0.00%	Way-Chih Technology Inc. Way-Lien Technology Inc.	Same chairwoman Same chairwoman	
Wen-Chi Chen	22,391,389	2.73%	32,272,427	3.94%	0	0.00%	Cher Wang	Spouse	
iShares IV Public Limited Company	14,226,385	1.74%	0	0.00%	0	0.00%	None	None	
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	13,072,079	1.60%	0	0.00%	0	0.00%	None	None	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	10,595,301	1.29%	0	0.00%	0	0.00%	None	None	
ABP Pension Investment Fund under the custody of JPMorgan Chase Bank	10,432,000	1.27%	0	0.00%	0	0.00%	None	None	
Kun-Chang Investment Co, Ltd.	9,322,824	1.14%	0	0.00%	0	0.00%	None	None	

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

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

2020.03.31 Unit: thousands Shares; NTD thousands; %

	Investments by HTC Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
Long-term investments (Note)	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
H.T.C. (B.V.I.) Corp.	1,476,202 thousands Shares	100%	0	0%	1,476,202 thousands Shares	100%
High Tech Computer Asia Pacific Pte. Ltd.	562,534 thousands Shares	100%	0	0%	562,534 thousands Shares	100%
HTC Investment Corporation	30,000 thousands Shares	100%	0	0%	30,000 thousands Shares	100%
PT. High Tech Computer Indonesia	2 thousands Shares	1%	186 thousands Shares	99%	188 thousands Shares	100%
HTC Holding Cooperatief U.A.	NTD13 thousands	0.01%	NTD6,815,370 thousands	99.99%	NTD6,815,383 thousands	100%
HTC Investment One (BVI) Corporation	333,733 thousands Shares	100%	0	0%	333,733 thousands Shares	100%
HTC Investment (BVI) Corp.	26,000 thousands Shares	100%	0	0%	26,000 thousands Shares	100%
HTC VIVE Holding (BVI) Corp.	7,000 thousands Shares	100%	0	0%	7,000 thousands Shares	100%
HTC VIVE Investment (BVI) Corp.	10,000 thousands Shares	100%	0	0%	10,000 thousands Shares	100%
DeepQ Holding (BVI) Corp.	7,000 thousands Shares	100%	0	0%	7,000 thousands Shares	100%
HTC Smartphone (BVI) Corp.	33 thousands Shares	100%	0	0%	33 thousands Shares	100%
HTC VR Content (BVI) Corp.	1,710 thousands Shares	100%	0	0%	1,710 thousands Shares	100%
HTC (Australia and New Zealand) Pty. Ltd.	0	0%	400 thousands Shares	100%	400 thousands Shares	100%
HTC Philippines Corporation	0	0%	859 thousands Shares	100%	859 thousands Shares	100%
HTC (Thailand) Limited	0	0%	10,000 thousands Shares	100%	10,000 thousands Shares	100%
HTC India Private Limited	0	0%	500 thousands Shares	100%	500 thousands Shares	100%
HTC Malaysia Sdn. Bhd.	0	0%	25 thousands Shares	100%	25 thousands Shares	100%
HTC HK, Limited	0	0%	37,626 thousands Shares	100%	37,626 thousands Shares	100%
S3 Graphics Co., Ltd.	0	0%	386,339 thousands Shares	100%	386,339 thousands Shares	100%
HTC Myanmar Company Limited	0	0%	100 thousands Shares	100%	100 thousands Shares	100%
HTC Netherlands B.V.	0	0%	143,882 thousands Shares	100%	143,882 thousands Shares	100%
HTC South Eastern Europe LLC.	0	0%	0.15 thousands Shares	100%	0.15 thousands Shares	100%
HTC EUROPE CO., LTD.	0	0%	104,061 thousands Shares	100%	104,061 thousands Shares	100%
HTC Brasil	0	0%	1,987 thousands Shares	100%	1,987 thousands Shares	100%
HTC Belgium BVBA/SPRL	0	0%	18.55 thousands Shares	100%	18.55 thousands Shares	100%
HTC NIPPON Corporation	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
HTC France Corporation	0	0%	11,000 thousands Shares	100%	11,000 thousands Shares	100%
HTC Nordic ApS	0	0%	80 thousands Shares	100%	80 thousands Shares	100%
HTC Italia SRL	0	0%	NTD51,056 thousands	100%	NTD51,056 thousands	100%
HTC Germany GmbH	0	0%	25 thousands Shares	100%	25 thousands Shares	100%

Long-term investments (Note)	Investments by HTC Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
HTC Iberia, S.L.U.	0	0%	3 thousands Shares	100%	3 thousands Shares	100%
HTC Poland sp. z o.o.	0	0%	4.7 thousands Shares	100%	4.7 thousands Shares	100%
HTC Communication Canada, Ltd.	0	0%	1,500 thousands Shares	100%	1,500 thousands Shares	100%
HTC Communication Sweden AB	0	0%	1,000 thousands Shares	100%	1,000 thousands Shares	100%
HTC Luxembourg S a r. l.	0	0%	12.5 thousands Shares	100%	12.5 thousands Shares	100%
HTC Middle East FZ-LLC	0	0%	3.5 thousands Shares	100%	3.5 thousands Shares	100%
HTC America Holding, Inc.	0	0%	371,617 thousands Shares	100%	371,617 thousands Shares	100%
HTC America, Inc.	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
One & Company Design, Inc.	0	0%	60 thousands Shares	100%	60 thousands Shares	100%
HTC America Innovation, Inc.	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
HTC America Content Services, Inc.	0	0%	31 thousands Shares	100%	31 thousands Shares	100%
Dashwire, Inc.	0	0%	0.1 thousands Shares	100%	0.1 thousands Shares	100%
Inquisitive Minds, Inc.	0	0%	0.1 thousands Shares	100%	0.1 thousands Shares	100%
HTC VIVE TECH (BVI) Corp.	0	0%	70,000 thousands Shares	100%	70,000 thousands Shares	100%
HTC VIVE TECH Corp.	0	0%	100 thousands Shares	100%	100 thousands Shares	100%
HTC VIVE TECH (HK) Limited	0	0%	68,000 thousands Shares	100%	68,000 thousands Shares	100%
HTC VIVE TECH (UK) Limited	0	0%	6,000 thousands Shares	100%	6,000 thousands Shares	100%
DeepQ (BVI) Corp	0	0%	69,700 thousands Shares	100%	69,700 thousands Shares	100%
DeepQ Technology Corp.	0	0%	11,500 thousands Shares	100%	11,500 thousands Shares	100%
Uomo Vitruviano Corp.	0	0%	5,000 thousands Shares	100%	5,000 thousands Shares	100%
VRChat. Ca. Development Inc.	0	0%	0.1 thousands Shares	100%	0.1 thousands Shares	100%
HTC Corporation (Shanghai WGQ)	0	0%	USD1,500 thousands	100%	USD1,500 thousands	100%
HTC Electronics (Shanghai) Co., Ltd.	0	0%	USD2,909 thousands	100%	USD2,909 thousands	100%
HTC Communication Co., Ltd.	0	0%	USD127,500thousands	100%	USD127,500 thousands	100%
HTC Communication Technologies (SH)	0	0%	USD4,000 thousands	100%	USD4,000 thousands	100%
HTC Communication (BJ) Tech Co.	0	0%	RMB10,500 thousands	100%	RMB10,500 thousands	100%
HTC VIVE TECH (Beijing) Limited	0	0%	USD800 thousands	100%	USD800 thousands	100%
VRChat. Inc.	0	0%	79,257 thousands Shares	50.37%	79,257 thousands Shares	50.37%
HTC Vietnam Services One Member Limited Liability Company	0	0%	USD 200 thousands	100%	USD 200 thousands	100%
HTC Communication Solutions Mexico, S.A DE C.V.	0	0%	50 thousands Shares	100%	50 thousands Shares	100%
HTC Servicios DE Operacion Mexico, S.A DE C.V.	0	0%	50 thousands Shares	100%	50 thousands Shares	100%
DeepQ Technology (Beijing)	0	0%	USD 3,000 thousands	100%	USD 3,000 thousands	100%

Note: Investments accounted for using the equity method.

4.10 Corporate Social Responsibility

As an international brand, HTC joined the Responsible Business Alliance (RBA) as a member in 2010-2019. In order to fulfill its corporate social responsibilities and respect for international human rights, HTC keep following the RBA Code of Conduct, and taking actual practice as the practice of corporate social responsibility in daily operations.

In September 2019 HTC awarded a Gold medal as a recognition of their EcoVadis CSR (Corporate Social Responsibility) Rating 2019.

HTC has ranked in the top 5% of the 55,000 companies participating in the 2019 EcoVadis Corporate Social Responsibility (CSR) assessment. Receiving this gold status underlines our continuous commitment to all areas of sustainability and reflects our efforts to be a frontrunner in our industry. The EcoVadis Supplier Sustainability Rating system assesses a wide range of CSR indicators in the core areas environment, labor & human right, ethics, and sustainable procurement. HTC is part of an illustrious group of leading multinationals from 155 different countries committed to efficiently drive CSR & sustainability performance.

The HTC "Corporate Social Responsibility (CSR) Policy"

HTC is committed to observing all the International and Regional laws in the countries where it operates and to do business with honesty and integrity. We will continue to provide innovative and quality products, protect the environment, care for the health, safety and human rights of our employees, and positively maintain our stakeholders' rights and interests.

This CSR policy helps HTC maintain social responsibility and realize the vision of sustainable development. All our related business partners advocate and share this policy with us and in this way, we all protect and enhance the rights and interests of our internal and external stakeholders.

(1) Using Responsible Business Alliance Code of Conduct as a reference for code of conduct, developing HTC as a good corporate citizen and participating in international Initiatives
(2) Promotion of energy efficiency, carbon-reduction practices and various environmental protection activities
(3) Sustainable innovation from creation to development
(4) Sustainable supply chain management
(5) Be a responsible corporate citizen, with the highest ethical standards

4.10.1 Employee Health and Care

Employees are HTC's most cherished assets. We are devoted to creating a safe and comfortable workplace that stimulates creativity of our employees, trying our best to satisfy and take all of our employees' needs into consideration regarding work. HTC is aware that letting employees remain professional and passionate about their participation in the company's development is vital for the company to move toward success and sustainable development. Thus, balancing life and work as a way of maintaining employees' physical and mental health has always been a goal that HTC pursues.

Valuing Employee Health

We regard employees' health as the key to showing care to our employees. We work our best in providing a healthy and cozy workplace for all our employees and have been specifically working on four main directions such as "Health Management", "Health Promotion", "Occupational Health", and "Employee Assistance Programs (EAP)". We have planned out related response procedures for major infectious diseases that are prone to spread, ensuring that related resources and supports are in place for effective actions while taking solid measures to safeguard the health of every employee.

Noting that stress from work can easily make employees neglect the harm it has on health, the company set up the HTC affiliated medical room (employee clinic in short) in addition to its original health center. The clinic offers services for employees cover the divisions of general medicine, family medicine, rehabilitation medicine, physiotherapy, and radiographic screening. With national insurance card and employee IDs, employees are entitled to benefits such as free registration and waiver from basic deductibles. This health service was also made available to employees' family, visitors, and partner companies, as a way of making health care accessible to those in need. For employees with mid-to-high level risk of health problems according to their health check results, the clinic will arrange doctors and nurses to assist with diagnosis and tracking, and will provide assistance through related necessary health courses, information for proper health management, and forming of normal personal living style for employees, as a way of building up employees' ability to self-manage their health and implementing a complete health care system. In 2019, the total person-times of employee clinic and health center using all services reached 11,634, health center 4,842, and participation in health promotion courses 16,476.

A Five Star Gym

In order to encourage and promote the sports atmosphere and allow employees to develop good exercise habits, HTC has set up a fully equipped professional fitness space in office buildings. And add weight training equipment and weight training mat area in 2019, various modern fitness equipment and coaches are available on schedule to provide guidance and advice. Also, the 17th floor in Taipei office with a 10-meter-high ceiling that can be used for basketball or badminton.

To offer our employees more excellent service and environment for workout consultation, HTC has partnered with professional workout management consultant companies and invited professional providers for onsite management, through which they will provide onsite guidance to workout, curriculum planning, and protection of sports injury to help employees build up knowledge for proper sports safety and physical health. A full range of courses are planned for employees to participate based on their interest.

HTC has commissioned professional fitness management consulting firms and professional suppliers to manage the gym and to provide full-time services. These include onsite fitness instruction, fitness curriculum planning, and advice about the prevention of sports injuries. This provides employees with the best health consulting services and the environment. Employees get help for the establishment of positive sports safety and healthcare. Courses are planned and arranged on various health topics and activities and employees can participate according to their preferences. Aerobic courses include static yoga, Pilates, kinetic trendy dances, spinning, core muscle TRX, and boxing aerobic, etc. In addition, the gym uses the HTC online registration form program to allow employees to choose courses based on their interests and needs on the computer and mobile phone to save on-site waiting time. In 2019, there were in total 38,800 and 826 count of employees taking part in workout courses and aerobic courses respectively.

The Employee Assistance Program (EAP)

In addition to physical health, HTC also cares about employee's mental health and has partnered with Employee Assistance Center from Hsinchu City Life Line. Since start of partnership in February 2009, it offers every employee free mental health consultation for six times and phone consultation for unlimited times, all paid by the company. In 2019, it has served employees for 661 times in total, helping them solve issues with career, family, inter-personal relations, relationship, mental conditions, and stress.

Creating a Happy Workplace

We offer employees diverse interface, provide them subsidies and incentives to participate in group activities, and encourage them to develop interest in sports and recreation during their leisure time to enhance their experience with living. We hold various events, and art shows. Through recreation and social gatherings, employees could get in sync and understand each other better. By inviting local artists to host art shows in the lobby of Taipei building, employees could enjoy a better resting when they walk around the building and enhance their creativity at work through the colors and lights from these art pieces.

Eat Safety and Healthy

To ensure our employees have "healthy and satisfying food, "HTC cooperates with professional catering service providers and dieticians to design and produce healthy, nutritional, and delicious meals using local ingredients from reputable and certified local food suppliers. Dieticians take into consideration nutrients, calories, and the proportions of these elements to design meals that are truly nutritious, healthy, and delicious so that HTC employees could enjoy the high quality and healthiness of our meal services. Meals such as authentic Taiwanese cuisine, light dishes, buffet for home-made cooking, creative dishes, and seasonally-available warm soups with tonic ingredients are available for our employees to enjoy.

For purchase of food stock, we strictly boycott fake and tainted products by insisting on purchase of food with certifications such as CAS, TQF, ISO, and HACCP. Always support the local agricultural producers. The pantry room also provides freshly made tea and lemonade, allowing employees to drink healthy tea with no food additives and safeguarding the food safety and health of employees.

Valuing Female Employees and Maternal Health Protection Plan

HTC regards the female workforce as very important. In view of the increasingly large number and influence of working women, we have continued to improve our software and hardware, in the hope that a diverse culture based on gender equity will help HTC become more competitive. The physical and mental caring mechanisms we provide for our female employees include:

(1) A female cancer-screening program is part of the annual health check. This includes the choice of a pap smear, a breast ultrasound exam, or a mammogram.
(2) Consideration for the physiological needs of female workers, providing a comfortable environment for rest, the loan of free hot pads, menstrual pain assessment, health knowledge and education, physician consultation or referrals and so on.
(3) A friendly environment for breastfeeding. We provide a warm and comfortable nursing environment, ultraviolet milk bottle disinfection devices, microcomputer thermos, and comfortable sofa, refrigerator for breast milk storage, and infant breast-feeding-related publications and light music. HTC has 14 Breastfeeding room in Taiwan that was visited 20,417 times in 2019.

(4) When safety and health hazard factors exist in the workplace, there may be adverse effects on pregnancy and breastfeeding. When female employees' presence in the workplace is indispensable, the importance of the protection of maternal health is highlighted. HTC has since June 2016 launched the Motherhood Health Protection Program, which includes all female employees one year after childbirth or breastfeeding women as protected subjects. In accordance with the Program, the list survey, risk identification, individual medical consultations, work assignment and work/ return to work, and other procedures were carried out. By the end of 2019, 63 employees completed the risk classification and protective measures, indicating the considerably safe work enjoyment and contents.

Environmental Maintenance and Green Landscaping

With the policy of dedication to sustainable environments, HTC is committed to deliver landscaped green spaces in both our headquarters and Taipei offices. In the green area of the Taipei office, more than 260 native trees and large arbor trees of Taiwan, such as eucalyptus, fragrant, pine, pine, and cherry trees; in Taoyuan headquarters area, there are around 131 tree species native to Taiwan on the grounds, such as Camphor and the Taiwan Golden-rain Tree, and the environment diversity is enhanced by setting up ecological pools.

In order to improve the quality of work environment and green ecology of employees, plant pots that can purify indoor air quality and reduce carbon dioxide concentration in the office. Potted plants such as eucalyptus, Dracaena, Aglaonema and Peace Lily are placed in the Taipei office. In the headquarters, potted plants such as Peperomia obtusifolia, Snake Plant, Lime pothos, and Philodendron. Different plants are added according to different festivals to enhance the atmosphere of different festivals and provide a fresh office environment for employees. The total number of potted plants in Taipei office is about 450 pots, and 125 pots in headquarters. The annual management fees for our green environment maintenance amounts to NT$ 2.15 million which is used to provide a fresh and green office environment for HTC employees.

In order to improve the quality of the employees and the nearby resident, HTC is committed to the cleanliness of the building and its surrounding environment, regularly applying drugs every quarter to eliminate dengue fever and pest control, and spraying the environment indoors and outdoors with the ditch to reduce the density index of the vector mosquitoes. In 2019, the amount of investment in the Taipei office amounted to NT$20.98 million, and the investment in the headquarters amounted to NT$20.81 million in environmental cleansing and sanitation (including indoor and outdoor planting, greening and other horticultural maintenance costs).

Smoke-Free Workplace

HTC positively advocates the government policy of a smoke-free workplace. In compliance with the Tobacco Control Act, smoking inside company premises is prohibited. There are outdoor smoking areas. Quit Smoking Clinic has been started at the Employee's Clinic since May 2016 to conduct quit smoking treatment through professional physicians, pharmacists, quit smoking health teachers, allow the participating employees to quit smoking successfully. In 2019, we hold a series of 26 smoking cessation-related courses were conducted, with a total of 491 person-times, such as cardiovascular disease, cerebro-cardiovascular risk screening, eat for health, aerobic exercise and air is fresh. By the end of 2019, the number of employees participated in the event reached 17 employees.

Comprehensive Emergency Rescue Measures

In order to provide employees with a safe and friendly environment, an automatic external electric shock defibrillator (AED) is set up in the company, and the AED and CPR training is held regularly to enable emergency, and AED or CPR is used at the first time. Total 17 Automated External Defibrillators (AED) are available at specific places within the company.

4.10.2 Environment, Safety and Health

To fulfill our commitment to safeguarding employees' safety and health, we have set up departments responsible for environmental protection and occupational safety and health according to the law. They will be responsible for carrying out tasks related to environmental protection, occupational safety and health, and energy-efficiency. They will also be assisting every plant with continued implementation of ISO14001, management system, OHSAS18001 occupational safety and health, and ISO50001 energy management system, as a way to fully implement tasks such as environmental protection, management of safety and health, and control on energy use.

Environment Protection and Occupational Safety and Health Policy

HTC strives to provide a safe and healthy working atmosphere for all of our employees while adhering to sustainability best practices which protect our environment. HTC follows the guidelines below to achieve sustainable development and to ensure a better quality working environment for our employees, customers, suppliers and contractors.

(1) We regard environment, safety, health, productivity, quality and effective energy management with equal importance.
(2) We regard the safety and health of employees, customers, suppliers and contractors with equal importance.
(3) We require our employees to observe all guidelines regarding safety, operating procedures, environmental protection, hygiene, health and energy management.
(4) We are committed to preventing foreseeable dangers and loss control.
(5) We follow required laws and regulations.
(6) We are committed to giving priority to green products.
(7) We will continue to practice and improve on our environment, safety, health and energy management systems.

HTC has introduced its management system for occupational safety and health to realize its commitment for continuous improvement through putting operation of the management system in full practice. We placed our focus on "management on safety and health", "education and training for safety and health", "SOP and work safety analysis", "work safety check", "emergency response", "management and promotion for health", and "activities for safety and health" to fully prevent occupational hazards from taking place.

To ensure a safe and healthy workplace, we invite inspection agencies recognized by Ministry of Labor to conduct inspections on operating environment every half a year and post the results at easily accessible areas for employees to know about. Since start of the inspection, all results for HTC have been better than the standards from those related regulations of permissible exposure limits.

Quality of the drinking water directly affects employee's health and management of the drinking water are closely related to the quality of the water. It is part of the daily life not to be missed. To implement standard and norms for the drinking water, HTC has adopted a complete plan for inspecting the drinking fountains, through which periodic maintenance, inspection on water quality, and disclosure of the records are to be carried out thoroughly according to the Drinking Water Management Act. The drinking fountains are to be maintained by EPA (Environmental Protection Administration)-approved professional agencies who will collect samples and check quality of the water every three months. They will inform in detail about the records maintained and the outcome of water inspection. This information will be posed in areas near the drinking fountains.

To strengthen our employees' concepts about safety and health, we institute training on safety and health, the use of hazardous and harmful materials as well as operation of hazardous machines and equipment for employees upon their first day of reporting or during their job orientation and for employees on-the-job, related training will be provided according to regulations. Employees performing special operations will be given training on safety and health for those special operations. Firefighting drill held every half a year, and will be carried out in accordance with the emergency response procedure to reinforce their ability in responding to emergencies.

HTC is focused on techniques from the core business and hopes to foster development of industries through cooperation with vendors of various professions. For the long stayed vendors, we also care about the safety of work for these vendors, in addition to mutual learning. We believe a win-win future which would be only built under protection measure on full consideration. Thus, HTC will annually incorporate the related measures into the company's plan for managing occupational safety and health according to the outcome of its vendors' management on safety and health, in its effort to fully prevent occupational hazards from taking place.

Key points of safety and health management for our vendors include observance of all regulations related to safety and health, identification of the hazards and assessment to reduce risks, specification of hazardous and harmful materials, education about safety and health, and vendors management, which reduced risks to safety and health through participation of all employees. Subcontractors of construction have been informed and educated about the hazards before entering the plant for work so that they can learn about the working environment and process safety rules and getting familiar with use of the fire equipment.

An environment management system is also introduced and has passed certification by a third party outside. Through the development of environmental protection and occupational safety and health policies, to be implemented and educated within the plant. It requires that the policy would be the basis for setting corresponding goals, systematically carrying out tasks related to environment control, and then putting them into daily management practice.

4.10.3 Supply Chain Management

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

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

The HTC Supplier CSR Assessment and Audit

HTC has formulated an "HTC Supplier Code of Conduct" according to Responsible Business Alliance Code of Conduct, with the aim of working with our supply chain partners to protect the environment, uphold the human rights of our workers, their ethics, safety and health, management system and extend this social responsibility to the supply chain system. A part from requiring suppliers to sign the HTC Supplier Code of Conduct, and HTC implemented CSR compliance audits for high-risk suppliers in accordance with the "HTC Supplier Code of Conduct" and relevant regulations governing of supplier factories. Also, our audit team provided with the latest information on labor conditions, environment, health and safety with a view to elevating them to first-rate sustainable suppliers.

A Quick Look at the HTC Supply Chain Management

Definition of HTC Critical Supplier	Owing to differences of industry characteristics and supplier category, HTC identifies critical supplier and major audit for reference by following two principles: 1. Suppliers' annual amount of transaction representing more than 10% of total purchase 2. According to the mechanical components which vary based on technology, markets and purchase annually, CSR and sourcing departments define critical suppliers of current year based on different situations every year.	
Management Mechanism	Self-assessment Survey	• All candidate suppliers are required to fill in the Self-assessment. Since 2016, the weight of CSR-related questions in the Self-assessment survey for new suppliers was increased. During each quarterly supplier review meeting, the CSR-related performance of major suppliers will be check and the results will act as the reference for the supplier screening process. • For new suppliers, are required to fill in the CSR self-assessment questionnaire. The content of the questionnaire designed according to the five major aspects of the HTC Supplier Code of Conduct-Labor, Environment, Health, Safety, Ethics and Management System, and supporting information is required for inspection.
	On-site Audit	• "Supply Chain CSR Compliance Audit" has been implemented since 2011. 20 major component suppliers will be chosen every year to accept "Supply Chain CSR Compliance Audit" based on initial risk determination (including geographic, location, products, news, etc.) • In 2017, an addition was made in the manufacturing process. According to the RoHS and REACH directives, hazardous substances subject to control are required to be audited. • In 2019, the on-site audit for 15 suppliers had been completed and 3 suppliers provided RBA-VAP report, and for 2020 annual on-site audits planning starts from Q4 2020.

The Green Supply Chain Management System

HTC set up its own management platform for green supply chain in 2006, helping RD engineers to select green materials that comply to international regulations and customer requirements from the product database. With introduction of the green materials from the source of its designing, reliability of the green products and the related schedule of its verification would be greatly enhanced. Since the end of 2007, HTC's headquarters and the Taipei building have regularly passed all audits conducted by the international certification agencies, also obtained and maintained certificates of IECQ QC080000 Hazardous Substance Process Management. In 2019 Oct, HTC passed the certification to latest version- IECQ QC080000:2017-Hazardus Substance Process Management System.

The survey of new suppliers shall comply with the HSF scoring standard. As for the existing suppliers, the HSF performance evaluation was added to the Supplier Performance Management System since 2016. Improvements are reviewed and checked via the implementation of the quarterly supplier meeting.

Responsible Procurement of Minerals

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

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

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

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

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

4.10.4 Environmental Protection

Green Products

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

1. Sustainable Design

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

· Enhancement of Energy Efficiency

We concentrate on energy-saving from the early design and research and development phase. All power supplies used for HTC products must comply with the relevant international energy consumption specifications, including Energy Star (U.S.), California Energy Commission (U.S.), Energy-related Products and are approved with energy efficiency verification by third-party verification companies. All of their energy efficiency meet the criteria of Level VI which is the highest and defines the standby power shall be less than 0.1W. And in fact the standby power of our chargers are less than 0.075W or 0.03W which is much less than the 0.1W criteria.

The HTC R&D team has developed excellent power management modes that allow the phone (depending on user habit) to automatically enter Standby mode to extend battery life. Some of our phones have an ambient light sensing function that controls the LCD backlight according to the ambient light level in order to provide a comfortable reading environment and also to save power. As for the energy consumption during battery charging process, we took the regulations of the US Department of Energy (DOE) and the California Energy Commission (CEC) as the standards to improve the efficiency of charging and reduce the loss of energy after the battery is fully charged as much as possible, allowing the overall energy consumption to reach minimum.

· Recyclability

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

We consider material recyclability in the selection of all materials and product disassembly and analysis is carried out by an impartial third-party to make sure the material recovery rate. All current products such as 5G Hub, VIVE Focus, VIVE Cosmos and controller are greatly exceeds the EU's WEEE directive material recovery rate of 55 % for this product.

5G Hub
Material Recovery Rate 82.0%

Vive Focus
Material Recovery Rate 76.3%

Vive Cosmos
material recovery rate 74.9%

Vive Cosmos Controller
material recovery rate 75.3%

· Reduction of Hazardous Substances

All parts, components, modules, materials, and so on delivered to HTC meet a set of requirements, which are even stricter. The HTC Substance Control List not only restricts the ten substances controlled by RoHS(Restriction of Hazardous Substances Directive), but also others restrained by international environmental regulations and customer requirements, such as PVC, Brominated Flame Retardant, and Phthalates listed by RoHS 2.0 are prohibited.

To further extend the control of hazardous substances into the supply chain. We established a platform for unified management of our entire green supply chain to help our R&D engineers select green materials that meet international environmental regulations and customer requirements from the HTC product database in 2006. In response to the international greening trend, HTC introduced halogen-free materials in 2009. USB cable is made of Thermoplastic elastomer (TPE) instead of Polyvinylchlorid (PVC). In product design, we choose Halogen-free material in plastic housing and PCB. After that, in 2012, the quality announcement of "HTC new mobile phones are halogen-free" was proposed. To devote to clean production and toxic-free in products, non-plating process is used in external parts of our products from 2011 and n-Hexane was restricted from 2013.

Of products, during the selection of materials in 2015, we replaced the beryllium copper alloy used for contact points in a mobile phone with other safer materials. Although beryllium copper alloy is safe in itself, it can produce beryllium oxide during the recycling process that is harmful to human health. We have thus decided not to use the material in any of our products since 2016.

To prevent the harm of plasticizers to the human body, European Union has officially implemented the directive on restricting plasticizers for electric and electronic devices from July 21, 2019. HTC has started plasticizer control since 2009, and added plasticizer to the hazardous substance control list. From 2017, we conduct plasticizer testing and verification in all our products to ensure compliance with the regulatory requirements. We also requested our suppliers to obtain a verification report from a third-party laboratory. Before the regulations are formally implemented, HTC Taoyuan Factory establishes a plasticizer testing laboratory to conduct sampling of incoming materials to ensure that all parts can meet the plasticizer regulations.

Figure: Using Thermal-Desorption Gas-Chromatography Mass-Spectrometer (TD-GC/MS) to test plasticizer

2. Sustainable Packaging

All packaging materials HTC uses for its products fully comply to EU and US regulations on packaging (EU 94/62/EC and Model Toxics in Packaging Legislation of USA). In addition, all printing ink used on HTC product packaging are low volatile or soy ink that comply to standards from American Soy Association, as are required for minimizing impact of the product packaging to the environment.

A full-body light-weight design was specially selected for use of the cellphone cover boxes by HTC. They are made from molding with 65% of sugar cane residues and 35% of bamboo pulp. Compared to regular boxes made of wood, these boxes made of sugar cane residues and rapid-growing bamboos could be 100% decomposition and 100% recyclable, which are more environment-friendly and are also lighter than regular boxes.

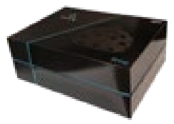
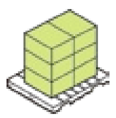
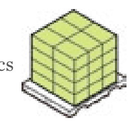
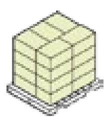
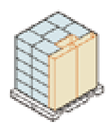
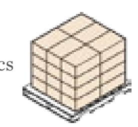
HTC will list not only product information in accordance with the requirements of customers and related regulations, also describes in details of the energy saving functions and power saving functions in the product packaging boxes and manuals, and the environmental protection materials information will be printed to promote environmental awareness and ideas to consumers.

The achievements of mobile phone packaging over the years

	2009 Hero Box	2013/2014 M7/M8 Box	2015 M9 Box	2016 M10 Box	2017 U11 Box	2018 U12+ Box
Photos						
Volume	183x89x60mm	160x160x28mm	160x160x28mm	180.5x150.5x33.5mm	202x165.5x34.5mm	
Weight	170g	95g	95g	111.2g	149.2g	
Carbon footprint from transportation	1.59	0.89	0.89	1.04	1.4	
ECO features	• Reduced volume of packaging by 50% • Printed using soy ink	• 98% of packaging boxes used recyclable papers • At least 75% of packaging materials used rapidly-growing materials (sugar cane & bamboo). • Printed using plant ink instead of ink	• Materials for the packaging boxes are rapidly-growing materials • Printed with single colors and decreased use of ink • For printing, did not use other varnish methods for processing • Decreased printing of upper label from 5C to 1C	• Materials for the packaging boxes are rapidly-growing materials • Decreased area of printing, decreased colors for the printing, and decreased use of ink • Did not use varnish plastics	• Materials is consist with current fast renewable plants. • Reduce the printing area, printing color. • Do not use glazing plastic.	

Note: Distance calculated: From HTC factory → airport (airfreight) → distribution center for the customer

HTC use the recyclable materials and design the lightweight package for VR.

	2015 Rigid Box	2016 Pizza Box	2017 Pizza Box	2018 Pizza Box	2019 Pizza Box
Photos					
Volume	574x420x212mm	415x295x181mm	532x344x185mm	418x338x188mm	520x302x182mm
Weight (g)	3000g	1800g	2250g	1200g	1570g
Number of transportation pallets	6pcs 	24pcs 	20pcs 	30pcs 	24pcs 
Carbon footprint from transportation (kg CO_2 eq)	28.14	16.88	21.11	11.26	14.73
ECO features	• Used dual colors for printing and decreased use of ink	• Reduced 55% in volume • Reduced 40% in weight • Used dual colors for printing and decreased use of ink	• Reduce the ink use • Packaging sharing • Avoid New Packaging Materials	• Reduce the ink use • Design the lightweight package	• Reduce the use of inner packaging plastic • Use a higher proportion of recycled material on the box

3. Sustainable Products

In response to crisis of global warming, HTC continues to look for ways to reduce impact and effect left on the environment during the process of manufacturing, production, and consumer use. Life-cycle thinking (LCT) is the concept we use behind our thinking. Starting from our R&D effort, the LCT concept is introduced to provide quantitative green information to our RD engineers. We conduct LCT-related inspections on our supply chain to build up a database for burdens to the environment brought by major components.

HTC calculates the carbon footprint of its products based on ISO 14040 and ISO 14044, through direct data acquired by HTC manufacturing center from its upstream suppliers, along with indirect data acquired by the internationally-used software and database, SimaPro and Ecoinvent for assessing life cycles. After passing verification from a third party, it then publishes the report of carbon footprint for its products or its Eco Declaration, in an attempt to provide to related customers transparent information of the product in regard to the environment.

Carbon Footprint and Lifecycle Assessment Related Planning and Reporting Memorabilia

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

a) In 2010, HTC participated in the "Guidance Program of Information Disclosure for Environmental Product" held by the Industrial Development Bureau, Ministry of Economic Affairs, and completed Environmental Product Declaration (EPD) in cooperation with 19 suppliers.
b) In 2011, HTC participated in the "Guidance Program of Low Carbon Product Design System", and completed guidance of carbon footprint analysis and low carbon design for 15 main suppliers.
c) In 2013, HTC cooperated with 11 suppliers to complete the ISO/TS14067 product carbon footprint examination.
- HTC One has become the leading smartphone to complete the international standards for carbon footprint and life cycle assessment of products such as ISO / TS 14067: 2013, PAS 2050: 2011, ISO 14040: 2006 and ISO 14044: 2006.
d) In 2014, the main action scheme directly focused on providing detailed data of life cycle examination analysis to main suppliers for setting up the objective to reduce carbon and the action scheme.
e) In 2015, HTC cooperated with 8 suppliers to complete the ISO/TS14067 product carbon footprint examination again.
f) Completed analysis and checking of water footprint in its products in 2016.
g) In 2016, the supplier's GHG auto-investigation was initiated. In the first half of each year, suppliers were required to submit GHG inventory data; in 2018, the response rate reached 100%.
h) In 2018, HTC became a CDP supplier chain program member. In the first year, major key suppliers were invited to participate in the CDP Climate Change Questionnaire, with a response rate of 48%. In 2019, more key suppliers were invited to participate in the survey, with a response rate of 61%

Energy and Climate Change

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

We even did it through active supply chain management and strengthening green design of products to reduce use of hazardous and wrapping materials. Use the influence of positive support to help smart mobile device users around the globe and go toward more smarter and lower carbon tasks and mode of living step by step. Total greenhouse gas emissions by HTC were 14,812.288 t-CO_2e in 2019. The majority of emitted gas were CO_2. The cooling and air-conditioning systems in HTC's buildings all use environment friendly coolant R-134a to further preserve the ozonosphere.

HTC is not a heavy energy consumer. However, within a manageable range of its operations, it is taking initiatives in realizing the concepts of energy-efficiency and reduction of carbon emission by utilizing renewable energy.

Apart from the regular annual GHG emission inventory and verification, HTC also reports our planning and systems for carbon risk and carbon management on an annual basis in accordance with the requirements of the Carbon Disclosure Project (CDP). We voluntarily disclose information about our climate risks, future development opportunities, emissions, and strategic management mechanisms. HTC was rated as Management level B (international average is level C) for 2019 CDP climate change questionnaire.

In the 2019 CDP Supplier Engagement Rating (SER), HTC was rated as Leadership level A- (international average is level C). The Supplier Engagement Rating uses the responses of the company's CDP climate change questionnaire in terms of governance, objectives, scope 3 emissions, and value chain participation to evaluate the performance of supplier engagement.

In addition, HTC keep CDP supply chain program member in 2019, and has required its major suppliers to respond to the CDP questionnaire, actively contributing its corporate influence, and calling on its supply chain partners to work together in carrying out further assessments and actions for climate change. The supplier response rate in 2019 reached 61%, an increase of 13% compared to 2018.

Water Resource Management

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

Sanitary facilities were the first purchase those with water efficiency labels like certificate of the use of water efficiency label from Water Resources Agency, Ministry of Economic Affairs, WaterSense Label from the United States Environmental Protection Agency or mainly facilities with water efficiency functions as tested by the Industrial Technology Research Institute (ITRI). In faucet facilities, swivel faucet aerators have been installed to reduce the waterflow . Tests run by ITRI show a water efficiency ratio of 64.4% and it is estimated that each faucet can save 77 liters of water a day. In bathroom facilities like toilets and urinals, high-efficiency products with WaterSense labels have been purchased.

Since dry process is used on the production line in our plant, there would be no industrial waste water generated and all water use would be from office and the dormitory where our colleagues live in. With a large area inside the plant used for greenery and tree planting, HTC aims to water those plants and greenery using the recycled and reprocessed water without increase in use of running water. Total amount of domestic waste water treated in 2019 was 73,162 tons, and the amount of recycling for the treated waste water was 26,259 tons.

Since implementation of the water-saving plan in 2014, the accumulated total amount of waste water recycled for watering and gardening plants reached 938,235 tons, about 375 standard swimming pools. (The standard swimming pool is calculated at 2,500 tons) The system was set up for recycling rainwater and condensed water from air conditioning. The water is then used in toilets and plants watering for effective water use.

Waste Reduction

HTC's main production process is the assembly of smartphones and virtual reality products. The production process produces no hazardous waste. We have strengthened our waste management and disposal model in accordance with the internal "Industrial Waste Disposal and Management Procedure". We also practice through recycling and education. Proper disposal of waste ensures the cleanliness of the work environment and reduces environmental impact.

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

In addition, active promotion of concept of waste reduction through concrete measures like classification, recycling and management at the front end for employees to reduce waste generation as well as setting dedicated areas for general garbage, resource recycling, and kitchen waste to facilitate resource recycling and reuse, reduce amount of waste produced, and improve on the cleanliness of the environment. In 2019, our recycled resources reached 958,273 kg and the benefit of recycling reached NTD 3,061,345, waste recycling rate rose from 56.89% in 2011 to 84.53% in 2019 that would gradually reach the long term goal of 80% waste recycling rate. By 2019 the accumulated savings and earnings from the recycling of waste had reached NT$88,852,523.

Also in progress were promotion and enhancement of employees' concept and awareness of environmental protection. Through plural interfaces the idea of environmental protection had been in wide promotion and presented in expedient, interactive and clear forms of information to make employees witness HTC's efforts in environmental protection and then provide them with support in concrete ways to make them internalized in their daily routines.

Green Factory

In 2013, HTC's Taipei office received the green building mark from Ministry of the Interior and the golden LEED (Leadership in Energy & Environmental Design) certification from the U.S. Green Building Council (USGBC), offering its employees an excellent and comfortable low-carbon work environment. The requirement for energy-efficient design and use of high-efficiency equipment was implemented during project planning, design, and construction phases. Examples included the full use of LED lighting, ice storage system, energy-regenerating elevators, e-Tag smart parking management system, etc. The fully-integrated energy management system was utilized to attain a full real-time management and enhance efficiency of energy use. The total amount accumulated for reduction in carbon emission since inauguration of the building has reached 14,372 t-CO_2e. Issues are discovered through cross referential comparisons between the data measured and data from currently-available database, and the analysis for improvement is then conducted in order to adopt a better plan on energy efficiency. Issues are categorized into design-oriented, operation-oriented, and management-oriented, which are then traced back to the original system for improvement and assessment on economic effectiveness in order to achieve continuous improvement on energy efficiency, with the EUI (Energy Usage Intensity) of Taipei office amounted to only 114 KWH/m2 per meter square annually in 2019.

After simulation and analysis on energy, the design on energy efficiency contributed to 419,895 degree of reduction, and the total amount of reduction in carbon emission was 224 t-CO_2e during 2019. (The CO_2 carbon emission coefficient is calculated on a basis of the 0.533 kg/kWh standard announced by the Bureau of Energy.) We set up solar panels on top of our employee dormitory, where solar radiation could be converted to thermal energy for supply to water heating systems. The thermal energy would be stored in a tank for supply of hot water to showering equipment, effectively reducing our usage of natural gas. With the effective use of solar panels, the solar-powered equipment that HTC uses saved 19,274 degrees of natural gas in 2019, this translates into an equivalent of NT$250,556 cost saving and a reduction of 37 t-CO_2e. (Note: 1. One cubic meter of natural gas costs NT$13 ; 2. The carbon emission coefficients of natural gas is calculated in accordance with Version 6.0.3 of the Greenhouse Gases Emissions Management Chart 1.888 kgCO_2e/m3).

Targeting the construction of a new parking shed in the headquarters, HTC used its roof to build a solar power generation system, replacing the metal roof of the parking shed with solar panels, a total generating capacity of 180KW. By means of internal line parallel series, the power was sold in bulk and included in Taiwan Power Company' s power supply system, thereby relieving Taiwan' s power load and supply constraints and reducing carbon dioxide emissions. The devices was completed in September 2018 and put into trial operation, and began to sell electrical energy in bulk. From the trial operation to January 2020, the cumulative total power generation has reached 198,760 degrees.

4.10.5 Social Engagement

Promotion of Character Education - HTC Foundation

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

Our vision:

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

Our mission:

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

Our accomplishments:

Character Town

HTC foundation not only launches character education in schools but also signs "Character Town" with various towns in Taiwan. Character Learning Course is launched every month with a way of character and setting a good example with our own conduct. Group discussing and experience sharing with different themes and related to work will be arranged timely. Participants include township police station public hospital fire department land office & household registration office-affiliated institutes. Parts of institutes turn into membership in the character association. Leaders in the institutes encourage good deed via communication and integration of thoughts, which becomes internal operating mechanism.

"Character First" course emphasize the concept definition and operational definition with the core value of nurturing the leader and the lead team work. Besides, it is believed that people can lead in different kinds of situation. The main goal of these courses is to nurture groups of cadre of basic level equipped with ethics and integrity.

(Continued)

Many Blessings Courses

The HTC Education Foundation is committed to the development of character education for young people. It hopes to shape character through joint efforts by schools, parents, and society. Following the principle of "lighting a candle rather than cursing the darkness," the foundation has established the "Many Blessings Course" for junior and senior high school students. These free courses each last for five weeks. They include three hours of training and activity per week. The students get the energy to move forward and make changes inspired by their instructors and volunteers,. They are encouraged to become leaders who can actively serve the public and use their own power to change the world.

Summer institute for character education

HTC Foundation has been dedicated to the implementation of character education. For many years, it has been providing high quality, systematic, and diverse resource for education and training through the "rock education implementation program" to help schools across Taiwan to implement character education more effectively. To help schools cultivate a character-based campus culture, nurture those school practicing character education, promote academic and practical dialogue for the character education to strengthen the ability of the schools' leadership teams in implementation, the foundation has been inviting Dr. Marvin W. Berkowitz, lecturing professor on character education from College of Education, University of Missouri at St. Louis, to give a lecture in the "Summer Institute for Character Education" in Taiwan since 2012. As of 2019, there have been 287 people in total from the leadership teams made up of school principals and administration members from 47 schools who have participated in the five-day intensive immersion training. There are five different campus schools in 2017-2019 from Bina Bangsa School in Indonesia.

This course has been taught in Missouri and other areas for 20 years. According to feedback from the 27 schools that participated in the last 5 years after the course, the course has been beneficial to both the participating teams and their members in core topics of the character education and nature of education or buildup of consensus for the leadership team. HTC Foundation will continue to hold this training course through its summer institute. It hopes that this course would help schools build up their own leadership teams for the character education on their campuses. Through collective efforts by the team members, the campus based culture of character would be shaped to cultivate students' growth and development in characters.

VR for Impact

HTC believes its unique virtual reality technology can bring unprecedented change to the world. Through the interactive and immersive experience that HTC VIVE can provide, we hope to change developments in education, health, medical care, art, and many other fields.

In response to the United Nation's sustainable development goals of eradicating poverty, protecting the earth, and ensuring peaceful and prosperous life of mankind, HTC announced the VR for Impact Plan in 2017, providing US$10 million in funding and technology to encourage the development of more virtual reality content and technology that produce a positive impact. Since the release of the plan, we have received much feedback from the media and the industry. So far, more than 800 developers and organizers have expressed great concern, hoping to work with HTC to bring real influence to the world.

In beginning of 2018, HTC VIVE partnered with the World Economic Forum (WEF) to promote the initiative and development of the VR/AR for Impact Project and showcased its latest achievements at the WEF 2018 United Nations (UN) Sustainable Impact Hub in Davos. We strongly believe that the virtual reality introduction program will be a powerful tool to raise the awareness of 17 UN sustainable development goals. We evaluate carefully various projects, identify the advantages, and dedicate to carry out improvements. In 2020, we continue to bring innovation to accelerate our development.

SDGs Goal	Corresponding project	Description
13 CLIMATE ACTION	Tree	In Jan. 2019, My Africa: Elephant Keeper launched on VIVEPORT, it allow the audience to experience the virtual reality of deforestation in tropical rain forest, hoping to raise the attention of the public on global climate change. HTC made a corporate donation to the Rainforest Alliance, which works to help prevent deforestation around the world.
15 LIFE ON LAND	My Africa: Elephant Keeper	Journey to Kenya in 360° virtual reality, where the futures of wildlife and people are intertwined. "My Africa: Elephant Keeper," is a groundbreaking live-action experience that puts you in the shoes of a keeper at the Reteti Elephant Sanctuary caring for the newest arrival, a "baby elephant" named Dudu. In Apr. 2019, My Africa: Elephant Keeper launched on VIVEPORT and debuted at EarthX film festival, in collaboration with Conservation International. All VIVEPORT revenue from the sale of Elephant Keeper go to benefit the Reteti Elephant Sanctuary in Kenya.
3 GOOD HEALTH AND WELL-BEING	LIFE VR	In Nov. 2019, Life-saving Instruction for Emergencies (LIFE), a virtual reality (VR) medical training platform developed by doctors, nurses and researchers at the KEMRI-Wellcome Trust Research Programme (KWTRP) in Kenya and Oxford University with support from HTC, has launched. LIFE uses HTC VIVE Focus Plus for training doctors and nurses to save lives. HTC Focus mobile headsets were deployed to Kenya for on-the-ground training, and VR training application was released on the Engage VR educational distribution platform.
5 GENDER EQUALITY	UN Global Voices Film Festival	VR for Impact sponsored the UN Global Voices Film Festival in 2019, which honors female film and VR creators from around the world, highlighting women's issues. Refer website: https://www.globalvoicesfilmfestival.org/

Other social engagement and actions

1. Blood Donation

HTC regularly cooperates with the Taipei Blood Center and Hsinchu Blood Center to organize blood drives 8 times every year. Many "hot-blooded" employees have cultivated the habit of regular blood donation since 2006 so they always roll-up their sleeves when they hear that the blood donation bus is coming. The enthusiastic participation of HTC employees has led to the company being presented with a certificate of excellence for blood donation every year by the Taipei Blood Center and Hsinchu Blood Center. In 2019, employees responded enthusiastically to blood donation activities, and the participation rate was nearly 1.5 times. 127,000 c.c in total was accounted for the amount of blood donation from headquarters, and 173,250 c.c in total was accounted for the amount of blood donation from Taipei office for the year of 2019.

2. The HTC Child Support Club

The HTC Child Support Club was founded in 2006 as a spontaneous association formed by HTC employees. The members raise money that is donated to the China Children's Fund (CCF) to support the sponsorship of children in need. In 2019 the total sponsored a total of 62 children. The sponsored children included 54 children from Taiwan and 8 children from abroad. The children we've sponsored in foreign countries included Guatemala, Jordan, Philippines, Senegal, Sri Lanka, Kyrgyz and Paraguay.

3. Charity Cooperation Program

Warm mother's heart by haring love in 2019

Mother's Day in 2019 makes everything different because of you! This year's Mother's Day series of activities, in addition to professional-level skin care and beauty courses, the highlight of the three-day second-hand market and charity booth. HTC colleagues supported the "Taipei Orphan Welfare Foundation" and "Taitung Joy After-school Program" with practical actions, that these children and families were helped.

HTC held a second-hand market in the headquarters and Taipei office, and received enthusiastic support and response from colleagues. Within three days, more than 500 items were sold, and the cumulative sale income exceeded NT$40,000. All the proceeds from the charity sale in the second-hand market on Mother's Day will be donated to the "Taipei Orphan Welfare Foundation" and "Taitung Joy After-school Program", so that the love of colleagues can be turned into practical support to help children with the family, continue to protect the power of children. In addition to the second-hand market, I would also like to thank many colleagues for their generosity and direct support through donations to raise a total of more than NT$100,000 for Taitung Joy After-school Program.

2019 Christmas season X Cross+ Market

In cooperation with Cross +, HTC invites young entrepreneurs to come to the HTC Christmas market to give back to the community by support good people and good products. Colleagues will give the most direct support through practical actions and exert the value of "giving". These young startup owners have pledged to give back to the community by supporting 10% of their income to the Rainbow Heaven - a society that aims to enhance the holistic development of the young generation, and conveys warmth at the end of the cold year.

5

CAPITAL AND SHARES

CAPITAL AND SHARES

5.1 Capital and Shares

5.1.1 Capitalization:

2020.04.21 Unit: Share; NT$$

		Authorized		Paid-in		Remark		
Month/ Year	Price	Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Other
03/2019	10	1,000,000,000	10,000,000,000	818,811,855	8,188,118,550	Capital reduction: Cancellation of Restricted Employee shares	None	Note 1
12/2019	10	1,000,000,000	10,000,000,000	818,808,635	8,188,086,350	Capital reduction: Cancellation of Restricted Employee shares	None	Note 1
03/2020	10	1,000,000,000	10,000,000,000	818,804,335	8,188,043,350	Capital reduction: Cancellation of Restricted Employee shares	None	Note 1 Note 2

Note 1: Approval Document No.: The 19 August 2015 Letter No. Financial-Supervisory-Securities-1040031777 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan

Note 2: Approval Document No.: The 19 August 2014 Letter No. Financial-Supervisory-Securities-1030031492 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan

2020.04.21 Unit: Share

	Authorized Capital			
Type of stock	Outstanding shares	Unissued Shares	Total	Remark
Common Stock	818,804,335	181,195,665	1,000,000,000	Of our authorized capital, 80,000,000 shares are reserved for the exercise of stock warrants, preferred shares with warrants, or corporate bonds with warrants

5.1.2 Shareholder structure:

2020.04.21

	Shareholder					
Structure	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders	2	21	428	126,024	466	126,941
Shareholding	43,053	5,980,896	141,670,902	545,244,392	125,865,092	818,804,335
Holding percentage	0.01%	0.73%	17.30%	66.59%	15.37%	100.00%

5.1.3 Distribution of ownership:

2020.04.21 Each share has a par value of NT$10

Shareholder Ownership (Unit : share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	36,940	2,338,574	0.29%
1,000 ~ 5,000	73,236	143,309,130	17.50%
5,001 ~ 10,000	8,828	69,602,929	8.50%
10,001 ~ 15,000	2,624	33,759,267	4.12%
15,001 ~ 20,000	1,666	30,901,528	3.77%
20,001 ~ 30,000	1,383	35,611,242	4.35%
30,001 ~ 40,000	661	23,889,424	2.92%
40,001 ~ 50,000	425	19,793,965	2.42%
50,001 ~ 100,000	679	49,164,105	6.00%
100,001 ~ 200,000	288	40,806,323	4.98%
200,001 ~ 400,000	92	25,634,799	3.13%
400,001 ~ 600,000	39	19,365,795	2.37%
600,001~ 800,000	16	11,115,794	1.36%
800,001 ~ 1,000,000	11	9,604,596	1.17%
Over 1,000,001	53	303,906,864	37.12%
Total	126,941	818,804,335	100.00%

5.1.4 List of principal shareholders:

2020.04.21 Each share has a par value of NT$10

Name of principal shareholders	Shares: Current Shareholding	Percentage
Way-Chih Investment Co., LTD.	43,819,290	5.35%
Way-Lien Technology Inc.	38,588,231	4.71%
Cher Wang	32,272,427	3.94%
Hon-Mou Investment Co., Ltd.	23,197,081	2.83%
Wen-Chi Chen	22,391,389	2.73%
iShares IV Public Limited Company	14,226,385	1.74%
JP VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	13,072,079	1.60%
Morgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	10,595,301	1.29%
ABP Pension Investment Fund under the custody of JPMorgan Chase Bank	10,432,000	1.27%
Kun-Chang Investment Co, Ltd.	9,322,824	1.14%

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

Item		Year	2018	2019	2020.01.01-2020.03.31
Market price per share	Highest market price		76.8	45.9	38.85
	Lowest market price		30.05	32.35	25.40
	Average market price		52.3	37.18	33.94
Net worth per share (Note)	Before distribution		55.16	42.57	-
	After distribution		54.85	Note	-
Earnings (loss) per share	Weighted average shares (thousand shares)		819,629	818,811	-
	Earnings (loss) per share		14.72	(11.43)	-
Dividends per share	Cash dividends		0.38	-	-
	Stock dividends	Dividends from retained earnings	-	-	-
		Dividends from capital surplus	-	-	-
	Accumulated undistributed dividend		-	-	-
Return on investment	Price/Earnings ration		3.55	NA	-
	Price/Dividend ratio		137.63	NA	-
	Cash dividend yield		0.73%	0.%	-

Note : Pending on the approval of the 2020 Shareholders Meeting.

5.1.6 Dividend policy and Implementation Status:

Dividend Policy in Articles of Incorporation

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

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

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

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

HTC will not distribute stock dividends at the 2020 Annual Shareholders' Meeting.

There is no material change in dividend policy.

5.1.7 Impact of the stock dividend proposal on operational performance and earnings per share:

HTC will not distribute stock dividends at the 2020 Annual Shareholders' Meeting.

5.1.8 Compensation of Employees, Directors, and Supervisors

Percentage and scope of employee, Director and Supervisor compensation as stipulated in the Company's Article of Incorporation.

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

If the company has accumulated loss, the profit shall first be used to offset the loss. The remainder of the profit may then be distributed as employees' compensation and remuneration to directors based on preceding proposed ratios.

The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The basis for assessing the compensation of employees and directors is based on relevant laws, articles of incorporation and past experience. If the actual amounts differ from the estimated number, the differences are recorded and adjusted in the following (financial reporting) year as changes in accounting estimate.

Information on any approval by the board of directors of distribution of compensation:

HTC will not distribute Employee Compensation at the 2020 Annual Shareholders' Meeting; therefore it is not applicable.

The actual distribution of employee, director, and supervisor compensation for 2018

Employee compensation of NT$456,987 thousand for 2018 was distributed in 2019 in the form of cash dividends. There was no discrepancy between said amounts and respective amounts recognized in the financial statements for 2018.

5.1.9 Buy-back of corporation shares: None

5.2 Issuance of Corporate Bonds: None.

5.3 Status of Preferred Shares: None.

5.4 Global Depository Receipts

2020.04.21

Issue Date			2003.11.19
Issuance and Listing			Luxembourg
Total amount			USD 105,182,100.60
Offering price per GDR			USD 15.4235
Units issued			9,015,121 units (note)
Underlying securities			Cash offering and common shares from selling shareholders
Common shares represented			36,060,497 shares (note)
Rights and obligations of GDR holders			Same as that of common share holders
Trustee			Not applicable
Depositary bank			Citibank, N.A.–New York
Custodian bank			Citibank Taiwan Limited
GDRS outstanding			584,860 units
Apportionment of expenses for issuance and maintenance			All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of GDRS were borne by HTC and the selling shareholders, while maintenance expenses such as annual listing fees and accounting fees were borne by HTC.
Terms and conditions in the deposit agreement and custody agreement			See deposit agreement and custody agreement for details
Closing price per GDR	2019	High	USD 5.77
		Low	USD 3.00
		Average	USD 4.79
	2020.01.01-2020.04.23	High	USD 5.10
		Low	USD 3.56
		Average	USD 4.44

Note: The total number of units issued includes the 6,819,600 units originally issued (representing 27,278,400 shares of common stock) plus additional units issued in stock dividends in past years on common shares underlying the overseas depositary receipts, as itemized below.
18 August 2004: dividends issued on common shares underlying the overseas depositary receipts in the amount of 216,088 additional units (representing 864,352 common shares)
12 August 2005: dividends issued on common shares underlying the overseas depositary receipts in the amount of 70,290 additional units (representing 281,161 common shares)
1 August 2006: dividends issued on common shares underlying the overseas depositary receipts in the amount of 218,776 additional units (representing 875,107 common shares)
20 August 2007: dividends issued on common shares underlying the overseas depositary receipts in the amount of 508,556 additional units (representing 2,034,224 common shares)
21 July 2008: dividends issued on common shares underlying the overseas depositary receipts in the amount of 488,656 additional units (representing 1,954,626 common shares)
9 August 2009: dividends issued on common shares underlying the overseas depositary receipts in the amount of 170,996 additional units (representing 683,985 common shares)
3 August 2010: dividends issued on common shares underlying the overseas depositary receipts in the amount of 311,805 additional units (representing 1,247,223 common shares)
26 July 2011: dividends issued on common shares underlying the overseas depositary receipts in the amount of 210,354 additional units (representing 841,419 common shares)

5.5 Employee Share Warrants

Employee share warrants are adopted to attract and retain important talent necessary for the company's development, and to increase employees' commitment and dedication to the company, so as to jointly benefit the company and its shareholders. The 2nd, 3rd, 5th and 6th Grants were approved by Financial Supervisory Commission, Executive Yuan on September 9, 2013, August 19, 2014, April 24, 2019 and July 12, 2019 and the total quantities of the current issue are 15,000,000, 20,000,000, 20,000,000 and 10,000,000 units, respectively. Each stock warrant unit may be used to purchase one share of common stock of HTC. The share purchase price shall be the closing price of HTC common stock on the date of issuance of the employee stock warrants.

5.5.1 Issuance of employee share warrants and impact to shareholders' equity

2020.04.21 / Unit: share and NT$

Employee Stock Options Granted	2nd Grant	3rd Grant	4th Grant	5th Grant	6th Grant
Approval Date	September 9, 2013	August 19, 2014	August 19, 2014	April 24, 2019	July 12, 2019
Issue (Grant) Date	November 11, 2013	October 31, 2014	August 11, 2015	May 16, 2019	November 12, 2019
Number of Options Granted	15,000,000	19,000,000	1,000,000	20,000,000	10,000,000
Percentage of Shares Exercisable to Outstanding Common Shares	1.83%	2.32%	0.12%	2.44%	1.22%
Option Duration	The duration of the stock warrants is 7 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule(%)	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 50% Three full years have elapsed: 75% Four full years have elapsed: 100%
Shares Exercised	0	0	159,000	0	0
Value of Shares Exercised	NTD 0	NTD 0	NTD 8,665,500	NTD 0	NTD 0
Shares Unexercised	2,517,500 shares	3,436,000 shares	170,000 shares	19,325,000 shares	10,000,000 shares
Adjusted Exercise Price Per Share	NTD 149	NTD 134.5	NTD 54.5	NTD 35.5	NTD 35.05
Percentage of Shares Unexercised to Outstanding Common Shares (Note 1)	0.31%	0.42%	0.02%	2.36%	1.22%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited

Note 1: The information is calculated based on the issued shares, 818,804,335.

5.5.2 Employee stock options granted to management team and to top 10 employees

2020.04.21 / Unit: share and NT$

	Title	Name	Number of Option Acquired	Number of Option Acquired / Number of Option Issued (Note1)	Exercised				Unexercised			
					Number of Option	Exercise Price per Shares (NTD)	Option amount	Number of Option / Number of Option Issued (Note1)	Number of Option	Unexercised Price per Shares (NTD) (Note 3)	Option amount	Number of Option / Number of Option Issued (Note 1)
Managers	Chief Executive Officer	Yves Maitre	3,760,000 shares	0.46%	0 shares	NTD 0	NTD 0	0%	3,760,000 shares	NTD 149, NTD 134.5, NTD 54.5, NTD 35.5 and NTD 35.05	NTD 212,560,000	0.46%
	Chief Financial Officer	Peter Shen										
	General Counsel	Marcus Woo										
	Chief Technology Officer	WH Liu										
	Senior VP of Research & Development	Adrian Tung										
	VP of Product & Strategy	Raymond Pao										
	Chief Global Management Officer	Caleb OuYang										
	Associate Vice President	Hsiu Lai										
Employee (Note 2)	Alan Chen		3,337,000 shares	0.41%	0 shares	NTD 0	NTD 0	0%	3,337,000 shares	NTD 149, NTD 134.5, NTD 54.5, NTD 35.5 and NTD 35.05	NTD 212,141,000	0.41%
	Alvin Graylin											
	Asii Wu											
	Daniel Gong											
	Daniel O'Brien											
	Drew Bamford											
	Johnson Chiang											
	Madeline Chen											
	Singer Hsieh											
	Steve Wang											

Note 1: The information is calculated based on the issued shares, 818,804,335.
Note 2: The top 10 employees are granted employee stock options are without managerial position.
Note 3: The unexercised price per shares is calculated by the unexercised option amount to unexercised number of options.

5.6 New Restricted Employee Shares

5.6.1 Issuance of restricted employee shares and impact to shareholders' equity

2020.04.21/Unit: Share and NT$

Restricted Employee Shares Granted	1st Restricted employee shares	2nd Restricted employee shares	3rd Restricted employee shares	4th Restricted employee shares
Approval Date	2014.08.19	2014.08.19	2015.08.19	2015.08.19
Issue (Vest) Date	2014.11.02	2015.08.10	2015.12.23	2016.07.18
Number of Restricted Employee Shares Issued	4,600,000 shares	400,000 shares	4,006,000 shares	2,657,000 shares
Issued Price per Share	NTD 0	NTD 0	NTD 0	NTD 0
Percentage of Shares Exercisable to Outstanding Common Shares	0.56%	0.05%	0.49%	0.32%
Vesting Conditions for Exercise of Restricted Employee Shares	1. An employee who remains employed at HTC after 1 year has elapsed from the time of the award of the new re-stricted employee shares (i.e., the record date of the cap-ital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satisfacto-ry," will be eligible for vesting of an installment of 30% of the shares. 2. An employee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satis-factory," will be eligible for vesting of an installment of 30% of the shares. 3. An employee who remains employed at HTC after 3 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satis-factory," will be eligible for vesting of an installment of 40% of the shares.	1. An employee who remains employed at HTC after 1 year has elapsed from the time of the award of the new re-stricted employee shares (i.e., the record date of the cap-ital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satisfacto-ry," will be eligible for vesting of an installment of 30% of the shares. 2. An employee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satis-factory," will be eligible for vesting of an installment of 30% of the shares. 3. An employee who remains employed at HTC after 3 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satis-factory," will be eligible for vesting of an installment of 40% of the shares.	1. An employee who remains employed at HTC after 1 year has elapsed from the time of the award of the new re-stricted employee shares (i.e., the record date of the cap-ital increase), and who in the then-current fiscal year has a performance rating equal to or higher than "Satisfac-to-ry," will be eligible for vesting of an installment of 30% of the shares. 2. An employee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fis-cal year has a performance rating equal to or higher than "Satis-factory," will be eligible for vesting of an installment of 30% of the shares. 3. An employee who remains employed at HTC after 3 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and who in the then-current fis-cal year has a performance rating equal to or higher than "Satis-factory," will be eligible for vesting of an installment of 40% of the shares.	1. An awardee who remains employed at HTC after 1 year has elapsed from the time of the award of the new re-stricted employee shares (i.e., the record date of the cap-ital increase), and provided that the consoli-dated annual financial statement for the most recent fiscal year, based on the vesting date, states a net profit after tax, will be eligible for vest-ing of an installment of 25% of the shares. 2. An awardee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and provided that the consoli-dated an-nual financial statement for the most recent fiscal year, based on the vesting date, states a net profit after tax, and that the profit has grown by 10% or more as compared to the consolidated net profit after tax in the most recently preceding profit-earning fiscal year, will be eli-gible for vesting of an installment of 25% of the shares. 3. An awardee who remains employed at HTC after 3 years have elapsed from the time of the award of the new restricted employee shares (i.e., the record date of the capital increase), and provided that the consoli-dated an-nual financial statement for the most recent fiscal year, based on the vesting date, states a net profit after tax, and that the profit has grown by 10% or more as compared to the consolidated net profit after tax in the most recently preceding profit-earning fiscal year, will be eli-gible for vesting of an installment of 25% of the shares. 4. An awardee who remains employed at HTC after 4 years have elapsed from the time of the award of the new re-stricted employee shares (i.e., the record date of the cap-ital increase), and provided that the consoli-dated annual financial statement for the most recent fiscal year, based on the vesting date, states a net profit after tax, and that the profit has grown by 10% or more as compared to the consolidated net profit after tax in the most recently pre-ceding profit-earning fiscal year, will be eligible for vest-ing of an installment of 25% of the shares.

(Continued)

Restricted Employee Shares Granted	1st Restricted employee shares	2nd Restricted employee shares	3rd Restricted employee shares	4rd Restricted employee shares
Restrictions to the Rights of New Restricted Employee Shares	The shares to be issued and awarded to employees in the current issue are common shares. The rights and obligations associated with the shares are the same as those of other issued and outstanding common stock, except as specified as follows: 1. During the vesting period, an employee may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, new restricted employee shares. 2. During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues. The stock and cash dividends and cash rights issue subscriptions so obtained furthermore need not be placed in trust and shall not be restricted by the vesting period.	The shares to be issued and awarded to employees in the current issue are common shares. The rights and obligations associated with the shares are the same as those of other issued and outstanding common stock, except as specified as follows: 1. During the vesting period, an employee may not sell, pledge, transfer, give to another person, create any en-cumbrance on, or otherwise dispose of, new restricted employee shares. 2. During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues. The stock and cash div-idends and cash rights issue subscriptions so obtained fur-thermore need not be placed in trust and shall not be re-stricted by the vesting period.	The shares to be issued and awarded to employees in the current issue are common shares. The rights and obligations associated with the shares are the same as those of other issued and outstanding common stock, except as specified as follows: 1. During the vesting period, an employee may not sell, pledge, transfer, give to another person, create any en-cumbrance on, or otherwise dispose of, new restricted employee shares. 2. During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues. The stock and cash div-idends and cash rights issue subscriptions so obtained fur-thermore need not be placed in trust and shall not be re-stricted by the vesting period.	The shares to be issued and awarded to employees in the current issue are common shares. The rights and obligations associated with the shares are the same as those of other issued and outstanding common stock, except as specified as follows: 1. During the vesting period, an employee may not sell, pledge, transfer, give to another person, create any en-cumbrance on, or otherwise dispose of, new restricted employee shares. 2. During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues. The stock and cash div-idends and cash rights issue subscriptions so obtained fur-thermore need not be placed in trust and shall not be re-stricted by the vesting period.
Custody of Restricted Employee Shares	1. After new restricted employee shares are issued, if the employee to whom shares have been awarded is an ROC national, the shares must immediately be deposited in trust. If the employee to whom shares are awarded is a foreign national, the shares must be placed in custody with a cus-todian bank. Further, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares. 2. During the period in which the new restricted employee shares are placed in trust, HTC shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, without limitation, the negotiation, signing, amendment, extension, rescission, and termination of the trust agreement, and giving of in-structions for the delivery, utilization, or disposition of the assets in trust.	1. After new restricted employee shares are issued, if the employee to whom shares have been awarded is an ROC national, the shares must immediately be deposited in trust. If the employee to whom shares are awarded is a foreign national, the shares must be placed in custody with a cus-todian bank. Further, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares. 2. During the period in which the new restricted employee shares are placed in trust, HTC shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, without limitation, the negotiation, signing, amendment, extension, rescission, and termination of the trust agreement, and giving of in-structions for the delivery, utilization, or disposition of the assets in trust.	1. After new restricted employee shares are issued, if the employee to whom shares have been awarded is an ROC national, the shares must immediately be deposited in trust. If the employee to whom shares are awarded is a foreign national, the shares must be placed in custody with a cus-todian bank. Further, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares. 2. During the period in which the new restricted employee shares are placed in trust, HTC shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, without limitation, the negotiation, signing, amendment, extension, re-scission, and termination of the trust agreement, and giving of in-structions for the delivery, utilization, or disposition of the assets in trust.	1. After new restricted employee shares are issued, if the employee to whom shares have been awarded is an ROC national, the shares must immediately be deposited in trust. If the employee to whom shares are awarded is a foreign national, the shares must be placed in custody with a cus-todian bank. Further, before the vesting conditions have been met, the employee may not for any reason or in any manner request that the trustee return the new restricted employee shares. 2. During the period in which the new restricted employee shares are placed in trust, HTC shall have full discretion to act as agent for the employee to conduct with the share trust institution matters including, without limitation, the negotiation, signing, amendment, extension, re-scission, and termination of the trust agreement, and giving of in-structions for the delivery, utilization, or disposition of the assets in trust.
Procedures for Non-Compliance of the Conditions	1. If an employee voluntarily resigns or his or her em-ploy-ment is terminated or severed, then the vesting rights of any shares previously awarded to the employee but not yet vested shall be lost from the date of occurrence of the fact. HTC will withdraw and cancel the full number of the shares without compensation. 2. Any cash or property other than cash received as a return of share capital due to HTC having under-gone a capital reduction during the vesting period: HTC will withdraw the full amount without com-pensation.	1. If an employee voluntarily resigns or his or her em-ploy-ment is terminated or severed, then the vesting rights of any shares previously awarded to the employee but not yet vested shall be lost from the date of occurrence of the fact. HTC will withdraw and cancel the full number of the shares without compensation. 2. Any cash or property other than cash received as a return of share capital due to HTC having under-gone a capital reduction during the vesting period: HTC will withdraw the full amount without com-pensation.	1. If an employee voluntarily resigns or his or her employ-ment is ter-minated or severed, then the vesting rights of any shares previously awarded to the employee but not yet vested shall be lost from the date of occurrence of the fact. HTC will withdraw and cancel the full number of the shares without compensation. 2. Any cash or property other than cash received as a return of share capi-tal due to HTC having undergone a capital reduction during the vesting period: HTC will withdraw the full amount without compensation.	1. If an employee voluntarily resigns or his or her employ-ment is ter-minated or severed, then the vesting rights of any shares previously awarded to the employee but not yet vested shall be lost from the date of occurrence of the fact. HTC will withdraw and cancel the full num-ber of the shares without compensation. 2. Any cash or property other than cash received as a return of share capi-tal due to HTC having undergone a capital reduction during the vesting period: HTC will withdraw the full amount without compensation.
Withdrawal of New Restricted Employee Shares	1,347,270 shares	57,700 shares	1,551,320 shares	2,339,500 shares
Unrestricted New Restricted Employee Shares	3,252,730 shares	342,300 shares	2,453,480 shares	158,750 shares
Restricted New Restricted Employee Shares	0 shares	0 shares	1,200 shares	158,750 shares
Percentage of Shares Unrestricted to Outstanding Common Shares	0%	0%	0.0001%	0.00194%
Impact on Shareholders' Equity	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited

5.6.2 Restricted employee shares to management team and to top 10 employees

2020.04.21/Unit: Share and NT$$

	Title	Name	Number of Restricted Employee Shares Acquired	Number of Restricted Employee Shares Acquired / Outstanding Common Shares (Note1)	Unrestricted: Number of Shares Restricted	Unrestricted: Issued Price	Unrestricted: Issued Amount	Unrestricted: Restricted Employee Shares amount (Note1)	Restricted: Number of Shares Restricted	Restricted: Issued Price	Restricted: Issued Amount	Restricted: Restricted Employee Shares amount (Note1)
Manager	General Counsel	Marcus Woo	493,000 shares	0.06%	259,750 shares	NTD $0	NTD $0	0.03%	77,750 shares	NTD $0	NTD $0	0.01%
	Chief Technology Officer	WH Liu										
	Senior Vice President of R&D	Adrian Tung										
	Senior Vice President of Strategy	Raymond Pao										
	Associate Vice President	Hsiu Lai										
Employee (Note 2)	Arthur Hsieh		757,000 shares	0.09%	544,750 shares	NTD $0	NTD $0	0.07%	70,750 shares	NTD $0	NTD $0	0.01%
	Frank Sun											
	HC Wang											
	Johnson Chiang											
	Longterng Wu											
	Madeline Chen											
	Plutarch Lee											
	Singer Hsieh											
	Steve Wang											
	Yuliana Lee											

Note 1: The information is calculated based on the issued shares, 818,804,335.
Note 2: The top 10 employees granted restricted employee shares are without managerial position.

5.7 Issuance of New Shares for Mergers and Acquisitions:

None.

5.8 Implementation of the Company's capital allocation Plans: Not applicable

6

FINANCIAL STATUS, OPERATING RESULTS AND RISK MANAGEMENT

FINANCIAL STATUS, OPERATING RESULTS AND RISK MANAGEMENT

6.1 Financial Status

Unit: NT$ thousands

Item	2019	2018	Difference	%
Current Assets	35,668,753	48,460,206	(12,791,453)	(26)
Properties, plant and equipment	7,888,181	8,425,886	(537,705)	(6)
Intangible Assets	108,877	1,181,256	(1,072,379)	(91)
Other Assets	9,069,016	9,643,471	(574,455)	(6)
Total Assets	52,734,827	67,710,819	(14,975,992)	(22)
Current Liabilities	17,276,071	22,317,100	(5,041,029)	(23)
Non-current Liabilities	461,473	173,851	287,622	165
Total Liabilities	17,737,544	22,490,951	(4,753,407)	(21)
Capital Stock	8,188,086	8,188,135	(49)	-
Capital Surplus	15,594,766	15,576,268	18,498	-
Retained Earnings	14,805,990	24,491,992	(9,686,002)	(40)
Other Equity	(3,735,072)	(3,087,557)	(647,515)	(21)
Non-controlling Interests	143,513	51,030	92,483	181
Total Stockholders' Equity	34,997,283	45,219,868	(10,222,585)	(23)

* All numbers above are based on consolidated financial statements.

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

Due to the continuous outflow of operating cash caused by intense competition in the industrial environment, the balance of cash, cash equivalents and other financial assets decreased during the year.

Intangible assets decreased in contrast to those of preceding year owing to the continuous amortization.

Current liabilities decreased from the previous period due to the influence of market competition in the industry and the continued implementation of the austerity policy, so the accounts payable, marketing & advertising fees payable and salary payables have decreased compared with the previous period.

The retained earnings decreased from the previous period due to net loss for the current year.

The decrease in other equity was mainly due to the fluctuations in international exchange rates, which affected the recognition of exchange difference on translating foreign operations.

6.2 Operating Results

Unit: NT$ thousands, except (Loss) Earnings per share

Item	2019	2018	Difference	%
Revenues	10,014,966	23,740,610	(13,725,644)	(58)
Gross Profit	2,028,111	515,018	1,513,093	294
Operating Loss	(9,850,256)	(13,963,613)	4,113,357	(29)
Non-operating Income and Expenses	430,827	31,192,095	(30,761,268)	(99)
Net (Loss) Income Before Tax	(9,419,429)	17,228,482	(26,647,911)	(155)
Net (Loss) Income From Continuing Operations	(9,413,070)	12,024,901	(21,437,971)	(178)
Non-Continuing Operations Loss	-	-	-	-
Net (Loss) Income	(9,413,070)	12,024,901	(21,437,971)	(178)
Other Comprehensive Income And Loss For The Year, Net of Income Tax	(647,414)	(565,847)	(81,567)	(14)
Total Comprehensive Income For The Year	(10,060,484)	11,459,054	(21,519,538)	(188)
(Loss) Profit For The Year Attributable To Owners Of The Parent	(9,358,078)	12,068,202	(21,426,280)	(178)
(Loss) Profit For The Year Attributable To Non-Controlling Interest	(54,992)	(43,301)	(11,691)	(27)
Total Comprehensive (Loss) Income Attributable To Owners Of the Parent	(9,998,984)	11,500,096	(21,499,080)	(187)
Total Comprehensive Loss Attributable To Non-Controlling Interest	(61,500)	(41,042)	(20,458)	(50)
(Loss) Earnings Per Share- Basic	(11.43)	14.72	(26.15)	(178)
(Loss) Earnings Per Share- Diluted	(11.43)	14.50	(25.93)	(179)

* All numbers above are based on consolidated financial statements.

Explanations for any material changes in HTC's revenues, operating income (loss), and profit (loss) before income tax in the most recent two fiscal years

Affected by the competition in the global smart phone market, shipments decreased from the same period last year, resulting in a decrease in revenue in 2019 compared with 2018. However, the gross profit increased compared with 2018 due to the proper cost control this year and the favorable change in product mix. As for operating expenses, due to the continued implementation of the austerity policy, it has decreased compared with the previous period.

As for the variation of non-operational income and loss between 2019 and 2018, it arose from the deal of collaboration agreement with Google in 2018, the transferring disposal of part of staff and assets, as well as the disposal profits generated from patent licensing.

6.3 Cash Flows

6.3.1 Analysis of change in cash flow for the most recent fiscal year

Item \ Year	2019	2018	Difference
Cash Flow Ratio (%)	(53.08)	(42.55)	(10.53)
Cash Flow Adequacy Ratio (%)	(855.67)	(646.86)	(208.81)
Cash Flow Reinvestment Ratio (%)	(22.79)	(17.62)	(5.17)

Explanation and analysis of change:

Due to the loss situation in 2019 and continued implementation of the austerity policy, both assets and liabilities decreased. Hence, the relevant cash flow ratios decreased from the previous period.

6.3.2 Cash flow analysis for the coming year

We expect our cash on-hand is sufficient to cover capital expenditures and all other cash needs for the coming year.

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

6.4.1 Review and analysis of material capital expenditures and funding sources

Material capital expenditure and funding sources: None

Anticipated benefits: None

6.5 The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2019 and as of the date of this Annual Report: None

6.6 Investment Diversification in Recent Years

In order to provide different solutions for enterprise users, personal consumers, and telecommunication operators, the company continues to enrich its technology and application contents through strategic investment and deepening the implementation of the virtual reality and augmented reality ecosystem - VIVE X accelerator program. Developing content that attracts the mass consumer market, and focus on solving the bottleneck on the enterprise side.

6.7 Competitive Advantages, Business Growth and Assessment of Risks

6.7.1 Interest, forex, and inflation rate risks and mitigating measures

Impact on HTC profitability:

Item	2019(NT$1,000 or %)
Net Interest Income	419,858
Net Forex Income	166,110
Net Interest Income as percentage of Net Revenue	4.19%
Net Interest Income as percentage of Earnings Before Tax	-4.46%
Net Forex Income as percentage of Net Revenue	1.66%
Net Forex Income as percentage of Earnings Before Tax	-1.76%

Note: Calculated on HTC consolidated financial numbers

Working capital required to support HTC business operations over recent years has been supplied mainly from cash on hand. As the corporation has not taken out long-term loans, fluctuations in interest rates have had no effect on the Company's liabilities. HTC is prudent in its financial policies, and our asset allocation decisions prioritize security and fluidity, with most funds kept in time deposit accounts. In 2019, HTC interest income totaled NT$ 420 million.

HTC's revenues are denominated primarily in US dollars (USD) and euros (EUR). Manufacturing costs are denominated primarily in US dollars. Forex fluctuations have the potential to impact HTC revenues, operating costs and operating profits. Apart from efficient management of the quality and payment cycles of its foreign currency denominated accounts receivable, HTC uses forward exchange contracts to minimize its forex risk. At the end of 2018, financial derivatives held by HTC related to exchange risk were valued at USD 369.5 million, EUR 44 million, GBP 35 million, JPY 7,218 million, CAD 6 million, CNH 1,111.6 million and AUD 10 million. Fair value of the derivatives changes as a result of forex fluctuations. An increase of 1% in the quoted exchange rate of any one of the abovementioned currencies against the NT dollar would result in a derivatives holding loss to HTC of approximately NT$34.413 million.

During 2019, the US dollar against to the NT dollar fluctuated from 1:30.73 to 1:30.11. Net exchange income earned during 2019 totaled NT$166.110 million. Under effective management by the Company, negative effects of exchange rate fluctuations on profits in recent years have been minimal.

During 2019, the inflation in Taiwan was approximately 0.56%, 1.8% in North American and 1.1%% in European markets, the inflation were relatively negligible in 2019. Overall, inflation had no significant impact on HTC profits.

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

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

6.7.3 Future R&D plans and anticipated R&D expenditures

The Company's R&D programs for the most recent fiscal year primarily focus on research and development of applications related to the user experience, to innovate the form of 5G mobile terminal, and mobile data services, and on providing product-related technical support and after-sales service.

Apart from the existing smartphone product line, the company will also focus on R & D investment in 5G communication technology, and simultaneously invest in two key 5G communication technologies, mmWave and Sub-6GHz, with the near-end communication technology of Wifi-6 and 802.11ay, driving the upgrade of cloud intelligence and user-end interconnection capabilities of 5G terminal products. The high-bandwidth, low-latency characteristics of 5G will be an epoch-making development in industrial and commercial application, and comprehensively enhance the cloud processing capabilities of smart home and wearable AR/VR products. In the field of mobile phones, the company will continue to develop usage scenarios that are strongly relate to 5G communications, and enhance the user experience of terminal products and related communication technologies.

The R&D plan of the company will focus on the technology development in 5G technology. The second generation HTC 5G products will be developed on the innovation of Sub-6 and mmWave 5G technology, aiming for consumer market and enterprise. HTC 5G products will leverage HTC's strength in VR and mobile communication technology to realize 5G killer applications. Distinguished from the existing CPE/Hotspot product category, the first generation HTC 5G mobile smart Hub designed with flagship Qualcomm SM8150 platform, running the Android operating system, this enables critical technologies such as multi-media services, commerce application, intellectual assistant, and 5G Cloud VR to establish its strong advantages over competitors in consumer market as well as enterprise applications. The research and development upon subsequent models will persist in developing killer application that highly correlated to 5G Cloud services. Moreover, the company will put efforts to lower costs to keep enlarging competitive advantages. As for the fundamental technology innovation, HTC will continue to strengthen the collaboration with suppliers of 5G chipsets and network companies. It will refresh people with the designs for innovative antenna, RF front-end design, and Modem power consumption improvement for battery endurance and the better communication quality.

The cloud rendering solution, which is currently being developed by HTC, has the ability to stream PC's VR contents on an all-in-one VR device with 6 degrees of freedom (6DoF). Its integration with Vive Wave Runtime will reduce latency down to a level where a smooth VR remote experience is possible. The cloud rendering technology can be available for VR streaming via Ethernet connections, such as Wi-Fi, Internet or 5G mobile network. With 5G network and cloud computing technology, future users will be able to enjoy high-quality VR contents with a more affordable price via real-time cloud VR streaming services.

HTC has devoted a lot of resources on developing R&D talents and technological innovations, with a current count for R&D staffs representing close to 30% of the total worldwide staff count. Its investment on R&D resources represents approximately 50% of its operating income. HTC will continue to devote more R&D resources on various new products and technologies and closely match users' needs by penetrating into everyone's daily life and providing more information to the users. These smart products and technologies will also push the HTC brand to a higher position, further strengthening the company's long-term competitiveness.

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

The domestic / foreign government policies and regulations have not had a significant adverse impact on the company last year.

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

HTC is committed to bringing smart technologies into everyday life as a global innovation pioneer in smart mobile devices and technologies. The VIVE Reality that we created is combined with cutting-edge technologies of VR, AR, AI, 5G and blockchain to carry on developing further evolved hardware and software, and also to create products that enable excellent experience and revolutionary performance. This endeavor will contribute to the creation of profoundly significant content by enterprises in culture, art, education, medical care and entertainment with refreshing results.

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

HTC manages corporate risk with a focus on sustaining value for the shareholders and stakeholders. We have established an appropriate control mechanism after careful consideration of all the various operational uncertainties that ensures a rapid response to uncertainty, as well as to any attendant risks and opportunities. Such careful risk management enhances our ability to create value. As of the publication of our 2019 Annual Report, there have been no incidents jeopardizing our corporate image change.

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

As of the printing of this annual report date, does not have any acquisition plans.

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

In response to global market demand for smartphone devices and connected devices, in addition to the continuous review and improvement of manufacturing processes to improve production capabilities, quality, and cost savings, HTC also reviews the utilization of current plants and equipment, and further more to apply the international brand of outsourcing OEM/ODM production of high-end portable devices to maximize the benefit. There is no demand for plant expansion.

6.7.9 Concentration risks associated with goods received and sold and mitigating measures Purchases:

Purchase:

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

Sales:

HTC products are distributed across the Americas, Europe and Asia primarily through major carriers and local retail channels. Apart from working with current customers to expand markets and strengthen strategic partnerships, HTC continues to discuss potential cooperative projects with leading IT and telecom companies in order to remain at the fore of market trends. HTC is also developing the HTC brand and strengthening relationships with channel retailers in order to reduce business and sales concentration risks.

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

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

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

The Board of Directors appointed Yves Maitre as Chief Executive Officer in September 2019 to continue that transformation. A veteran executive of Orange, the leading telecom operator, Yves brings a deep reserve of experience in consumer and technology markets, and industry partnerships to HTC. Cher Wang will continue as Chairwoman of the HTC board, in which she will focus on future technologies that align with HTC's expanding portfolio and vision of VIVE Reality.

6.7.12 Lawsuit:

(1) 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 Italy are still ongoing. The Company implemented the alternative solution since 2012. The Company evaluated the lawsuits and considered the risk of patents-in-suits are low. Also, preliminary injunction and summary judgment against the alternative solution of the Company are very unlikely.

In February 2017, the court of appeal of the United Kingdom found the alternative solution of the Company did not infringed and only some old products without the alternative solution infringed the United Kingdom part of European Patent No. 1 841 268 (EP '268 patent). In July 2017, the EP '268 patent was held to be valid by European Patent Office. In December 2019, the High Court of the United Kingdom issued an injunction order against the old products without the alternative solution and such injunction was expired on February 15, 2020 because EP'268 was expired on the same day. The next hearing has not been scheduled by the courts yet.

In regard to the Company's motion for summary judgement in Washington Court and invalidity proceedings in the United States Patent and Trademark Office ("USPTO"), Washington Court granted on the Company's summary judgment motion in March 2012 and ruled on non-infringement of two of patents-in-suit. As for the third patent-in-suit, the Washington Court had granted a stay on case pending the decision of IPCom's appeal. In January 2014, the Court of Appeal for the Federal Circuit affirmed the Washington Court's decision. In June 2019, the Federal Circuit issued an order that affirmed the USPTO's decision of invalidating the third patent-in-suit. In October 2019, the Washington Court dismissed the US case according to a joint stipulation of dismissal filed by both parties.

As of the date that the board of directors approved and authorized for issuing consolidated financial statements, the courts have not issued a ruling with respect to the above-mentioned patents-in-suit.

(2) 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.

6.7.13 Other important risks and mitigating measures being or to be taken:

Response Measures to COVID-19

In response to the COVID-19 pandemic outbreak, HTC comply with all of the government's regulations in the strict execution of pandemic prevention measures to protect the health of all employees, collaborating partners and visitors. Our pandemic prevention measures include Work-From-Home in rotation, taking temperature for all incoming personnel, wearing masks, disinfecting all work areas and public areas, as well as implementing visitor control, replacing business travels with videoconferencing or teleconferencing. HTC will keep a close watch over the global pandemic development and take necessary measures to ensure that our overall business operation continues as usual.

6.8 Other Important Matters: None.

7

AFFILIATE INFORMATION AND OTHER SPECIAL NOTES

AFFILIATE INFORMATION AND OTHER SPECIAL NOTES

7.1 Affiliates

7.1.1 HTC affiliated companies chart

Holding company and subsidiaries:

- HTC Corp.
  - 100.00% H.T.C. (B.V.I.) Corp.
  - 100.00% High Tech Computer Asia Pacific Pte. Ltd
    - 100.00% HTC (Australia and New Zealand) PTY LTD.
    - 100.00% HTC Philippines Corp.
    - 99.00% PT. High Tech Computer Indonesia
    - 99.00% HTC India Private Limited
    - 100.00% HTC (Thailand) Limited
    - 100.00% HTC Malaysia Sdn. Bhd.
    - 100.00% HTC Communication Co., Ltd.
    - 100.00% HTC HK, Limited
      - 1.00% HTC Myanmar Company Limited
      - 100.00% HTC Corporation (Shanghai WGQ)
      - 100.00% HTC Electronics (Shanghai) Co., Ltd.
    - 99.99% HTC Holding Cooperatief U.A.
      - 100.00% HTC Netherlands B.V.
        - 100.00% HTC EUROPE CO., LTD.
          - 100.00% HTC America Holding Inc.
            - 100.00% HTC America Inc.
            - 100.00% One & Company Design, Inc.
            - 100.00% HTC America Innovation Inc.
            - 100.00% HTC America Content Services, Inc.
            - 100.00% Dashwire, Inc.
            - 100.00% Inquisitive Minds, Inc.
        - 100.00% HTC BRASIL
        - 100.00% HTC Belgium BVBA/SPRL
        - 100.00% HTC NIPPON Corporation
        - 99.33% HTC South Eastern Europe Limited Liability Company
        - 100.00% HTC Italia SRL
        - 100.00% HTC Nordic ApS
        - 100.00% HTC Germany GmbH.
        - 100.00% HTC Iberia S.L.
        - 100.00% HTC Poland sp. z.o.o.
        - 100.00% HTC FRANCE CORPORATION.
        - 100.00% HTC Middle East FZ-LLC
        - 100.00% HTC Communication Canada, Ltd.
        - 100.00% HTC Communication Sweden AB
        - 100.00% HTC Luxembourg S.a.r.l
        - 99.00% HTC Communication Solutions Mexico, S.A DE C.V.
        - 99.00% HTC Servicios DE Operacion Mexico, S.A DE C.V.
      - 1.00% HTC India Private Limited
      - 0.67% HTC South Eastern Europe Limited Liability Company
      - 1.00% HTC Communication Solutions Mexico, S.A DE C.V.
      - 1.00% HTC Servicios DE Operacion Mexico, S.A DE C.V.
    - 99.00% HTC Myanmar Company Limited
    - 100.00% HTC Vietnam Services One Member Limited Liability Company
    - 100.00% HTC Communication Technologies (Shanghai) Limited
      - 100.00% HTC Communication Technology (Beijing) CO., LTD.
  - 100.00% HTC Investment Corporation
  - 1.00% PT. High Tech Computer Indonesia
  - 0.01% HTC Holding Cooperatief U.A.
  - 100.00% HTC Investment One (BVI) Corporation
    - 100.00% S3 Graphics, Co., Ltd.
  - 100.00% HTC VIVE Holding (BVI) Corp.
    - 100.00% HTC VIVE TECH (BVI) Corp.
      - 100.00% HTC VIVE TECH Corp.
      - 100.00% HTC VIVE TECH (HK) Limited
        - 100.00% HTC VIVE TECH (UK) Limited
        - 100.00% HTC VIVE TECH (Beijing) CO. Limited
  - 100.00% HTC VIVE Investment (BVI) Corp.
  - 100.00% HTC Smartphone (BVI) Corp.
  - 100.00% DeepQ Holding (BVI) Corp.
    - 100.00% DeepQ (BVI) Corp.
      - 100.00% DeepQ Technology Corp.
      - 100.00% DeepQ Technology (Beijing) CO., LTD.
  - 100.00% HTC Investment (BVI) Corp.
    - 50.37% VR Chat, Inc.
      - 100.00% VR Chat Ca, Development Inc.
  - 100.00% HTC VR Content (BVI) Corp.
    - 100.00% Uomo vitruviano Corp.

Reciprocal affiliation: None

7.1.2 HTC affiliated companies

Amount in thousands

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Investor:				
HTC Corporation	1997.05.15	No.23, Xinghua Rd., Taoyuan Dist., Taoyuan City 330, Taiwan, R.O.C.	NTD 8,188,086	Principally engaged in the design, manufacture and marketing of PDA phones, smartphones, handheld devices and virtual reality devices, as well as the provision of related technologies and after services
Investee:				
H.T.C. (B.V.I.) Corp.	2000.08.01	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 4,443,510 (USD147,620)	International holdings and general investing activities
High Tech Computer Asia Pacific Pte. Ltd.	2007.07.12	#13-00 Robinson 77 Singapore 068896	NTD 16,343,343 (SGD730,838)	International holdings, marketing, repair and after-sales services
HTC Investment Corporation	2008.07.24	1F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 300,000	General investing activities
HTC Investment One (BVI) Corporation	2011.06.20	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 10,045,697 (USD 333,733)	Holding S3 Graphics Co., Ltd. and general investing activities
HTC Investment (BVI) Corp.	2015.07.29	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 782,626 (USD 26,000)	General investing activities
HTC VIVE Holding (BVI) Corp.	2015.08.31	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 210,707 (USD 7,000)	International holdings
HTC VIVE Investment (BVI) Corp	2016.09.01	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 301,010 (USD 10,000)	General investing activities
DeepQ Holding (BVI) Corp.	106.03.08	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	NTD 210,707 (USD 7,000)	International holdings
HTC Smartphone (BVI) Corp.	106.07.19	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	NTD 993 (USD 33)	International holdings
HTC VR Content (BVI) Corp.	106.07.05	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	NTD 51,473 (USD1,710)	International holdings
HTC (Australia and New Zealand) PTY LTD.	2007.08.28	Level 3, 223 Liverpool Street, Darlinghurst NSW 2010, Australia	NTD 84,385 (AUD 4,000)	Marketing, repair and after-sales services
HTC Philippines Corporation	2007.12.06	Unit 32 3/F Worldnet Business Center Zeta Bldg 191, Salcedo St Legaspi Village, Makati City 1229	NTD 6,020 (USD 200)	Marketing, repair and after-sales services
PT. High Tech Computer Indonesia	2007.12.03	Plaza Semanggi 7th Floor, unit No. Z07-006 Kawasan Bisnis Granadha Jl. Jend. Sudirman Kav. 50 Jakarta -12930 Indonesia	NTD 3,688 (IDR 1,699,313)	Marketing, repair and after-sales services
HTC (Thailand) Limited	2007.11.06	No. 9, G Tower, Level 33, Unit No. 3325, Rama 9 Road, Huaykwang Sub-district, Huaykwang District, Bangkok	NTD 25,223 (THB 25,000)	Marketing, repair and after-sales services

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC India Private Limited	2008.01.30	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Expention Road, Gurugram, Haryana-122002	NTD 2,111 (IDR 5,000)	Marketing, repair and after-sales services
HTC Malaysia Sdn. Bhd.	2007.11.07	UNIT 30-01, LEVEL 30, TOWER A, VERTICAL BUSINESS SUITE, AVENUE 3, BANGSAR SOUTH, NO. 8, JALAN KERINCHI, 59200 KUALA LUMPUR, MALAYSIA	NTD 1,839 (MYR 250)	Marketing, repair and after-sales services
HTC Communication Co., Ltd.	2008.12.29	1F, D Building, China Core Science Park, No. 2557 Jinke Road, Pilot Free Trade Zone, Shanghai China	NTD 3,837,878 (USD 127,500)	Sale of smart handheld devices and electronic components
HTC HK, Limited	2006.08.26	Unit Nos. 04-05, 11th Floor, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong	NTD 4,036,973 (HKD 1,044,376)	International holdings, marketing, repair and after-sales service
HTC Holding Cooperatief U.A.	2009.08.18	Herikerbergweg 88, 1101CM Amsterdam, the Netherlands	NTD 7,026,756 (EUR 208,242)	International holdings
HTC Communication Technologies (Shanghai) limited	2011.08.01	2F, D Building, China Core Science Park, No. 2557 Jinke Road, Pilot Free Trade Zone, Shanghai China	NTD 120,404 (USD 4,000)	Design, research and development of application software
HTC Myarmar Company Limited	2013.07.31	No. 174-182, Pansodan Road (Middle Block), Kyauktada Township, Yangon, Myanmar	NTD 2,024 (MMK 98,978)	Marketing, repair and after-sales services
HTC Vietnam Services One Member Limited Liability Company	2014.09.27	Room 909, 9th Floor, Miss Ao Dai Building, 21 Nguyen Trung Ngan, Ben Nghe Ward, District 1, Ho Chi Minh City, Viet Nam.	NTD5,499 (VND 4,230,000)	Marketing, repair and after-sales services
S3 Graphics Co, Ltd.	2001.01.03	P.O. Box 709 George Town Grand Cayman	NTD 9,271 (USD 308)	Design, research and development of graphics technology
HTC Corporation (Shanghai WGQ)	2007.07.09	Room 405, Building 2, No. 255, Meisheng Road, Pilot Free Trade Zone, Shanghai China	NTD 45,152 (USD 1,500)	Repair and after-sales services
HTC Electronics (Shanghai) Co., Ltd.	2007.01.22	Room 123, No. 2502, Hunan Road, Kangqiao Industrial Zone, Pudong New District, Shanghai, China	NTD 87,564 (USD 2,909)	Manufacture and sale of smart handheld devices and electronic components
HTC Communication Technology (Beijing) Co., Ltd.	2014.06.04	Floor 4 401 South Zone, No.7, Courtyard 1, Zhongguancun East Road, Haidian District, Beijing	NTD 45,385 (RMB 10,500)	Design, research and development of application software
HTC Netherlands B.V.	2009.11.11	Herikerbergweg 88, 1101CM Amsterdam, the Netherlands	NTD 4,855,042 (EUR 143,882)	International holdings, marketing, repair and after-sales service
HTC EUROPE CO., LTD.	2003.07.09	Salamanca Wellington Street Slough Berkshire England SL1 1YP	NTD 4,115,581 (GBP 104,061)	International holdings, marketing, repair and after-sales service
HTC BRASIL	2006.10.25	Rua James Joule, No.92, Suite 82, 7th Floor, Edificio Plaza.1, in the Capital City of Sao Paulo, State of Sao Paulo.	NTD 14,879 (BRL 1,987)	Marketing, repair and after-sales services
HTC Belgium BVBA/SPRL	2006.10.12	Havenlaan 86/c , box 204 – 1000 Brussels	NTD 641 (EUR 19)	Marketing, repair and after-sales services

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC NIPPON Corporation	2006.03.22	Habiulu Nishi-Shinbashi 7th floor, 2-35-2, Nishi-Shinbashi, Minato-ku, Tokyo	NTD 2,771 (JPY 10,000)	Sale of smart handheld devices and electronic components
HTC FRANCE CORPORATION	2010.04.02	83-85 boulevard de Charonne 75011 Paris	NTD 371,175 (EUR 11,000)	Marketing, repair and after-sales services
HTC South Eastern Europe Limited Liability Company	2010.04.27	Kifissias 90, Marousi 15125, Athens, Greece	NTD 152 (EUR 4.5)	Marketing, repair and after-sales services
HTC Nordic ApS.	2010.07.01	c/o Redmark, Sommervej 31 C, Hasle, 8210 Aarhus V	NTD 361 (DKK 80)	Marketing, repair and after-sales services
HTC Italia SRL	2007.02.19	C/o Studio Gargani & Associati, Via Nicolò Tartagli, 11, 00197 Roma, Italy	NTD 337 (EUR 10)	Marketing, repair and after-sales services
HTC Germany GmbH.	2010.09.06	Mainzer Landstr. 49 60329 Frankfurt Germany	NTD 844 (EUR 25)	Marketing, repair and after-sales services
HTC Iberia S.L.	2010.10.08	Conde de Vilches, 19, Madrid, 28028, Spain	NTD 101 (EUR 3)	Marketing, repair and after-sales services
HTC Poland sp. z o.o.	2010.09.01	Jerozolimskie Business Park, Al. Jerozolimskie 146A, 02-305 Warszawa, Poland	NTD 1,855 (PLN 234)	Marketing, repair and after-sales services
HTC Communication Canada, Ltd.	2011.01.25	2900-550 Burrard Street, Vancouver BC V6C 0A3, Canada	NTD 45,152 (USD 1,500)	Marketing, repair and after-sales services
HTC Communication Sweden AB	2011.09.26	C/o Revideco AB Drottningholmsvägen 22 112 42 Stockholm	NTD 3,218 (SEK 1,000)	Marketing, repair and after-sales services
HTC Luxembourg S.a.r.l.	2011.05.31	46A Avenue John F. Kennedy L-1855 Luxembourg	NTD 422 (EUR 12.5)	Online/download media services
HTC Middle East FZ-LLC	2012.07.08	DIC building no.3, office no.316, Dubai Internet City, Dubai	NTD 28,682 (AED 3,500)	Marketing, repair and after-sales services
HTC Communication Solutions Mexico, S.A DE C.V.	2015.04.01	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	NTD 80 (MXN 50)	Marketing, repair and after-sales services
HTC Servicios DE Operacion Mexico, S.A DE C.V.	2015.04.01	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	NTD 80 (MXN 50)	Human resource management
HTC America Holding Inc.	2010.04.23	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 8,010,659 (USD 266,126)	International holdings
HTC America Inc.	2003.01.06	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 5,056,968 (USD 168,000)	Sale of smart handheld devices and electronic components
One & Company Design, Inc.	2003.10.04	2700 18th Street San Francisco, CA,USA, 94110	NTD 1,084 (USD 36)	Design, research and development of application software
HTC America Innovation Inc.	2010.04.23	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 90,303 (USD 3,000)	Design, research and development of application software
HTC America Content Services, Inc.	2011.03.28	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 996,343 (USD 33,100)	Online/download media services
Dashwire, Inc.	2006.08.11	850 New Burton Road, Suite 201 Dover DE 19904	NTD 0.003 (USD 0.0001)	Cloud Synchronization Technology design and management
Inquisitive Minds, Inc.	2008.12.04	2700 18th Street, San Francisco, CA USA 94110	NTD 0.03 (USD 0.001)	Development and sale of Digital Education Platform
HTC VIVE TECH (BVI) Corp.	2015.08.31	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 210,707 (USD 7,000)	International holdings

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC VIVE TECH Corp.	2015.12.21	8F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 1,000	Research, development and sale of virtual reality devices
HTC VIVE TECH (HK) Limited	2017.06.21	RM. 2401, 101 King's Road, Fortress Hill, Hong Kong	NTD 204,687 (USD 6,800)	Research, development and sale of virtual reality devices
HTC VIVE TECH (Beijing) Co. Limited	2017.06.02	RM 601 ,601-3, 6F, VIA Building, Building 7, No.1 Zhongguancun East Road, Hadian District , Beijing	NTD24,081 (USD 800)	Research, development and sale of virtual reality devices
HTC VIVE TECH (UK) Limited	2017.06.23	Salamanca, Wellington Street, Slough, Berkshire, United Kingdom SL1 1YP	NTD180,606 (USD 6,000)	Research, development and sale of virtual reality devices
DeepQ (BVI) Corp.	2017.03.02	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	NTD 209,804 (USD 6,970)	International holdings
DeepQ Technology Corp.	2017.06.21	13F., No. 207-5, Sec. 3, Beixin Rd.,Xindian Dist, New Taipei City 231, Taiwan	NTD115,000	Health technology and health care business
DeepQ Technology (Beijing) Co., Ltd	2017.12.21	1101-1, 11th Floor, Building 7, No.1, Zhongguancun East Road, Haidian District, Beijing	NTD 90,303 (USD 3,000)	Development and marketing of software technology
VRChat. Inc.	2015.11.30	288 Bryn Mawr Cir, Houston TX 77024, USA	NTD 563,822 (USD 18,731)	Software development of virtual reality
Uomo vitruviano Corp.	2017.09.15	11F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD50,000	Software development of virtual reality
VRChat. Ca. Development Inc.	2016.01.01	288 Bryn Mawr Cir, Houston TX 77024, USA	NTD 58,704 (CAD 2,544)	Software development of virtual reality

Note: Paid-in capital is translated at the exchange rates prevailing on the balance sheet date.

7.1.3 Common shareholders of HTC and its subsidiaries or its affiliates with actual deemed Control: None.

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

Industries covered by the businesses operated by all affiliates:

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

Division of labor among all affiliates:

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

(1) The primary business of HTC Holding Cooperatief U.A, HTC VIVE Holding (BVI) Corp., HTC America Holding Inc., HTC VIVE TECH (BVI) Corp., DeepQ Holding (BVI) Corp., HTC Smartphone (BVI) Corp., HTC VR Content (BVI) Corp.,and DeepQ (BVI) Corp. is international holdings.
(2) The primary business of H.T.C. (B.V.I.) Corp. is international holdings and general investing activities.
(3) The primary business of HTC Investment Corporation , HTC Investment (BVI) Corp.and HTC VIVE Investment (BVI) Corp. is general investing activities.
(4) HTC Electronics (Shanghai) Co., Ltd. engages in the manufacture and sale of smart handheld devices.
(5) HTC Corporation (Shanghai WGQ) engages in detect, after-sales services, and technical advisory of smart handheld devices.
(6) HTC Communication Co., Ltd. engages in the sale of smart handheld devices.
(7) HTC America Innovation Inc., One & Company Design Inc., HTC Communication Technology (Beijing) Co., Ltd. and HTC Communication Technologies (Shanghai) limited engage in design, research and development of application software.
(8) HTC America Inc. and HTC NIPPON Corporation engage in the sale of smart handheld devices and electronic components.
(9) High Tech Computer Asia Pacific Pte. Ltd., HTC HK, Limited, HTC Netherlands B.V., and HTC EUROPE CO., LTD. engage in global investing activities, marketing, repair and after-sales service.
(10) HTC Luxembourg S.a.r.l. and HTC America Content Services, Inc. engage in online and download media services.
(11) Dashwire, Inc. engages in design and management of cloud synchronization technology.
(12) Inquisitive Minds, Inc. is mainly engaged in development and sale of digital education platform.
(13) HTC Investment One (BVI) Corporation is mainly engaged in acquisitions and general investment for S3 Graphics Co., Ltd.
(14) The primary business of S3 Graphics Co, Ltd. is design, research and development of graphics technology.
(15) HTC Servicios DE Operacion Mexico, S.A DE C.V. is mainly engaged in human resource management.
(16) HTC VIVE TECH Corp., HTC VIVE TECH (HK) Limited, HTC VIVE TECH (Beijing) Co. Limited , and HTC VIVE TECH (UK) Limited are mainly engaged in research, development and sale of virtual reality devices.
(17) DeepQ Technology Corp. is mainly engaged in health technology and health care business.
(18) DeepQ Technology (Beijing) Co., Ltd is mainly engaged in development and marketing of software technology.
(19) VRChat. Inc., Uomo vitruviano Corp., and VRChat. Ca. Development Inc. are mainly engaged in Software development of virtual reality.
(20) The remaining companies engage in marketing, repair and after-sales services.

7.1.5 Information of Directors, Supervisors, and Presidents of HTC affiliated companies

Unit: NT$ thousands, except shareholding

Company	Title	Name or Representative	Shareholding: Shares (Investment Amount)	Shareholding: Investment Holding Percentage
Investor:				
HTC Corporation	Chairwoman	Cher Wang	32,272,427 shares	3.94%
	Director	Wen-Chi Chen	22,391,389 shares	2.73%
	Director	HT Cho	96,530 shares	0.01%
	Director	David Bruce Yoffie	-	-
	Independent Director	Chen-Kuo Lin	-	-
	Independent Director	Josef Felder	500,000 shares	0.06%
	Independent Director	Vincent Thai	-	-
	CEO	Yves Maitre	-	-
Investee:				
H.T.C. (B.V.I.) Corp.	Chairwoman	HTC Corporation Representative: Cher Wang	1,476,201,760 shares	100.00%
High Tech Computer Asia Pacific Pte. Ltd.	Director	HTC Corporation Representative: Cher Wang, Marcus Woo, Chow Hong Luen Irwin	562,534,059 shares	100.00%
HTC Investment Corporation	Chairperson	HTC Corporation Representative: Cher Wang	30,000,000 shares	100.00%
	Director	HTC Corporation Representative: Peter Shen, Marcus Woo	30,000,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Hsiu Lai	30,000,000 shares	100.00%
HTC Investment One (BVI) Corporation	Director	HTC Corporation Representative: Cher Wang	333,733,246 shares	100.00%
HTC Investment (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen	26,000,000 shares	100.00%
HTC VIVE Holding (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen, Dannie Liu	7,000,000 shares	100.00%
HTC VIVE Investment (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen, Dannie Liu	10,000,000 shares	100.00%
DeepQ Holding (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen, Dannie Liu	7,000,000 shares	100.00%
HTC Smartphone (BVI) Corp.	Director	HTC Corporation Representative: Ralph Wang	33,066 shares	100.00%
HTC VR Content (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen, Dannie Liu	1,710,000 shares	100.00%

(Continued)

Company	Title	Name or Representative	Shareholding: Shares (Investment Amount)	Shareholding: Investment Holding Percentage
HTC (Australia and New Zealand) PTY LTD	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chiate Lu, Dannie Liu, Elson Pow	400,000 shares	100.00%
HTC Philippines Corporation	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Ralph Wang, Dannie Liu, Majorie L. Elic, Juancho S. Ong, Edgardo C. Abenis	858,765 shares	100.00%
PT. High Tech Computer Indonesia	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Jackson Yang	185,625 shares	99.00%
	Director	HTC Corporation Representative: Jackson Yang	1,875 shares	1.00%
	Supervisor	High Tech Computer Asia Pacific Pte. Ltd. Representative: Edward Wang	185,625 shares	99.00%
	Supervisor	HTC Corporation Representative: Edward Wang	1,875 shares	1.00%
HTC (Thailand) Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen, Chiate Lu	10,000,000 shares	100.00%
HTC India Private Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chiate Lu, Dannie Liu, Ujjwal Sharma	495,000 shares	99.00%
	Director	HTC Holding Cooperatief U.A. Representative: Chiate Lu, Dannie Liu, Ujjwal Sharma	5,000 shares	1.00%
HTC Malaysia Sdn. Bhd.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chiate Lu, NORAZMAN BIN MAT ZIN, YAHAYA BIN ABU BAKAR	25,000 shares	100.00%
HTC Communication Co., Ltd.	Chairperson	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen	USD 127,500 thousands	100.00%
	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Dannie Liu, Chiate Lu	USD 127,500 thousands	100.00%
	Supervisor	High Tech Computer Asia Pacific Pte. Ltd. Representative: Hsiu Lai	USD 127,500 thousands	100.00%
HTC HK, Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chiate Lu, Abraxas Limited	1,044,375,526 shares	100.00%
HTC Holding Cooperatief U.A.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen, Yvonne Theuns	EUR 208,242 thousands	99.99%
	Director	HTC Corporation Representative: Peter Shen, Yvonne Theuns	EUR 0.28 thousands	0.01%
HTC Communication Technologies (Shanghai) limited	Chairperson	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen	USD 4,000 thousands	100.00%
HTC Myanmar Company Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chiate Lu	99,000 shares	99.00%
	Director	HTC HK Limited Representative: Chiate Lu	1,000 shares	1.00%
HTC Vietnam Services One Member Limited Liability Company	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chiate Lu	USD 200 thousands	100.00%
S3 Graphics Co, Ltd.	Director	HTC Investment One (BVI) Corporation Representative: Peter Shen, Marcus Woo	386,338,516 shares	100.00%
HTC Corporation (Shanghai WGQ)	Executive Director	HTC HK, Limited Representative: Georges Boulloy	USD 1,500 thousands	100.00%
HTC Electronics (Shanghai) Co., Ltd.	Chairperson	HTC HK, Limited Representative: Peter Shen	USD 2,909 thousands	100.00%

(Continued)

Company	Title	Name or Representative	Shareholding: Shares (Investment Amount)	Shareholding: Investment Holding Percentage
HTC Communication Technology (Beijing) Co., Ltd	Chairperson	HTC Communication Technologies (Shanghai) limited Representative: Peter Shen	RMB 10,500 thousands	100.00%
HTC Netherlands B.V.	Representative	HTC Holding Cooperatief U.A.	143,881,816 shares	100.00%
HTC EUROPE CO. LTD.	Director	HTC Netherlands B.V. Representative: Peter Shen, Marcus Woo	104,061,442 shares	100.00%
HTC BRASIL	Representative	HTC Netherlands B.V.	1,987,399 shares	99.99%
	Representative	HTC Holding Cooperatief U.A.	1 share	0.01%
HTC Belgium BVBA/SPRL	Director	HTC Netherlands B.V. Representative: Gilbert Ng, TMF Management	18,549 shares	100.00%
HTC NIPPON Corporation	Director	HTC Netherlands B.V. Representative: Peter Shen, Kojima Masakatin, Chiate Lu	1,000 shares	100.00%
HTC France Corporation	President	HTC Netherlands B.V. Representative: Graham Wheeler	11,000,000 shares	100.00%
HTC South Eastern Europe Limited Liability Company	Administrator	HTC Netherlands B.V. Representative: Nikitas Glykas	149 shares	99.33%
	Administrator	HTC Holding Cooperatief U.A. Representative: Nikitas Glykas	1 share	0.67%
HTC Nordic ApS	Director	HTC Netherlands B.V. Representative: Graham Wheeler, Chiate Lu	80,000 shares	100.00%
HTC Italia SRL	Director	HTC Netherlands B.V. Representative: (Liquidator) Gilbert Ng	EUR 10 thousands	100.00%
HTC Germany GmbH	Director	HTC Netherlands B.V. Representative: Graham Wheeler	25,000 shares	100.00%
HTC Iberia S.L.U.	Director	HTC Netherlands B.V. Representative: Graham Wheeler	3,006 shares	100.00%
HTC Poland sp z o.o.	Director	HTC Netherlands B.V. Representative: Graham Wheeler, Chiate Lu	4,687 shares	100.00%
HTC Communication Canada, Ltd.	Director	HTC Netherlands B.V. Representative: Peter Shen, Daniel O'Brien, Chiate Lu	1,500,000 shares	100.00%
HTC Communication Sweden AB	Director	HTC Netherlands B.V. Representative: Graham Wheeler, Chiate Lu	1,000,000 shares	100.00%
HTC Luxembourg S.a.r.l.	Director	HTC Netherlands B.V. Representative: Chiate Lu, Anne Bolkow	12,500 shares	100.00%
HTC Middle East FZ-LLC	Director	HTC Netherlands B.V. Representative: Chiate Lu	3,500 shares	100.00%
HTC Communication Solutions Mexico, S.A DE C.V.	Director	HTC Netherlands B.V. Representative: Peter Shen, Chiate Lu	49,500 shares	99.00%
	Director	HTC Holding Cooperatief U.A. Representative: Peter Shen, Chiate Lu	500 shares	1.00%
HTC Servicios DE Operacion Mexico, S.A DE C.V.	Director	HTC Netherlands B.V. Representative: Peter Shen, Chiate Lu	49,500 shares	99.00%
	Director	HTC Holding Cooperatief U.A. Representative: Peter Shen, Chiate Lu	500 shares	1.00%
HTC America Holding, Inc.	Director	HTC EUROPE CO. LTD Representative: Peter Shen	371,617,151 shares	100.00%

(Continued)

Company	Title	Name or Representative	Shareholding: Shares (Investment Amount)	Shareholding: Investment Holding Percentage
HTC America, Inc.	Director	HTC America Holding, Inc. Representative: Peter Shen, Marcus Woo	1,000 shares	100.00%
One & Company Design, Inc.	Director	HTC America Holding, Inc. Representative: Chiate Lu	60,000 shares	100.00%
HTC America Innovation, Inc.	Director	HTC America Holding, Inc. Representative: Hsiu Lai	1,000 shares	100.00%
HTC America Content Services, Inc.	Director	HTC America Holding, Inc. Representative: Chiate Lu	31,000 shares	100.00%
Dashwire, Inc.	Director	HTC America Holding, Inc. Representative: Chiate Lu	100 shares	100.00%
Inquisitive Minds, Inc.	Director	HTC America Holding, Inc. Representative: Chiate Lu	100 shares	100.00%
HTC VIVE TECH (BVI) Corp.	Director	HTC VIVE Holding (BVI) Corp. Representative: Peter Shen, Dannie Liu	70,000,000 shares	100.00%
HTC VIVE TECH Corp.	Chairperson	HTC VIVE Tech (BVI) Corp. Representative: Peter Shen	100,000 shares	100.00%
	Director	HTC VIVE Tech (BVI) Corp. Representative: Marcus Woo	100,000 shares	100.00%
	Director	HTC VIVE Tech (BVI) Corp. Representative: Dannie Liu	100,000 shares	100.00%
	Supervisor	HTC VIVE Tech (BVI) Corp. Representative: Chiate Lu	100,000 shares	100.00%
HTC VIVE TECH (HK) Limited	Director	HTC VIVE TECH (BVI) Corp. Representative: Peter Shen, Marcus Woo, Dannie Liu	68,000,000 share	100.00%
HTC VIVE TECH (Beijing) Co. Limited	Director	HTC VIVE TECH (HK) Limited Representative: Peter Shen	USD 800 thousands	100.00%
HTC VIVE TECH (UK) Limite	Director	HTC VIVE TECH (HK) Limited. Representative: Peter Shen, Marcus Woo, Dannie Liu	6,000,0000 shares	100.00%
DeepQ (BVI) Corp.	Director	DeepQ Holding (BVI) Corp Representative: Peter Shen, Dannie Liu	69,700,000 shares	100.00%
DeepQ Technology Corp.	Chairperson	DeepQ (BVI) Corp. Representative: Peter Shen	11,500,000 shares	100.00%
	Director	DeepQ (BVI) Corp. Representative: Marcus Woo, Dannie Liu	11,500,000 shares	100.00%
	Supervisor	DeepQ (BVI) Corp. Representative: Chiate Lu	11,500,000 shares	100.00%
DeepQ Technology (Beijing) Co., Ltd	Chairperson	DeepQ (BVI) Corp. Representative: Peter Shen	USD 3,000 thousands	100.00%
VRChat. Inc.	Director	GAYLOR, GRAHAM BLUM, JOUDREY, JESSE BRIAN FRANK	79,257,249 shares	50.37%
Uomo vitruviano Corp.	Chairperson	HTC VR Content (BVI) Corp. Representative: Peter Shen	5,000,000 shares	100.00%
	Director	HTC VR Content (BVI) Corp. Representative: Marcus Woo, Dannie Liu	5,000,000 shares	100.00%
	Supervisor	HTC VR Content (BVI) Corp. Representative: Chiate Lu	5,000,000 shares	100.00%
VRChat. Ca. Development Inc	Director	GAYLOR, GRAHAM BLUM, JOUDREY, JESSE BRIAN FRANK	100 shares	100.00%

7.1.6 Operational highlights of HTC affiliated companies

Unit: NT$ thousands

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
Investor:								
HTC Corporation	$ 8,188,086	$ 54,969,795	$ 20,116,025	$ 34,853,770	$ 8,550,208	($8,402,665)	($ 9,358,078)	($ 11.43)
Investee:								
H.T.C. (B.V.I.) Corp.	4,443,510	2,153,905	40	2,153,865	-	(48,019)	(75,546)	(0.05)
High Tech Computer Asia Pacific Pte. Ltd.	16,343,343	21,836,199	1,152	21,835,047	20,171	(68,079)	(19,279)	(0.04)
HTC Investment Corporation	300,000	213,379	115	213,264	257	187	151	0.01
HTC Investment One (BVI) Corporation	10,045,697	134,470	-	134,470	-	(1,035,726)	(1,065,383)	(3.19)
HTC Investment (BVI) Corp.	782,626	1,898,092	38	1,898,054	466	(55,151)	(56,601)	(3.71)
HTC VIVE Holding (BVI) Corp.	210,707	206,515	-	206,515	-	(4,918)	(4,839)	(0.69)
HTC VIVE Investment (BVI) Corp	301,010	302,515	-	302,515	-	-	737	0.07
DeepQ Holding (BVI) Corp.	210,707	158,975	-	158,975	-	(34,338)	(35,336)	(5.05)
HTC Smartphone (BVI) Corp.	993	821	-	821	-	-	(67)	(2.03)
HTC VR Content (BVI) Corp.	51,473	51,496	-	51,496	-	(1,094)	(1,130)	(0.66)
HTC (Australia and New Zealand) PTY LTD.	84,385	248,633	50,822	197,811	37,143	2,232	1,236	3.09
HTC Philippines Corporation	6,020	6,296	-	6,296	-	-	-	-
PT. High Tech Computer Indonesia	3,688	26,002	4,566	21,436	-	(2)	(35)	(0.19)
HTC (Thailand) Limited	25,223	54,644	3,257	51,387	1,124	62	(16)	-
HTC India Private Limited	2,111	297,828	136,385	161,443	20,735	2,761	12,070	24.14
HTC Malaysia Sdn. Bhd.	1,839	25,803	1,641	24,162	6,558	272	(30)	(1.20)
HTC Communication Co., Ltd.	3,837,878	2,152,628	333,924	1,818,704	1,052,100	(115,358)	(102,309)	-
HTC HK, Limited	4,036,973	8,093,277	12,074	8,081,203	290,560	262,725	249,523	0.24
HTC Holding Cooperatief U.A.	7,026,756	10,788,293	15,434	10,772,859	-	(270,672)	(281,883)	-
HTC Communication Technologies (Shanghai) limited	120,404	659,959	192,852	467,107	560,871	44,746	47,887	-
HTC Myarmar Company Limited	2,024	2,014	-	2,014	-	-	-	-
HTC Vietnam Services One Member Limited Liability Company	5,499	13,279	4,097	9,182	11,253	627	393	-
S3 Graphics Co, Ltd.	9,271	93,744	276	93,468	-	(559)	(32)	-
HTC Corporation (Shanghai WGQ)	45,152	88,297	4,417	83,880	-	(3,121)	(146)	-
HTC Electronics (Shanghai) Co., Ltd.	87,564	3,930,047	4,694	3,925,353	-	(12,217)	269,776	-
HTC Communication Technology (Beijing) Co., Ltd.	45,385	112,603	25,299	87,304	145,675	8,231	7,338	-
HTC Netherlands B.V.	4,855,042	10,834,552	51,647	10,782,905	975	(268,584)	(280,761)	(1.95)

(Continued)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
HTC EUROPE CO., LTD.	$ 4,115,581	$ 10,551,535	$ 448,442	$ 10,103,093	$ 491,747	($ 606,347)	($ 282,433)	($ 3.07)
HTC BRASIL	14,879	19,911	3,696	16,215	10,447	523	444	0.22
HTC Belgium BVBA/SPRL	641	26,060	8,471	17,589	37,006	1,763	415	22.37
HTC NIPPON Corporation	2,771	194,609	47,774	146,835	279,263	3,016	(2,704)	(2,704.00)
HTC FRANCE CORPORATION	371,175	50,715	13,904	36,811	23,491	1,119	835	0.08
HTC South Eastern Europe Limited Liability Company	152	6,009	967	5,042	-	-	(2)	(13.33)
HTC Nordic ApS.	361	12,085	1,519	10,566	6,908	349	265	3.31
HTC Italia SRL	337	8,120	4,867	3,253	-	(334)	(344)	-
HTC Germany GmbH.	844	114,211	3,620	110,591	52,472	3,476	2,758	110.32
HTC Iberia S.L.	101	25,999	769	25,230	3,914	186	147	49.00
HTC Poland sp. z o.o.	1,855	8,415	4,183	4,232	32,595	1,580	785	167.02
HTC Communication Canada, Ltd.	45,152	72,396	2,297	70,099	1,171	56	182	0.12
HTC Communication Sweden AB	3,218	6,109	525	5,584	670	32	115	0.12
HTC Luxembourg S.a.r.l.	422	13,966	950	13,016	-	(2,010)	(1,954)	(156.32)
HTC Middle East FZ-LLC	28,682	62,150	6,982	55,168	73,874	2,369	1,551	443.14
HTC Communication Solutions Mexico, S.A DE C. V.	80	23,043	16,474	6,569	12,433	420	(7)	(0.14)
HTC Servicios DE Operation Mexico, S.A DE C. V.	80	7,202	2,016	5,186	9,417	230	148	2.96
HTC America Holding Inc.	8,010,659	8,852,054	2,707	8,849,347	-	(649,857)	(665,570)	(1.79)
HTC America Inc.	5,056,968	8,410,904	560,049	7,850,855	1,820,455	123,696	132,908	132,908.00
One & Company Design, Inc.	1,084	2,911	64	2,847	-	(34)	(34)	(0.57)
HTC America Innovation Inc.	90,303	698,504	174,470	524,034	329,182	15,635	16,537	16,537.00
HTC America Content Services, Inc.	996,343	748,277	436,542	311,735	106,586	(418,026)	(812,551)	(26,211.32)
Dashwire, Inc.	0.003	1,873	55,844	(53,971)	-	(15)	(15)	(150.00)
Inquisitive Minds, Inc.	0.030	34,646	3,826	30,820	101	(2,714)	(2,790)	(27,900.00)
HTC VIVE TECH BVI Corp.	210,707	206,515	-	206,515	-	(4,717)	(4,839)	(0.07)
HTC VIVE TECH Corp.	1,000	733	-	733	-	-	-	-
HTC VIVE TECH (HK) Limited	204,687	204,731	-	204,731	-	-	(4,632)	(0.07)
HTC VIVE TECH (Beijing) Co. Limited	24,081	24,514	2,217	22,297	-	(355)	(78)	-
HTC VIVE TECH (UK) Limited	180,606	182,500	95	182,405	-	(115)	(4,553)	(0.76)
DeepQ (BVI) Corp.	209,804	158,274	-	158,274	-	(34,218)	(35,269)	(0.51)
DeepQ Technology Corp.	115,000	84,636	14,877	69,759	15,413	(33,460)	(33,659)	(2.93)
DeepQ Technology (Beijing) Co., Ltd	90,303	83,651	346	83,305	947	(2,422)	(1,495)	-
VRChat. Inc.	563,822	429,989	855	429,134	-	(97,061)	(114,256)	(1.60)
Uomo vitruviano Corp.	50,000	50,880	1,664	49,216	2,561	(6,800)	(990)	(0.29)
VRChat. Ca. Development Inc.	58,704	4,197	-	4,197	-	(21,861)	(25,016)	-

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

7.1.7 Consolidated financial statements of HTC affiliated companies

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

7.1.8 Affiliates report

There were no circumstances requiring preparation of an Affiliates Report.

7.2 Private Placement Securities in 2019 and as of the Date of This Annual Report: None.

7.3 Status of HTC Common Shares and GDRS Acquired, Disposed of, and Held By Subsidiaries in 2019 as of the Date of This Annual Report: None.

7.4. Any Events in 2019 as of the Date of This Annual Report: That Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 3 of Article 36 of Securities and Exchange Law of Taiwan: None.

7.5 Other Necessary Supplement: None.

8

FINANCIAL INFORMATION

FINANCIAL INFORMATION

8.1. Abbreviated Balance Sheets for the Past Five Fiscal Years

8.1.1. Abbreviated Balance Sheets - IFRS

Unit: NT$ thousands

Item		Year 2019	2018	2017	2016	2015
Current Assets		14,722,869	28,067,272	15,795,358	41,119,540	58,086,219
Property, plant and equipment		7,171,857	7,638,244	9,742,069	10,501,997	13,152,866
Intangible Assets		27,068	33,668	72,384	309,321	622,138
Other Assets		33,048,001	34,152,320	39,416,734	50,679,456	55,613,798
Total Assets		54,969,795	69,891,504	65,026,545	102,610,314	127,475,021
Current Liabilities	Before Appropriation	19,915,673	24,566,928	31,295,988	50,831,122	62,664,620
	After Appropriation	*	24,878,076	31,295,988	50,831,122	62,664,620
Non-current Liabilities		200,352	155,738	34,981	7,686	18,306
Total Liabilities	Before Appropriation	20,116,025	24,722,666	31,330,969	50,838,808	62,682,926
	After Appropriation	*	25,033,814	31,330,969	50,838,808	62,682,926
Capital Stock		8,188,086	8,188,135	8,208,261	8,220,087	8,318,695
Capital Surplus		15,594,766	15,576,268	15,551,491	15,614,641	15,505,853
Retained Earnings	Before Appropriation	14,805,990	24,491,992	12,204,252	29,139,080	40,080,087
	After Appropriation	*	24,180,844	12,204,252	29,139,080	40,080,087
Other Equity		(3,735,072)	(3,087,557)	(2,268,428)	(1,202,302)	1,088,415
Treasury Stock		-	-	-	-	(200,955)
Total Stockholders' Equity	Before Appropriation	34,853,770	45,168,838	33,695,576	51,771,506	64,792,095
	After Appropriation	*	44,857,690	33,695,576	51,771,506	64,792,095

*Subject to change after 2020 shareholders' meeting resolution

8.1.2. Abbreviated Consolidated Balance Sheets - IFRS

Unit: NT$ thousand

Item		Year 2019	2018	2017	2016	2015	As of 2020.03.31
Current Assets		35,668,753	48,460,206	38,489,385	68,562,382	86,439,402	31,942,070
Property, plant and equipment		7,888,181	8,425,886	10,798,613	12,025,496	15,432,130	7,762,747
Intangible Assets		108,877	1,181,256	2,315,441	3,878,356	5,561,444	106,779
Other Assets		9,069,016	9,643,471	14,981,967	18,682,948	21,960,107	8,705,302
Total Assets		52,734,827	67,710,819	66,585,406	103,149,182	129,393,083	48,516,898
Current Liabilities	Before Appropriation	17,276,071	22,317,100	32,807,450	51,274,276	64,473,478	14,990,918
	After Appropriation	*	22,628,248	32,807,450	51,274,276	64,473,478	*
Non-Current Liabilities		461,473	173,851	52,828	103,400	127,510	446,048
Total Liabilities	Before Appropriation	17,737,544	22,490,951	32,860,278	51,377,676	64,600,988	15,436,966
	After Appropriation	*	22,802,099	32,860,278	51,377,676	64,600,988	*
Capital Stock		8,188,086	8,188,135	8,208,261	8,220,087	8,318,695	8,188,043
Capital Surplus		15,594,766	15,576,268	15,551,491	15,614,641	15,505,853	15,627,729
Retained Earnings	Before Appropriation	14,805,990	24,491,992	12,204,252	29,139,080	40,080,087	13,127,579
	After Appropriation	*	24,180,844	12,204,252	29,139,080	40,080,087	*
Other Equity		(3,735,072)	(3,087,557)	(2,268,428)	(1,202,302)	1,088,415	(3,991,479)
Treasury Stock		-	-	-	-	(200,955)	-
Non-Controlling Interest		143,513	51,030	29,552	-	-	128,060
Total Stockholders' Equity	Before Appropriation	34,997,283	45,219,868	33,725,128	51,771,506	64,792,095	33,079,932
	After Appropriation	*	44,908,720	33,725,128	51,771,506	64,792,095	*

* Subject to change after 2020 shareholders' meeting resolution

8.2. Abbreviated Statements of Comprehensive income for the Past Five Fiscal Years

8.2.1. Abbreviated Statements of Comprehensive income – IFRS

Unit: NT$ thousands,
except (Loss) Earning per share

Item	Year 2019	2018	2017	2016	2015
Revenues	8,550,208	22,205,824	59,333,893	74,228,118	117,083,037
Gross Profit (Loss)	433,955	(750,644)	(568,623)	7,368,471	16,250,255
Operating (Loss) Income	(8,402,665)	(12,437,947)	(15,591,825)	(11,462,190)	(13,625,809)
Non-operating Income and Expenses	(800,564)	29,437,368	(1,865,626)	369,761	(3,155,735)
Net (Loss) Income Before Tax	(9,203,229)	16,999,421	(17,457,451)	(11,092,429)	(16,781,544)
Net (Loss) Income from Continuing Operations	(9,358,078)	12,068,202	(16,905,713)	(10,560,103)	(15,533,068)
Non-Continuing Operations Loss	-	-	-	-	-
Net (Loss) Income	(9,358,078)	12,068,202	(16,905,713)	(10,560,103)	(15,533,068)
Other Comprehensive Income and Loss For The Year – Net of Income Tax	(640,906)	(568,106)	(1,299,573)	(2,455,613)	(43,307)
Total Comprehensive (Loss) Income For The Year	(9,998,984)	11,500,096	(18,205,286)	(13,015,716)	(15,576,375)
Basic (Loss) Earnings Per Share	(11.43)	14.72	(20.58)	(12.81)	(18.79)
Diluted (Loss) Earnings Per Share	(11.43)	14.50	(20.58)	(12.81)	(18.79)

8.2.2. Abbreviated Consolidated Statements of Comprehensive income – IFRS

Unit: NT$ thousands,
except (Loss) Earning per share

Item	Year 2019	2018	2017	2016	2015	As of 2020. 03.31
Revenue	10,014,966	23,740,610	62,119,814	78,161,158	121,684,231	1,329,750
Gross Profit	2,028,111	515,018	1,339,692	9,434,591	21,953,107	349,030
Operating (Loss) Income	(9,850,256)	(13,963,613)	(17,425,517)	(14,608,064)	(14,203,146)	(1,851,618)
Non-operating Income and Expenses	430,827	31,192,095	466,682	4,024,116	(1,378,394)	154,937
Net (Loss) Income Before Tax	(9,419,429)	17,228,482	(16,958,835)	(10,583,948)	(15,581,540)	(1,696,681)
Net (Loss) Income from Continuing Operations	(9,413,070)	12,024,901	(16,920,359)	(10,560,103)	(15,533,068)	(1,693,901)
Non-Continuing Operations Loss	-	-	-	-	-	-
Net (Loss) Income	(9,413,070)	12,024,901	(16,920,359)	(10,560,103)	(15,533,068)	(1,693,901)
Other Comprehensive Income and Loss for the Period, Net of Income Tax	(647,414)	(565,847)	(1,299,051)	(2,455,613)	(43,307)	(256,370)
Total Comprehensive (Loss) Income for the Period	(10,060,484)	11,459,054	(18,219,410)	(13,015,716)	(15,576,375)	(1,950,271)
(Loss) Profit For The Year Attributable To Owners Of The Parent	(9,358,078)	12,068,202	(16,905,713)	(10,560,103)	(15,533,068)	(1,678,411)
(Loss) Profit For The Year Attributable To Non-Controlling Interest	(54,992)	(43,301)	(14,646)	-	-	(15,490)
Total Comprehensive Income Attributable To Owners Of the Parent	(9,998,984)	11,500,096	(18,205,286)	(13,015,716)	(15,576,375)	(1,934,818)
Total Comprehensive Income Attributable To Non-Controlling Interest	(61,500)	(41,042)	(14,124)	-	-	(15,453)
Basic (Loss) Earnings Per Share	(11.43)	14.72	(20.58)	(12.81)	(18.79)	(2.05)
Diluted (Loss) Earnings Per Share	(11.43)	14.50	(20.58)	(12.81)	(18.79)	(2.05)

8.2.3. The Name of the Certified Public Accountant and the Auditor's Opinion

Year	CPA Firm	Certified Public Accountant	Auditor's Opinion
2015	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion
2016	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion
2017	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion
2018	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion with emphasis matter
2019	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion

8.3. Financial Analysis for the Past Five Fiscal Years

8.3.1. Financial Analysis – IFRS

Item		Year 2019	2018	2017	2016	2015
Capital Structure Analysis	Debt Ratio (%)	37	35	48	50	49
	Long-term Fund to Fixed Assets Ratio (%)	489	593	346	493	493
Liquidity Analysis	Current Ratio (%)	74	114	50	81	93
	Quick Ratio (%)	64	101	26	54	62
	Debt Services Coverage Ratio (%)	(1,269)	8,892	(558)	(2,150)	(2,145)
Operating Performance Analysis	Average Collection Turnover(Times)	13.64	12.58	7.81	5.04	4.81
	Days Sales Outstanding	27	29	47	72	76
	Average Inventory Turnover (Times)	2.31	2.87	4.39	3.86	5.68
	Average Payment Turnover (Times)	0.72	1.64	2.74	2.28	2.61
	Average Inventory Turnover Days	158	127	83	95	64
	Fixed Assets Turnover (Times)	1.15	2.56	5.86	6.28	7.36
	Total Assets Turnover (Times)	0.14	0.33	0.71	0.65	0.81
Profitability Analysis	Return on Total Assets (%)	(14.98)	17.89	(20.13)	(9.18)	(10.69)
	Return on Equity (%)	(23.39)	30.60	(39.56)	(18.12)	(21.41)
	Ratio of income before tax to paid-in capital (%)	(112.40)	207.61	(212.68)	(134.94)	(202)
	Net Margin (%)	(109.45)	54.35	(28.49)	(14.23)	(13.27)
	Basic Earnings Per Share (NT$)	(11.43)	14.72	(20.58)	(12.81)	(18.79)
Cash Flow	Cash Flow Ratio (%)	(52.84)	(48.38)	(54.61)	(24.22)	(20.87)
	Cash Flow Adequacy Ratio (%)	(1,109.66)	(862.49)	(567.10)	(31.85)	94.56
	Cash Flow Reinvestment Ratio (%)	(27.02)	(22.47)	(38.73)	(19.80)	(17.81)
Leverage	Operating Leverage	0.09	0.19	0.06	(0.37)	(0.71)
		1	1	1	1	1

Capital Structure & Liquidity Analyses

Affected by the competition in the industry, although HTC continues to streamline its operation and strictly control purchases and operating expenses, it showed a loss after tax in 2019, which resulted in operating cash outflows, a decrease in current assets, current ratio and quick ratio. In addition, the debt-service coverage ratio was negative due to the loss situation in 2019.

Operating Performance Analysis

Affected by the competition in the global smart phone market, shipments in 2019 decreased compared to the previous period, resulting in a decline in the relevant operating performance ratios. However, thanks to the proper collection of accounts, the receivables turnover ratio was better than the previous period.

Profitability Analysis

Due to the loss in 2019, the relevant profitability ratios decreased from the previous period.

Cash Flow Analysis

Due to the loss situation in 2019 and continued implementation of the austerity policy, both assets and liabilities decreased. Hence, the relevant cash flow ratios decreased from the previous period.

8.3.2. Consolidated Financial Analysis - IFRS

Item		Year 2019	Year 2018	Year 2017	Year 2016	Year 2015	As of 2020.03.31
Capital Structure Analysis	Debt Ratio (%)	34	33	49	50	50	32
	Long-term Fund to Fixed Assets Ratio (%)	448	538	313	431	420	430
Liquidity Analysis	Current Ratio (%)	206	217	117	134	134	213
	Quick Ratio (%)	190	197	84	103	98	199
	Debt Services Coverage Ratio (%)	(489)	8,998	(508)	(1,997)	(1,917)	(660)
Operating Performance Analysis	Average Collection Turnover (Times)	7.68	4.28	4.80	4.07	4.53	10.03
	Days Sales Outstanding	48	85	76	90	81	36.00
	Average Inventory Turnover (Times)	1.92	2.68	4.10	3.48	4.80	1.37
	Average Payment Turnover (Times)	0.96	1.91	2.98	2.46	2.72	0.60
	Average Inventory Turnover Days	190	136	89	105	76	266
	Fixed Assets Turnover (Times)	1.23	2.47	5.44	5.69	6.26	0.68
	Total Assets Turnover (Times)	0.17	0.35	0.73	0.67	0.83	0.11
Profitability Analysis	Return on Total Assets (%)	(15.60)	17.91	(19.90)	(9.08)	(10.59)	(3.34)
	Return on Equity (%)	(23.53)	30.50	(39.60)	(18.12)	(21.41)	(5.00)
	Ratio of income before tax to paid-in capital (%)	(115.04)	210.41	(206.61)	(128.76)	(187.31)	(20.72)
	Net Margin (%)	(93.99)	50.65	(27.24)	(13.51)	(12.77)	(127.38)
	Basic Earnings Per Share (NT$)	(11.43)	14.72	(20.58)	(12.81)	(18.79)	(2.05)
Cash Flow	Cash Flow Ratio (%)	(53.08)	(42.55)	(57.94)	(18.76)	(20.24)	(19.79)
	Cash Flow Adequacy Ratio (%)	(855.67)	(646.86)	(480.86)	(30.23)	88.82	(2,590.22)
	Cash Flow Reinvestment Ratio (%)	(22.79)	(17.62)	(38.56)	(14.49)	(16. 91)	(7.36)
Leverage	Operating Leverage	(0.11)	0.19	0.06	(0.37)	(0.71)	(0.03)
	Financial Leverage	1	1	1	1	1	1

Capital Structure & Liquidity Analyses

Affected by the competition in the industry, although HTC continues to streamline its operation and strictly control purchases and operating expenses, it showed a loss after tax in 2019, which resulted in operating cash outflows, a decrease in current assets, current ratio and quick ratio. In addition, the debt-service coverage ratio was negative due to the loss situation in 2019.

Operating Performance Analysis

Affected by the competition in the global smart phone market, shipments in 2019 decreased compared to the previous period, resulting in a decline in the relevant operating performance ratios. However, thanks to the proper collection of accounts, the receivables turnover ratio was better than the previous period.

Profitability Analysis

Due to the loss in 2019, the relevant profitability ratios decreased from the previous period.

Cash Flow Analysis

Due to the loss situation in 2019 and continued implementation of the austerity policy, both assets and liabilities decreased. Hence, the relevant cash flow ratios decreased from the previous period.

8.4. Audit Committee Review Report

HTC CORPORATION
Audit Committee Review Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements and proposal for deficit compensation. HTC Corporation's Financial Statements have been audited and certified by Hsu, Wen-Ya, CPA, and Casey Lai, CPA, of Deloitte & Touche and an audit report relating to the Financial Statements has been issued. The Business Report, Financial Statements and proposal for deficit compensation have been reviewed and considered to be complied with relevant rules by the undersigned, the Audit Committee of HTC Corporation. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

HTC CORPORATION
Chairman of the Audit Committee:
Chen-Kuo Lin

May 7, 2020

8.5. INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
HTC Corporation

Opinion

We have audited the accompanying parent company only financial statements of HTC Corporation, which comprise the parent company only balance sheets as of December 31, 2019 and 2018, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of HTC Corporation as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in Taiwan, the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of HTC Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of Taiwan, the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the parent company only financial statements for the year ended December 31, 2019 are as follows:

Revenue Recognition

According to the accounting policy stated in Note 4, revenue from the sale of goods is recognized when the control and risks are transferred to the buyers. The revenue recognition turns to be difficult due to the conditions of part of the customers accounts for 48% of operating revenues are more complicated than those applied to the general sale transactions. Because of the significance of sales revenue, revenue recognition was deemed to be a key audit matter.

We have obtained understanding and have verified the accounting policy and the design and implementation of internal controls with respect to HTC Corporation's revenue recognition. We checked the compliance with the accounting policy on revenue recognition by reviewing the relevant contracts. For ensuring HTC Corporation's compliance with IFRS 15, samples from the recognized revenue have been selected to test if the conditions of revenue recognition were met.

Responsibilities of Management and those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing HTC Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate HTC Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing HTC Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in Taiwan, the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in Taiwan, the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HTC Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on HTC Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause HTC Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within HTC Corporation to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 2, 2020

Notice to Readers

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

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

HTC CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 10,452,400	19	$ 13,445,203	19
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	69,055	-	83,411	-
Trade receivables, net (Note 10)	189,937	1	75,940	-
Trade receivables - related parties, net (Notes 10 and 30)	106,950	-	377,736	1
Other receivables (Note 10)	64,754	-	87,323	-
Current tax assets (Note 25)	37,197	-	33,312	-
Inventories (Note 11)	1,744,345	3	2,784,808	4
Prepayments (Notes 12 and 30)	271,340	1	536,332	1
Other current financial assets (Notes 9 and 31)	1,786,889	3	10,642,639	15
Other current assets	2	-	568	-
Total current assets	14,722,869	27	28,067,272	40
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	4,242	-	290,109	1
Investments accounted for using equity method (Note 13)	26,955,097	49	27,399,557	39
Property, plant and equipment (Notes 14 and 30)	7,171,857	13	7,638,244	11
Right-of-use assets (Notes 3 and 15)	8,321	-	-	-
Investment properties, net (Note 16)	2,068,531	4	2,090,226	3
Intangible assets (Note 17)	27,068	-	33,668	-
Deferred tax assets (Note 25)	3,468,482	6	3,827,502	6
Refundable deposits	78,065	-	89,358	-
Net defined benefit asset - non-current (Note 21)	289,464	1	270,358	-
Other non-current financial assets (Notes 9 and 31)	150,505	-	153,638	-
Other non-current assets (Note 12)	25,294	-	31,572	-
Total non-current assets	40,246,926	73	41,824,232	60
TOTAL	$ 54,969,795	100	$ 69,891,504	100

(Continued)

	2019		2018	
LIABILITIES AND EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 29)	$ 119,755	-	$ 82,156	-
Note and trade payables (Notes 18 and 30)	10,197,831	18	12,121,891	17
Other payables (Notes 19 and 30)	7,544,835	14	9,506,714	14
Current tax liabilities (Note 25)	11,403	-	11,634	-
Provisions - current (Note 20)	1,438,149	3	1,865,066	3
Lease liabilities - current (Notes 3 and 15)	4,131	-	-	-
Other current liabilities (Note 19)	599,569	1	979,467	1
Total current liabilities	19,915,673	36	24,566,928	35
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 25)	59,323	-	32,685	-
Lease liabilities - non-current (Notes 3 and 15)	4,213	-	-	-
Guarantee deposits received (Note 29)	136,816	1	123,053	-
Total non-current liabilities	200,352	1	155,738	-
Total liabilities	20,116,025	37	24,722,666	35
EQUITY (Note 22)				
Share capital - ordinary shares	8,188,086	15	8,188,135	12
Capital surplus	15,594,766	28	15,576,268	22
Retained earnings				
Legal reserve	18,895,136	34	18,297,655	26
Special reserve	3,080,480	6	-	-
(Accumulated deficits) unappropriated earnings	(7,169,626)	(13)	6,194,337	9
Other equity	(3,735,072)	(7)	(3,087,557)	(4)
Total equity	34,853,770	63	45,168,838	65
TOTAL	$ 54,969,795	100	$ 69,891,504	100

(Concluded)

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

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 23 and 30)	$ 8,550,208	100	$ 22,205,824	100
OPERATING COST (Notes 11, 24 and 30)	8,116,253	95	22,956,468	103
GROSS PROFIT (LOSS)	433,955	5	(750,644)	(3)
UNREALIZED LOSS (GAIN)	31,956	1	(178,837)	(1)
REALIZED GAIN	178,837	2	194,475	1
REALIZED GROSS GAIN (LOSS)	644,748	8	(735,006)	(3)
OPERATING EXPENSES (Notes 24 and 30)				
Selling and marketing	1,691,524	20	2,901,809	13
General and administrative	2,862,669	33	2,886,634	13
Research and development	4,493,220	53	5,914,498	27
Total operating expenses	9,047,413	106	11,702,941	53
OPERATING LOSS	(8,402,665)	(98)	(12,437,947)	(56)
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 24)	923,784	11	926,592	4
Other gains and losses (Notes 12, 14, 17 and 24)	(459,806)	(5)	28,908,025	130
Finance costs (Note 24)	(7,249)	-	(1,912)	-
Share of the loss of subsidiaries (Note 13)	(1,257,293)	(15)	(395,337)	(2)
Total non-operating income and expenses	(800,564)	(9)	29,437,368	132
(LOSS) PROFIT BEFORE INCOME TAX	(9,203,229)	(107)	16,999,421	76
INCOME TAX EXPENSE (Note 25)	(154,849)	(2)	(4,931,219)	(22)
(LOSS) PROFIT FOR THE YEAR	(9,358,078)	(109)	12,068,202	54

(Continued)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME AND LOSS, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 21)	$ 15,552	-	$ 179,401	1
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	(285,867)	(4)	(185,240)	(1)
Share of the comprehensive income (loss) of subsidiaries - items that will not be reclassified to profit or loss	318,113	4	(671,867)	(3)
Income tax relating to items that will not be reclassified to profit or loss (Note 25)	(1,866)	-	(21,529)	-
	45,932	-	(699,235)	(3)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(686,838)	(8)	131,129	1
Other comprehensive loss for the year, net of income tax	(640,906)	(8)	(568,106)	(2)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	$ (9,998,984)	(117)	$ 11,500,096	52
(LOSS) EARNINGS PER SHARE (Note 26)				
Basic	$ (11.43)		$ 14.72	
Diluted	$ (11.43)		$ 14.50	

(Concluded)

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

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	Share Capital		Retain Earnings	Retain Earnings		Other Equity				
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	(Accumulated Deficits) Unappropriated Earnings	Exchange Differences on Translating Foreign Operation	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Losses on Available-for-sale Financial Assets	Unearned Employee Benefit	Total Equity
BALANCE, JANUARY 1, 2018	$ 8,208,261	$ 15,551,491	$ 18,297,655	$ -	$(6,093,403)	$ (2,183,148)	$ -	$ (35,690)	$ (49,590)	$ 33,695,576
Effect of retrospective application of accounting standards	-	-	-	-	104,732	-	(171,354)	35,690	-	(30,932)
BALANCE, JANUARY 1, 2018 AS RESTATED	8,208,261	15,551,491	18,297,655	-	(5,988,671)	(2,183,148)	(171,354)	-	(49,590)	33,664,644
Net profit for the year ended December 31, 2018	-	-	-	-	12,068,202	-	-	-	-	12,068,202
Other comprehensive income and loss for the year ended December 31, 2018	-	-	-	-	157,872	131,129	(857,107)	-	-	(568,106)
Changes in capital surplus from investments in associates accounted for using the equity method	-	60,873	-	-	-	-	-	-	-	60,873
Issuance of shares from exercise of employee share options	1,490	6,631	-	-	-	-	-	-	-	8,121
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(43,066)	-	-	-	-	(43,066)
Share-based payments	(21,616)	(42,727)	-	-	-	-	-	-	42,513	(21,830)
BALANCE, DECEMBER 31, 2018	8,188,135	15,576,268	18,297,655	-	6,194,337	(2,052,019)	(1,028,461)	-	(7,077)	45,168,838
Appropriation of 2018 earnings										
Legal reserve	-	-	597,481	-	(597,481)	-	-	-	-	-
Special reserve	-	-	-	3,080,480	(3,080,480)	-	-	-	-	-
Cash dividends	-	-	-	-	(311,148)	-	-	-	-	(311,148)
Net loss for the year ended December 31, 2019	-	-	-	-	(9,358,078)	-	-	-	-	(9,358,078)
Other comprehensive income and loss for the year ended December 31, 2019	-	-	-	-	13,686	(686,838)	32,246	-	-	(640,906)
Changes in capital surplus from investments in associates accounted for using the equity method	-	(34,121)	-	-	(21,702)	-	-	-	-	(55,823)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(8,760)	-	-	-	-	(8,760)
Share-based payments	(49)	52,619	-	-	-	-	-	-	7,077	59,647
BALANCE, DECEMBER 31, 2019	$ 8,188,086	$ 15,594,766	$ 18,895,136	$ 3,080,480	$(7,169,626)	$ (2,738,857)	$ (996,215)	$ -	$ -	$ 34,853,770

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

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	$ (9,203,229)	$ 16,999,421
Adjustments for:		
Depreciation expenses	486,823	444,813
Amortization expenses	13,069	59,143
Expected credit (reversed gain) loss recognized on trade receivables	(30,000)	82,964
Finance costs	7,249	1,912
Interests income	(166,541)	(304,487)
Compensation costs of employee share-based payments (reversed)	53,003	(20,812)
Share of the loss of subsidiaries	1,257,293	395,337
Net gain on disposal of property, plant and equipment	(83,963)	(162,272)
Net gain on disposal of assets and licensing income (Note 24)	-	(31,285,385)
Net gain on disposal of subsidiary	-	(15,396)
Impairment loss on non-financial assets	242,709	3,226,337
Unrealized (loss) gain on sales	(31,956)	178,837
Realized gain on sales	(178,837)	(194,475)
Gain from lease modification	(441)	-
Changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	51,955	(11,240)
(Increase) decrease in trade receivables	(83,997)	1,088,719
Decrease in trade receivables - related parties	270,786	568,362
Decrease (increase) in other receivables	14,088	(34,966)
Decrease in inventories	865,487	2,915,139
Decrease in prepayments	264,992	499,169
Decrease in other current assets	566	132,535
Decrease (increase) in other non-current assets	15,399	(126,535)
Decrease in note and trade payables	(1,724,060)	(3,174,517)
Decrease in other payables	(1,949,708)	(2,370,891)
Decrease in provisions	(426,917)	(1,321,954)
(Decrease) increase in other current liabilities	(379,898)	161,511
Cash used in operations	(10,716,128)	(12,268,731)
Interest received	175,022	290,543
Interest paid	(7,249)	(1,912)
Income tax return	24,827	95,122
Net cash used in operating activities	(10,523,528)	(11,884,978)

(Continued)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash inflow on disposal of subsidiary	$ -	$ 410,857
Payments for property, plant and equipment	(96,740)	(542,923)
Proceeds from disposal of property, plant and equipment	101,982	250,199
Increase in refundable deposits	-	(1,631)
Decrease in refundable deposits	11,293	-
Payments for intangible assets	(6,536)	(29,384)
Proceeds from disposal of intangible assets	5,048	-
Increase in other financial assets	-	(10,647,082)
Decrease in other financial assets	8,858,883	-
Proceeds from disposal of assets and licensing income (Note 24)	-	31,285,385
Net cash generated from investing activities	8,873,930	20,725,421
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	13,763	121,788
Repayment of the principal portion of lease liabilities	(17,116)	-
Dividends paid to owners of the Company	(311,148)	-
Proceeds from exercise of employee share options	-	8,121
Net cash outflow on acquisition of subsidiaries	(1,028,704)	(1,257,159)
Capital reduction of subsidiaries	-	267,131
Net cash used in financing activities	(1,343,205)	(860,119)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,992,803)	7,980,324
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	13,445,203	5,464,879
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 10,452,400	$ 13,445,203

(Concluded)

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

HTC CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. GENERAL INFORMATION

HTC Corporation (the "Company") was incorporated on May 15, 1997 under the Company Law of Taiwan, the Republic of China. The Company is engaged in designing, manufacturing, assembling, processing, and selling smart mobile and virtual reality devices and after-sales service.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company's board of directors and authorized for issue on March 2, 2020.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

IFRS 16 "Leases"

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

Definition of a lease

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

The Company as lessee

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

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

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

The Company also applies the following practical expedients:

1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
3) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
4) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 2%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of operating lease commitments on December 31, 2018	$ 70,429
Less: Recognition exemption for short-term leases	-
Undiscounted amounts on January 1, 2019	$ 70,429
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 69,445
Add: Adjustments as a result of a different treatment of extension and termination options	6,783
Lease liabilities recognized on January 1, 2019	$ 76,228

The Company as lessor

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

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 76,228	$ 76,228
Total effect on assets	$ -	$ 76,228	$ 76,228
Lease liabilities - current	$ -	$ 20,400	$ 20,400
Lease liabilities - non-current	-	55,828	55,828
Total effect on liabilities	$ -	$ 76,228	$ 76,228

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

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

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit assets which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

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

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
c. Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities are:

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

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

Business Combinations

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

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

Non-controlling interests that present the ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Foreign Currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from 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 purpose of presenting the parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

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 the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from 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 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 the weighted-average cost on the balance sheet date.

Investments in Subsidiaries

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

Subsidiaries are the entities controlled by the Company.

Under the equity method, investments in a subsidiary are initially recognized in the parent company only balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiaries. The Company also recognizes the changes in the equity of subsidiaries attributable to the Company.

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

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

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary 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 and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

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

Property, Plant and Equipment

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

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

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

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

Investment Properties

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

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

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

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

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. 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, they are measured on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

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. 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 allocated to the individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29.

b) Financial assets at amortized cost

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

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and
ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;
ii) Breach of contract, such as a default;
iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

c) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

i) Internal or external information show that the debtor is unlikely to pay its creditors.
ii) When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged

default criterion.

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

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

- Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 29.

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

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

Provisions

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

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

a. Warranty provisions

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

b. Onerous contracts

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

Revenue Recognition

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

a. Revenue from the sale of goods

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

b. Revenue from the rendering of services

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

c. Licensing revenue

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

Leases

2019

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

a. The Company as lessor

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

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

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

b. The Company as lessee

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

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

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

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

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

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

2018

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

a. The Company as lessor

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

b. The Company as lessee

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

c. Leasehold land for own use

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

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

Employee Benefits

Short-term employee benefits

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

Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

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

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

Other long-term employee benefits

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

Termination benefits

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

Share-based Payment Arrangements

Share-based payment transactions of the Company

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

Restricted shares for employees are recognized as other equity - 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 on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax

Current and deferred taxes 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 taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Accrued Marketing Expenses

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Key Sources of Estimation Uncertainty

a. Impairment of tangible and intangible assets other than goodwill

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

Impairment loss on tangible and intangible assets other than goodwill recognized were NT$67,733 thousand and NT$2,252,899 thousand for the years ended December 31, 2019 and 2018, respectively.

b. Valuation of inventories

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

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

As of December 31, 2019 and 2018, the carrying amounts of inventories were NT$1,744,345 thousand and NT$2,784,808 thousand, respectively.

c. Realization of deferred tax assets

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

As of December 31, 2019 and 2018, the carrying amounts of deferred tax assets were NT$3,468,482 thousand and NT$3,827,502 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 640	$ 1,035
Checking accounts and demand deposits	2,204,920	990,072
Time deposits (with original maturities less than three months)	8,246,840	12,454,096
	$ 10,452,400	$ 13,445,203

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

	December 31	
	2019	2018
Bank balance	0.01%-0.66%	0.01%-0.62%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets - current		
Financial assets held for trading Derivative financial assets (not under hedge accounting) Foreign exchange contracts	$ 69,055	$ 83,411
Financial liabilities - current		
Financial liabilities held for trading Derivative financial liabilities (not under hedge accounting) Foreign exchange contracts	$ 119,755	$ 82,156

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

Forward Exchange Contracts

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
December 31, 2019					
Foreign exchange contracts	Sell	EUR/USD	2020.1.8-2020.3.6	EUR	14,000
Foreign exchange contracts	Sell	JPY/USD	2020.1.10-2020.3.6	JPY	3,300,000
Foreign exchange contracts	Sell	GBP/USD	2020.1.8-2020.2.26	GBP	18,000
Foreign exchange contracts	Sell	CAD/USD	2020.2.26	CAD	6,000
Foreign exchange contracts	Sell	AUD/USD	2020.2.21	AUD	1,000
Foreign exchange contracts	Sell	RMB/USD	2020.1.8-2020.2.26	RMB	384,150
Foreign exchange contracts	Buy	RMB/USD	2020.1.8-2020.3.6	RMB	727,465
Foreign exchange contracts	Buy	JPY/USD	2020.1.8-2020.3.6	JPY	3,918,335
Foreign exchange contracts	Buy	USD/NTD	2020.1.8-2020.3.6	USD	369,500
Foreign exchange contracts	Buy	EUR/USD	2020.1.8-2020.3.6	EUR	30,000
Foreign exchange contracts	Buy	GBP/USD	2020.1.8-2020.2.21	GBP	17,000
Foreign exchange contracts	Buy	AUD/USD	2020.1.10-2020.2.21	AUD	9,000
Foreign exchange contracts	Buy	HKD/USD	2020.1.17	HKD	626,440
December 31, 2018					
Foreign exchange contracts	Sell	USD/NTD	2019.1.9	USD	120,000
Foreign exchange contracts	Sell	EUR/USD	2019.1.23-2019.3.6	EUR	16,000
Foreign exchange contracts	Sell	JPY/USD	2019.1.9-2019.3.8	JPY	3,200,000
Foreign exchange contracts	Sell	GBP/USD	2019.1.9-2019.3.6	GBP	28,000
Foreign exchange contracts	Sell	CAD/USD	2019.1.23	CAD	6,000
Foreign exchange contracts	Sell	AUD/USD	2019.1.16	AUD	1,000
Foreign exchange contracts	Sell	RMB/USD	2019.1.11-2019.3.6	RMB	404,984
Foreign exchange contracts	Buy	RMB/USD	2019.1.9-2019.3.6	RMB	1,317,332
Foreign exchange contracts	Buy	JPY/USD	2019.1.9-2019.2.15	JPY	1,718,335
Foreign exchange contracts	Buy	USD/NTD	2019.1.9-2019.3.8	USD	594,500
Foreign exchange contracts	Buy	EUR/USD	2019.1.9-2019.3.6	EUR	40,000
Foreign exchange contracts	Buy	GBP/USD	2019.1.9-2019.2.22	GBP	30,000
Foreign exchange contracts	Buy	AUD/USD	2019.1.16-2019.2.22	AUD	9,000

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	December 31	
	2019	2018
Domestic investments		
Listed shares and emerging market shares	$ 306	$ 225
Unlisted shares	3,936	289,884
	$ 4,242	$ 290,109

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

9. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
Time deposits with original maturities of more than three months	$ 1,936,394	$ 10,796,277
Restricted demand deposits	1,000	-
	$ 1,937,394	$ 10,796,277
Current	$ 1,786,889	$ 10,642,639
Non-current	150,505	153,638
	$ 1,937,394	$ 10,796,277

For details of pledged other financial assets, refer to Note 31.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
Trade and overdue receivables		
At amortized cost		
Trade receivables	$ 320,015	$ 448,562
Trade receivables - related parties	106,950	377,736
Overdue receivables	2,053,491	1,840,947
Less: Allowances for impairment loss	(130,078)	(372,622)
Less: Allowances for impairment loss - overdue receivables	(2,053,491)	(1,840,947)
	$ 296,887	$ 453,676
Other receivables		
VAT refund receivables	$ 32,389	$ 57,209
Interest receivables	6,442	14,923
Others	25,923	15,191
	$ 64,754	$ 87,323

a. Trade receivables at amortized cost

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

Credit exposure is controlled by counterparty limits annually.

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

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

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

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

December 31, 2019

	Non Past Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	$ 300,360	$ -	$ 3,647	$ 122,958	$ 426,965
Loss allowance (Lifetime ECL)	(3,473)	-	(3,647)	(122,958)	(130,078)
Amortized cost	$ 296,887	$ -	$ -	$ -	$ 296,887

December 31, 2018

	Non Past Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	$ 303,863	$ 79,247	$ 136,367	$ 306,821	$ 826,298
Loss allowance (Lifetime ECL)	(1,595)	(3,697)	(60,509)	(306,821)	(372,622)
Amortized cost	$ 302,268	$ 75,550	$ 75,858	$ -	$ 453,676

The movements of the loss allowance of trade receivables and overdue receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	$ 2,213,569	$ 2,349,999
Add: Loss allowance recognized	-	82,964
Less: Loss allowance reversed	(30,000)	-
Less: Amounts written off	-	(219,394)
Balance, end of the year	$ 2,183,569	$ 2,213,569

b. Other receivables

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

11. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 499,723	$ 578,776
Work-in-process	11,236	36,577
Semi-finished goods	195,057	381,696
Raw materials	1,010,578	1,754,137
Inventory in transit	27,751	33,622
	$ 1,744,345	$ 2,784,808

The cost of inventories write-downs recognized as operation costs for the years ended December 31, 2019 and 2018 were NT$174,976 thousand and NT$973,438 thousand, respectively.

12. PREPAYMENTS

	December 31	
	2019	2018
Software and hardware maintenance	$ 113,929	$ 105,605
Prepaid expense	80,177	77,207
Royalty	69,432	84,899
Prepaid equipment	25,294	12,619
Service	4,659	115,973
Prepayments to suppliers	3,143	171,601
	$ 296,634	$ 567,904
Current	$ 271,340	$ 536,332
Non-current	25,294	31,572
	$ 296,634	$ 567,904

For the year ended December 31, 2018, the Company determined that the carrying amount of some of the prepayments for royalties were expected to be unrecoverable, and thus recognized an impairment loss of NT$2,210,749 thousand classified as other gains and losses. Refer to Note 24.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	2018
Investment in subsidiaries	$ 26,955,097	$ 27,399,557

Investments in Subsidiaries

	December 31	
	2019	2018
Unlisted equity investments		
H.T.C. (B.V.I.) Corp.	$2,153,865	$ 2,584,797
High Tech Computer Asia Pacific Pte. Ltd.	21,835,047	21,546,647
HTC Investment Corporation	213,264	224,352
PT. High Tech Computer Indonesia	62	62
HTC Holding Cooperatief U.A.	13	13
HTC Investment One (BVI) Corporation	134,470	1,194,273
HTC Investment (BVI) Corp.	1,898,054	1,079,959
HTC VIVE Holding (BVI) Corp.	206,515	210,452
HTC VIVE INVESTMENT (BVI) Corp.	302,515	308,078
DeepQ Holding (BVI) Corp.	158,975	197,488
HTC Smartphone (BVI) Corp.	821	904
HTC VR Content (BVI) Corp.	51,496	52,532
	$26,955,097	$27,399,557

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

	December 31	
Name of Subsidiaries	2019	2018
H.T.C. (B.V.I.) Corp.	100.00%	100.00%
High Tech Computer Asia Pacific Pte. Ltd.	100.00%	100.00%
HTC Investment Corporation	100.00%	100.00%
PT. High Tech Computer Indonesia	1.00%	1.00%
HTC Holding Cooperatief U.A.	0.01%	0.01%
HTC Investment One (BVI) Corporation	100.00%	100.00%
HTC Investment (BVI) Corp.	100.00%	100.00%
HTC VIVE Holding (BVI) Corp.	100.00%	100.00%
HTC VIVE INVESTMENT (BVI) Corp.	100.00%	100.00%

(Continued)

	December 31	
Name of Subsidiaries	2019	2018
DeepQ Holding (BVI) Corp.	100.00%	100.00%
HTC Smartphone (BVI) Corp.	100.00%	100.00%
HTC VR Content (BVI) Corp.	100.00%	100.00%

(Concluded)

Refer to Note 13 to the consolidated financial statements for the year ended December 31, 2019 for the details of the subsidiaries indirectly held by the Company.

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2019	2018
Carrying amounts		
Land	$ 4,546,099	$ 4,546,099
Buildings	2,324,010	2,551,107
Machinery and equipment	242,075	395,243
Other equipment	59,673	145,795
	$ 7,171,857	$ 7,638,244

Movements of property, plant and equipment for the years ended December 31, 2019 and 2018 were as follows:

	2019				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance, beginning of the year	$ 4,546,099	$ 4,057,101	$ 4,991,668	$ 1,084,408	$ 14,679,276
Additions	-	15,122	31,192	25,580	71,894
Disposals	-	(870)	(1,681,640)	(449,625)	(2,132,135)
Reclassified as investment properties	-	(251,752)	-	-	(251,752)
Balance, end of the year	4,546,099	3,819,601	3,341,220	660,363	12,367,283

(Continued)

	2019				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
Accumulated depreciation					
Balance, beginning of the year	-	1,505,994	4,345,947	930,806	6,782,747
Depreciation expenses	-	162,553	157,373	47,956	367,882
Disposals	-	(870)	(1,544,305)	(383,982)	(1,929,157)
Reclassified as investment properties	-	(172,086)	-	-	(172,086)
Balance, end of the year	-	1,495,591	2,959,015	594,780	5,049,386
Accumulated impairment					
Balance, beginning of the year	-	-	250,478	7,807	258,285
Impairment losses recognized	-	-	8,968	63,746	72,714
Disposals	-	-	(119,316)	(65,643)	(184,959)
Balance, end of the year	-	-	140,130	5,910	146,040
Net book value, end of the year	$ 4,546,099	$ 2,324,010	$ 242,075	$ 59,673	$ 7,171,857

(Concluded)

	2018				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance, beginning of the year	$ 4,546,099	$ 6,905,931	$ 9,840,705	$ 1,312,434	$ 22,605,169
Additions	-	71,700	417,694	62,940	552,334
Disposals	-	(48,387)	(5,266,731)	(290,966)	(5,606,084)
Reclassified as investment properties	-	(2,872,143)	-	-	(2,872,143)
Balance, end of the year	4,546,099	4,057,101	4,991,668	1,084,408	14,679,276
Accumulated depreciation					
Balance, beginning of the year	-	2,056,228	8,975,570	1,108,697	12,140,495
Depreciation expenses	-	177,973	99,429	76,196	353,598
Disposals	-	(37,505)	(4,729,052)	(254,087)	(5,020,644)
Reclassified as investment properties	-	(690,702)	-	-	(690,702)
Balance, end of the year	-	1,505,994	4,345,947	930,806	6,782,747
Accumulated impairment					
Balance, beginning of the year	-	-	713,559	9,046	722,605
Impairment losses recognized	-	-	936	32,257	33,193
Disposals	-	-	(464,017)	(33,496)	(497,513)
Balance, end of the year	-	-	250,478	7,807	258,285
Net book value, end of the year	$ 4,546,099	$ 2,551,107	$ 395,243	$ 145,795	$ 7,638,244

For the years ended December 31, 2019 and 2018, the Company determined that the carrying amounts of some of equipment were expected to be unrecoverable. Thus, it recognized impairment losses of NT$72,714 thousand and NT$33,193 thousand classified as other gains and losses, respectively. Refer to Note 24 for details.

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

Buildings	5-50 years
Machinery and equipment	3-6 years
Other equipment	3-5 years

The major component parts of the buildings held by the Company included plants, electro-powering machinery and engineering systems, etc., which are depreciated over their estimated useful lives of 40 to 50 years, 20 years and 5 to 10 years, respectively.

The Company leased part of the buildings in February and November 2018 and July 2019. The leased assets were reclassified as investment properties because the standards related to investment properties are applied on leased assets. For the details, refer to Note 16.

There were no capitalized interests for the years ended December 31, 2019 and 2018.

15. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 8,321

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 8,911
Depreciation charge for right-of-use assets	
Buildings	$ 17,580

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 4,131
Non-current	$ 4,213

Discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	2%

c. Material lease-in activities and terms

The Company leases certain buildings for the use of plants and offices with original lease terms of 2 to 4 years. The Company does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 8,467
Total cash outflow for leases	$ (26,695)

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

2018

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

	December 31, 2018
Not later than 1 year	$ 15,946
Later than 1 year and not later than 5 years	54,483
	$ 70,429

16. INVESTMENT PROPERTIES, NET

Movement of investment properties, net for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Cost		
Balance, beginning of the year	$ 2,872,143	$ -
Reclassification	251,752	2,872,143
Balance, end of the year	3,123,895	2,872,143
Accumulated depreciation		
Balance, beginning of the year	781,917	-
Depreciation expense	101,361	91,215
Reclassification	172,086	690,702
Balance, end of the year	1,055,364	781,917
Net book value, end of the year	$ 2,068,531	$ 2,090,226

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

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	$ 594,820
Year 2	594,649
Year 3	312,878
	$ 1,502,347

The future minimum lease payments under operating lease commitments as of December 31, 2018 are as follows:

	December 31, 2018
Not later than 1 year	$ 528,825
Later than 1 year and not later than 5 years	1,370,236
	$ 1,899,061

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

Main buildings	40-50 years
Electricity distribution system	20 years
Air-conditioning	5-10 years
Others	3-5 years

The determination of fair value for the investment properties leased in December 31, 2019 and 2018 were performed by independent qualified professional appraisers and the fair values were measured by using Level 3 inputs, respectively. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair values as of December 31, 2019 and 2018 were NT$3,005,890 thousand and NT$2,743,226 thousand, respectively.

17. INTANGIBLE ASSETS

	December 31	
	2019	2018
Carrying amounts		
Patents	$ -	$ 3,925
Other intangible assets	27,068	29,743
	$ 27,068	$ 33,668

Movements of intangible assets for the years ended December 31, 2019 and 2018 were as follows:

	2019		
	Patents	Other Intangible Assets	Total
Cost			
Balance, beginning of the year	$ 2,516,290	$ 1,197,681	$ 3,713,971
Additions	-	6,536	6,536
Disposals	-	(5,048)	(5,048)
Eliminations	-	(283,328)	(283,328)
Balance, end of the year	2,516,290	915,841	3,432,131
Accumulated amortization			
Balance, beginning of the year	2,401,280	1,158,981	3,560,261
Amortization expenses	3,925	9,144	13,069
Eliminations	-	(283,328)	(283,328)
Balance, end of the year	2,405,205	884,797	3,290,002
Accumulated impairment			
Balance, beginning of the year	111,085	8,957	120,042
Reversed	-	(4,981)	(4,981)
Balance, end of the year	111,085	3,976	115,061
Net book value, end of the year	$ -	$ 27,068	$ 27,068

	2018		
	Patents	Other Intangible Assets	Total
Cost			
Balance, beginning of the year	$ 2,516,290	$ 1,168,297	$ 3,684,587
Additions	-	29,384	29,384
Balance, end of the year	2,516,290	1,197,681	3,713,971
Accumulated amortization			
Balance, beginning of the year	2,394,896	1,106,222	3,501,118
Amortization expenses	6,384	52,759	59,143
Balance, end of the year	2,401,280	1,158,981	3,560,261
Accumulated impairment			
Balance, beginning of the year	111,085	-	111,085
Impairment losses	-	8,957	8,957
Balance, end of the year	111,085	8,957	120,042
Net book value, end of the year	$ 3,925	$ 29,743	$ 33,668

(Continued)

(Concluded)

18. NOTE AND TRADE PAYABLES

	December 31	
	2019	2018
Note payables	$ -	$ 560
Trade payables	10,195,535	12,115,761
Trade payables - related parties	2,296	5,570
	$ 10,197,831	$ 12,121,891

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

19. OTHER LIABILITIES

	December 31	
	2019	2018
Other payables		
Accrued expenses	$ 7,530,912	$ 9,480,620
Payables for purchase of equipment	13,923	26,094
	$ 7,544,835	$ 9,506,714
Other current liabilities		
Advance receipts	$ 177,354	$ 721,990
Agency receipts	43,232	56,529
Others	378,983	200,948
	$ 599,569	$ 979,467

Accrued Expenses

	December 31	
	2019	2018
Services	$ 2,403,807	$ 2,248,376
Marketing	2,172,655	3,536,208
Salaries, bonuses and compensation	1,587,509	1,955,763
Materials and molding expenses	787,176	1,073,179
Import, export and freight	65,871	186,182
Repairs, maintenance and sundry purchase	52,057	45,541
Others	461,837	435,371
	$ 7,530,912	$ 9,480,620

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

20. PROVISIONS

	December 31	
	2019	2018
Warranties	$ 1,409,032	$ 1,804,852
Others	29,117	60,214
	$ 1,438,149	$ 1,865,066

Movement of provisions for the years ended December 31, 2019 and 2018 were as follows:

2019	Warranty Provision	Others	Total
Balance, beginning of the year	$ 1,804,852	$ 60,214	$ 1,865,066
Provisions recognized	142,694	8,207	150,901
Usage	(536,436)	(39,304)	(575,740)
Effect of foreign currency exchange differences	(2,078)	-	(2,078)
Balance, end of the year	$ 1,409,032	$ 29,117	$ 1,438,149

2018	Warranty Provision	Others	Total
Balance, beginning of the year	$ 2,605,752	$ 581,268	$ 3,187,020
Provisions recognized (reversed)	643,394	(408,159)	235,235
Usage	(1,446,923)	(112,895)	(1,559,818)
Effect of foreign currency exchange differences	2,629	-	2,629
Balance, end of the year	$ 1,804,852	$ 60,214	$ 1,865,066

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

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

21. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expenses recognized in the statement of comprehensive income were NT$153,420 thousand and NT$187,624 thousand, representing the contributions made and to be made to these plans by the Company at the rates specified in the plans for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the amounts of contributions payable were NT$37,023 thousand and NT$38,415 thousand, respectively, and the amounts were paid subsequent to the end of the reporting period.

Defined Benefit Plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated based on the years of services and the average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy. The Company had applied a termination of pension contributed to the pension fund monitoring committee from May 2019 to April 2020, and had been approved by the authority.

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligation	$ (325,332)	$ (314,090)
Fair value of plan assets	614,796	584,448
Net defined benefit asset	$ 289,464	$ 270,358

Movements in net defined benefit asset were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset
Balance at January 1, 2018	$ (577,335)	$ 597,146	$ 19,811
Current service cost	(11,514)	-	(11,514)
Past service cost and gain on settlements	61,760	-	61,760
Net interest (expense) income	(8,660)	9,112	452
Recognized in profit or loss	41,586	9,112	50,698
Remeasurement			
Return on plan assets	-	14,720	14,720
Actuarial loss - changes in demographic assumptions	(23,018)	-	(23,018)
Actuarial loss - changes in financial assumptions	(6,545)	-	(6,545)
Actuarial gain - experience adjustments	194,244	-	194,244
Recognized in other comprehensive income	164,681	14,720	179,401
Contributions from the employer	-	20,448	20,448
Benefits paid	56,978	(56,978)	-
Balance at December 31, 2018	(314,090)	584,448	270,358
Current service cost	(5,728)	-	(5,728)
Net interest (expense) income	(4,319)	8,129	3,810
Recognized in profit or loss	(10,047)	8,129	(1,918)
Remeasurement			
Return on plan assets	-	19,769	19,769
Actuarial loss - changes in demographic assumptions	(22,463)	-	(22,463)
Actuarial loss - changes in financial assumptions	(16,836)	-	(16,836)
Actuarial gain - experience adjustments	35,082	-	35,082
Recognized in other comprehensive income	(4,217)	19,769	15,552
Contributions from the employer	-	5,472	5,472
Benefits paid	3,022	(3,022)	-
Balance at December 31, 2019	$ (325,332)	$ 614,796	$ 289,464

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

a. Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
b. Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	2018
Discount rate	1.000%	1.375%
Expected rate of salary increase	4.000%	4.000%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would (increase) decrease as follows:

	December 31	
	2019	2018
Discount rate		
0.25% increase	$ 11,916	$ 11,533
0.25% decrease	$ (12,471)	$ (12,075)
Expected rate of salary increase		
0.25% increase	$ (11,938)	$ (11,601)
0.25% decrease	$ 11,477	$ 11,148

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
The expected contributions to the plan for the next year	$ -	$ 13,450
The average duration of the defined benefit obligation	15.51years	15.45 years

22. EQUITY

Share Capital

a. Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands of shares)	1,000,000	1,000,000
Shares authorized	$ 10,000,000	$ 10,000,000
Number of shares issued and fully paid (in thousands of shares)	818,809	818,814
Shares issued	$ 8,188,086	$ 8,188,135

For the year ended 2018, the Company retired 2,161 thousand restricted shares for employees, totaling NT$21,616 thousand. In January and February 2018, the employee share options have been exercised by the issuance of 149 thousand shares, totaling NT$1,490 thousand. As a result, the Company's issued and outstanding ordinary shares as of December 31, 2018 decreased to NT$8,188,135 thousand, divided into 818,814 thousand ordinary shares at a par value of NT$10. Every ordinary share carries one vote per share and a right to dividends.

For the year ended 2019, the Company retired 5 thousand restricted shares for employees, totaling NT$49 thousand. As a result, the Company's issued and outstanding ordinary shares as of December 31, 2019 decreased to NT$8,188,086 thousand, divided into 818,809 thousand ordinary shares at a par value of NT$10. Every ordinary share carries one vote per share and a right to dividends.

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

b. Global depositary receipts

In November 2003, the Company issued 14,400 thousand ordinary shares, corresponding to 3,600 thousand units of Global Depositary Receipts ("GDRs"). For this GDR issuance, the Company's shareholders, including Via Technologies, Inc., also issued 12,878.4 thousand ordinary shares, corresponding to 3,219.6 thousand GDR units. Thus, the entire offering consisted of 6,819.6 thousand GDR units. Taking into account the effect of share dividends, the GDRs increased to 8,782.1 thousand units (36,060.5 thousand shares). The holders of these GDRs requested the Company to redeem the GDRs to get the Company's ordinary shares. As of December 31, 2019, there were 8,430.3 thousand units of GDRs redeemed, representing 33,721 thousand ordinary shares, and the outstanding GDRs represented 2,339.5 thousand ordinary shares or 0.28% of the Company's issued and outstanding ordinary shares.

Capital Surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of ordinary shares	$ 14,726,491	$ 14,714,126
Arising from consolidation excess	23,288	23,288
Arising from expired share options	527,421	506,611
May be used to offset a deficit only		
Changes in equity-method associates capital surplus	26,752	60,873
May not be used for any purpose		
Arising from employee share options	290,258	247,944
Arising from employee restricted shares	556	23,426
	$ 15,594,766	$ 15,576,268

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

For details of capital surplus - employee share options and employee restricted shares, refer to Note 27.

Retained Earnings and Dividend Policy

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

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

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

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 accumulated deficit and the legal reserve has exceeded 25% of its issued and outstanding ordinary share, the excess may be transferred to ordinary share or distributed in cash.

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

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

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

Information on the appropriation of earnings proposed by 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 Items

a. Exchange differences on translating foreign operations

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

b. Unrealized gains or losses on financial assets at FVTOCI

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

c. Unearned employee benefit

In the meeting of shareholders on June 2, 2015 and June 19, 2014, the shareholders approved a restricted share plan for employees. See Note 27 for the information of restricted shares issued.

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	$ (7,077)	$ (49,590)
Adjustment of turnover rate	-	62,677
Share-based payment expenses recognized	7,077	(20,164)
Balance, end of the year	$ -	$ (7,077)

23. OPERATING REVENUE

	For the Year Ended December 31	
	2019	2018
Sale of goods	$ 7,938,853	$ 21,494,954
Other operating income	611,355	710,870
	$ 8,550,208	$ 22,205,824

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

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income - bank deposits	$ 166,541	$ 304,487
Rental income	613,423	435,925
Others	143,820	186,180
	$ 923,784	$ 926,592

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net gain on disposal of assets and licensing income	$ -	$ 31,285,385
Net gain on disposal of property, plant and equipment	83,963	162,272
Net gain on disposal of subsidiary	-	15,396
Net foreign exchange gain	64,848	239,354
Net (loss) gain on valuation of financial instruments at fair value through profit or loss	(50,700)	1,255
Impairment loss (Notes 12, 14 and 17)	(67,733)	(2,252,899)
Other loss	(490,184)	(542,738)
	$ (459,806)	$ 28,908,025

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

c. Financial costs

	For the Year Ended December 31	
	2019	2018
Interest on lease liabilities	$ 1,112	$ -
Others	6,137	1,912
	$ 7,249	$ 1,912

d. Impairment (reversal gain) loss on financial assets

	For the Year Ended December 31	
	2019	2018
Trade receivables (included in operating expense)	$ (30,000)	$ 82,964

e. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 367,882	$ 353,598
Investment properties	101,361	91,215
Intangible assets	13,069	59,143
Right-of-use assets	17,580	-
	$ 499,892	$ 503,956
An analysis of depreciation - by function		
Operating costs	$ 51,986	$ 82,771
Operating expenses	333,476	270,827
Other expenses	101,361	91,215
	$ 486,823	$ 444,813
An analysis of amortization - by function		
Operating costs	$ -	$ -
Operating expenses	13,069	59,143
	$ 13,069	$ 59,143

f. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 3,685,320	$ 5,228,132
Post-employment benefits (Note 21)		
Defined contribution plans	$ 153,420	$ 187,624
Defined benefit plans	1,918	(50,698)
	155,338	136,926
Share-based payments (Note 27)		
Equity-settled share-based payments	53,003	(20,812)
Separation benefits	307,777	361,174
Total employee benefits expense	$ 4,201,438	$ 5,705,420

(Continued)

	For the Year Ended December 31	
	2019	2018
An analysis of employee benefits expense - by function		
Operating costs	$ 808,560	$ 1,418,134
Operating expenses	3,194,748	3,926,112
Other losses	198,130	361,174
	$ 4,201,438	$ 5,705,420

(Concluded)

g. Employees' compensation and remuneration of directors and supervisors

In compliance with the Company's Articles of Incorporation, the amendments stipulate the distribution of employees' compensation and remuneration to directors and supervisors at rates of no less than 4% and of no more than 0.25%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the years ended December 31, 2019 and 2018, the accrual rates and amount of employees' compensation are as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	4%	4%

Amount

	For the Year Ended December 31	
	2019	2018
Employees' compensation	$ -	$ 456,987

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

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

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

For any further information on the employees' compensation and remuneration to directors and supervisors approved in the meeting of the board of directors in 2020 and 2019, see disclosures in the Market Observation Post System.

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

	For the Year Ended December 31	
	2019	2018
Inventories (included in operating costs)	$ 174,976	$ 973,438
Intangible assets (included in other gains and losses)	(4,981)	8,957
Prepayments (included in other gains and losses)	-	2,210,749
Property, plant and equipment (included in other gains and losses)	72,714	33,193
	$ 242,709	$ 3,226,337

i. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 913,694	$ 1,730,601
Foreign exchange losses	(848,846)	(1,491,247)
Net (loss) gain on valuation of financial instruments at fair value through profit or loss	(50,700)	1,255
	$ 14,148	$ 240,609

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2019	2018
In respect of the current year		
Current tax	$ -	$ 22,636
Deferred tax	154,849	5,017,363
	154,849	5,039,999
Adjustments for previous years		
Current tax	(228,943)	(108,780)
Deferred tax	228,943	-
	-	(108,780)
Income tax expense recognized in profit or loss	$ 154,849	$ 4,931,219

A reconciliation of accounting (loss) profit and income tax expense and the applicable tax rate were as follows:

	For the Year Ended December 31	
	2019	2018
(Loss) profit before income tax	$ (9,203,229)	$ 16,999,421
Income tax (benefit) expense calculated at 20% in 2019 and 2018, respectively	$ (1,840,645)	$ 3,399,884
Effect of expenses that were not deductible in determining taxable profit	1,649	71,830
Share of the profit or loss of subsidiaries	251,458	62,214
Effect of temporary differences and loss carryforward	1,742,387	1,506,071
Adjustments for previous years' tax	-	(108,780)
Income tax expense recognized in profit or loss	$ 154,849	$ 4,931,219

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

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Recognized in current year Income tax expense of remeasurement on defined benefit plan	$ 1,866	$ 21,529

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 37,197	$ 33,312
Current tax liabilities		
Income tax payable	$ 11,403	$ 11,634

d. Deferred tax balances

Movements of deferred tax assets and deferred tax liabilities for the years ended December 31, 2019 and 2018 were as follows:

	2019			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for loss on decline in value of inventory	$ 224,650	$ (150,287)	$ -	$ 74,363
Unrealized profit	21,460	(21,460)	-	-
Unrealized royalties	447,858	(25,261)	-	422,597
Unrealized marketing expenses	247,535	(95,449)	-	152,086
Unrealized warranty expense	216,582	(47,499)	-	169,083
Unrealized contingent losses on purchase orders	7,226	(3,732)	-	3,494
Financial instruments at FVTPL	-	6,084	-	6,084
Others	184,764	(55,700)	-	129,064
Loss carryforward	2,477,427	34,284	-	2,511,711
	$ 3,827,502	$ (359,020)	$ -	$ 3,468,482
Deferred tax liabilities				
Temporary differences				
Defined benefit plans	$ 32,534	$ 2,506	$ 1,866	$ 36,906
Financial instruments at FVTPL	151	(151)	-	-
Unrealized loss	-	5,971	-	5,971
Others	-	16,446	-	16,446
	$ 32,685	$ 24,772	$ 1,866	$ 59,323

	2018			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for loss on decline in value of inventory	$ 560,149	$ (335,499)	$ -	$ 224,650
Unrealized profit	42,754	(21,294)	-	21,460
Unrealized royalties	404,858	43,000	-	447,858
Unrealized marketing expenses	424,733	(177,198)	-	247,535
Unrealized warranty expense	312,697	(96,115)	-	216,582
Unrealized contingent losses on purchase orders	69,754	(62,528)	-	7,226
Others	288,529	(103,765)	-	184,764
Loss carryforward	6,763,951	(4,286,524)	-	2,477,427
	$ 8,867,425	$ (5,039,923)	$ -	$ 3,827,502
Deferred tax liabilities				
Temporary differences				
Defined benefit plans	$ 2,377	$ 8,628	$ 21,529	$ 32,534
Financial instruments at FVTPL	-	151	-	151
Others	31,339	(31,339)	-	-
	$ 33,716	$ (22,560)	$ 21,529	$ 32,685

e. Amounts of deductible temporary differences, unused carryforward and unused tax credits for which deferred tax assets have not been recognized

	December 31	
	2019	2018
Loss carryforward	$ 65,488,191	$ 53,109,541
Deductible temporary differences	$ 8,086,375	$ 8,625,704

f. Information about unused loss carry-forward

Loss carryforwards as of December 31, 2019 comprised of:

Remaining Carrying	Expiry Year
$ 4,068,142	2024
22,459,646	2025
22,167,741	2026
17,905,848	2027
11,445,369	2029
$ 78,046,746	

g. The aggregate amount of temporary difference associated with investments for which deferred tax assets (liabilities) have not been recognized

As of December 31, 2019 and 2018, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax assets have been recognized were NT$6,621,415 thousand and NT$5,234,750 thousand, respectively.

h. Income tax assessments

The Company's tax returns through 2017 had been assessed by the tax authorities.

26. (LOSS) EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic (loss) earnings per share	$(11.43)	$ 14.72
Diluted (loss) earnings per share	$(11.43)	$ 14.50

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

Net Profit (Loss) for the Years

	For the Year Ended December 31	
	2019	2018
Net (loss) profit for the year	$ (9,358,078)	$ 12,068,202

Shares

Unit: In Thousands of Shares

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic (loss) earnings per share	818,811	819,629
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonus issued	-	12,928
Weighted average number of ordinary shares used in the computation of diluted (loss) earnings per share	818,811	832,557

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company expected that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings (loss) per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings (loss) per share until the number of shares to be distributed to employees is resolved in the following year.

The exercise price of the outstanding options issued by the Company exceeded the average market price of the shares during the years ended December 31, 2019 and 2018, which were excluded from the computation of diluted (loss) earnings per share.

27. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

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

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

Qualified employees of the Company and its subsidiaries were granted 1,000 thousand options in August 2015. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of the Company and its subsidiaries were granted 20 thousand options in May 2019. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of the Company and its subsidiaries were granted 10,000 thousand options in November 2019. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

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

Information on employee share options was as follows:

	For the Year Ended December 31			
	2019		2018	
	Number of Shares (In Thousands)	Weighted- average Exercise Price (NT$)	Number of Shares (In Thousands)	Weighted- average Exercise Price (NT$)
Balance, beginning of the year	6,909	$ 138.19	16,068	$ 137.45
Shares granted	30,000	35.35	-	-
Shares exercised	-		(149)	
Shares forfeited	(948)		(9,010)	
Balance, end of the year	35,961	53.41	6,909	138.19
Options exercisable, end of the year	6,307		6,889	
Weighted-average fair value of option granted (NT$)	$ 15.34		$ -	

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

	December 31	
	2019	2018
Range of exercise price (NT$)	$35.05-$149	$54.5-$149
Weighted-average remaining contractual life (years)	8.43 years	4.21 years

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

	November 2019	May 2019	August 2015	October 2014	November 2013
Grant-date share price (NT$)	$35.05	$35.50	$54.50	$134.50	$149.00
Exercise price (NT$)	$35.05	$35.50	$54.50	$134.50	$149.00
Expected volatility	43.64%-44.09%	44.94%-45.01%	39.26%	33.46%	45.83%
Expected life (years)	10 years	10 years	10 years	10 years	7 years
Expected dividend yield	-	-	4.04%	4.40%	5.00%
Risk-free interest rate	0.6125%-0.6348%	0.6082%-0.6224%	1.3965%	1.7021%	1.63%

Expected volatility was based on the historical share price volatility over the past 1-7 year. The Company assumed that employees would exercise their options after the vesting date when the share price was 1.63 times the exercise price.

Employee Restricted Shares

In the shareholders' meeting on June 19, 2014 and June 2, 2015, the shareholders approved a restricted share plan for employees amounting to NT$50,000 thousand and NT$75,000 thousand, consisting of 5,000 thousand and 7,500 thousand shares, respectively. In 2014 and 2015, the Company's board of directors passed a resolution to issue 5,000 thousand and 7,500 thousand shares, respectively.

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

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

If an employee fails to meet the vesting conditions, the Company will recall or buy back and cancel the restricted shares. For the years ended December 31, 2018 and 2019, the Company retired 2,161 thousand and 5 thousand restricted shares for employees, totaling NT$21,616 thousand and NT$49 thousand, respectively. As a result, the number of the Company's issued and outstanding employee restricted shares as of December 31, 2019 was 164 thousand shares. The related information is as follows

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

Compensation Cost of Share-based Payment Arrangements

Compensation cost of share-based payment arrangement recognized (reversed) was NT$53,003 thousand and NT$(20,812) thousand for the years ended December 31, 2019 and 2018, respectively.

28. 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.

29. FINANCIAL INSTRUMENTS

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

Financial instruments not carried at fair value held by the Company include financial assets measured at cost. The management considers that the carrying amounts of financial assets not measured at fair value approximate their fair value or the fair value are not measured reliably.

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

a. Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 69,055	$ -	$ 69,055
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 306	$ -	$ -	$ 306
Domestic unlisted shares	-	-	3,936	3,936
	$ 306	$ -	$ 3,936	$ 4,242
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 119,755	$ -	$ 119,755

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 83,411	$ -	$ 83,411
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 225	$ -	$ -	$ 225
Domestic unlisted shares	-	-	289,884	289,884
	$ 225	$ -	$ 289,884	$ 290,109
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 82,156	$ -	$ 82,156

There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.

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

For the year ended December 31, 2019

	Financial Assets at FVTOCI
Financial Assets	Equity Instruments
Balance at January 1, 2019	$ 289,884
Recognized in other comprehensive income	(285,948)
Balance at December 31, 2019	$ 3,936

For the year ended December 31, 2018

	Financial Assets at FVTOCI
Financial Assets	Equity Instruments
Balance at January 1, 2018	$ 475,258
Recognized in other comprehensive income	(185,374)
Balance at December 31, 2018	$ 289,884

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

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

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

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

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

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

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

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

Categories of Financial Instruments

	For the Year Ended December 31	
	2019	2018
Financial assets		
Financial assets at FVTPL		
Held for trading	$ 69,055	$ 83,411
Amortized cost (Note 1)	12,829,500	24,871,837
Financial assets at FVTOCI		
Equity instruments	4,242	290,109
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	119,755	82,156
Amortized cost (Note 2)	17,922,174	21,808,187

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, other financial assets, trade receivables, other receivables and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise, note and trade payables, other payables, agency receipts and guarantee deposits received.

Financial Risk Management Objectives and Policies

The Company's financial instruments mainly include equity and debt investments, trade receivables, other receivables, trade payables and other payables. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze the exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments and non-derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies 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 audit committee 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 33.

Sensitivity analysis

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

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

	Profit or Loss	Equity
For the year ended December 31, 2019		
USD	$ (11,150)	$ (125,365)
EUR	(1,210)	(3,492)
RMB	(18,947)	(61,865)
JPY	(3,106)	(1,469)
For the year ended December 31, 2018		
USD	$ 7,963	$ (131,112)
EUR	2,527	(3,641)
RMB	(20,430)	(105,301)
JPY	426	(1,504)

b. Credit risk

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

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

The credit risk information of trade receivables is disclosed in the Note 10.

c. Liquidity risk

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

1) Liquidity risk tables for non-derivative financial liabilities

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

December 31, 2019

	Less Than 3 Months	3 to 12 Months	Over 1 Year
Note and trade payables	$ 2,598,274	$ 7,599,557	$ -
Other payables	4,832,834	2,712,001	-
Lease liabilities	1,307	2,824	4,213
Other current liabilities	43,232	-	-
Guarantee deposits received	-	-	136,816
	$ 7,475,647	$ 10,314,382	$ 141,029

December 31, 2018

	Less Than 3 Months	3 to 12 Months	Over 1 Year
Note and trade payables	$ 4,023,438	$ 8,098,453	$ -
Other payables	5,213,566	4,293,148	-
Other current liabilities	56,529	-	-
Guarantee deposits received	-	-	123,053
	$ 9,293,533	$ 12,391,601	$ 123,053

2) Liquidity risk tables for derivative financial instruments

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

December 31, 2019

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Net Settled			
Foreign exchange contracts	$ 2,098	$ -	$ -
Gross settled			
Foreign exchange contracts			
Inflows	$ 22,493,831	$ -	$ -
Outflows	(22,528,214)	-	-
	$(34,383)	$ -	$ -

December 31, 2018

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

3) Bank credit limit

	December 31	
	2019	2018
Unsecured bank general credit limit		
Amount used	$ 283,455	$ 538,680
Amount unused	16,574,220	18,128,633
	$ 16,857,675	$ 18,667,313

Amount used includes guarantee for customs duties and for patent litigation.

30. RELATED-PARTY TRANSACTIONS

The Names and Relationships of Related-parties

Related-party	Relationship with the Company
High Tech Computer Asia Pacific Pte. Ltd.	Subsidiary
PT. High Tech Computer Indonesia	Subsidiary
HTC (Australia and New Zealand) PTY LTD.	Subsidiary
HTC (Thailand) Limited	Subsidiary
HTC India Private Limited	Subsidiary
HTC Malaysia Sdn. Bhd.	Subsidiary
HTC Communication Co., Ltd.	Subsidiary
HTC HK, Limited	Subsidiary
HTC Communication Technologies (SH)	Subsidiary
HTC Vietnam Services One Member Limited Liability Company	Subsidiary
HTC Communication (BJ) Tech Co.	Subsidiary
HTC Electronics (Shanghai) Co., Ltd.	Subsidiary
HTC Netherlands B.V.	Subsidiary
HTC EUROPE CO., LTD.	Subsidiary
HTC BRASIL	Subsidiary
HTC Belgium BVBA/SPRL	Subsidiary
HTC NIPPON Corporation	Subsidiary
HTC FRANCE CORPORATION	Subsidiary
HTC Germany GmbH.	Subsidiary
HTC Poland sp. z o.o.	Subsidiary
HTC Communication Canada, Ltd.	Subsidiary
HTC Communication Sweden AB	Subsidiary
HTC Middle East FZ-LLC	Subsidiary
HTC Communication Solutions Mexico, S.A DE C.V.	Subsidiary
HTC America Inc.	Subsidiary
HTC America Innovation Inc.	Subsidiary
HTC America Content Services, Inc.	Subsidiary
Dashwire, Inc.	Subsidiary
Uomo vitruviano Corp.	Subsidiary

(Continued)

Related-party	Relationship with the Company
DeepQ Technology Corp.	Subsidiary
VIA Technologies Inc.	Its chairman is HTC's director in substance
Xander International Corp.	Its chairman is HTC's director in substance
VIA Labs, Inc.	Its chairman is HTC's director in substance
Chander Electronics Corp.	Its chairman is HTC's director in substance
Way Chih Investment Co., Ltd.	Its director is HTC's chairwoman in substance (Note)
HTC Education Foundation	Its chairman is HTC's director in substance
Hung-Mao Investment Co., Ltd.	Its significant shareholder in substance is HTC's chairwoman
Nan Ya Plastics Corporation	Its director in substance and HTC's chairwoman are relatives and other relatives
Atrust Computer Corporation	Its general manager in substance is HTC's director
Employees' Welfare Committee	Employees' Welfare Committee of HTC
Gui Zhou Wei Ai Educational Technology Co., Ltd.	Associates
Chengdu Weiai New Economic Technology Institute	Subsidiary of associates
HTC Social Welfare and Charity Foundation	Its chairman is HTC's director in substance

(Concluded)

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

Operating Sales

	For the Year Ended December 31	
	2019	2018
Subsidiaries		
HTC Communica Co., Ltd	$ 933,178	$ 1,136,624
HTC America Inc.	772,735	6,552,481
Others	207,336	994,420
Other related parties	4,455	33,908
	$ 1,917,704	$ 8,717,433

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

	December 31	
	2019	2018
Subsidiaries		
HTC America Inc.	$ 75,475	$ -
HTC Communication Inc.	27,079	80,479
HTC NIPPON Corporation	-	293,982
Others	3,798	2,759
Other related parties	598	516
	$ 106,950	$ 377,736

Products sold to all related parties will be lower than those sold to outsiders, except for some related parties who have no comparison with those sold to third parties. No guarantees had been given or received for trade receivables from related parties. Trade receivables from related parties were assessed to have no debt risk, hence no bad debt expense had been recognized for the years ended December 31, 2019 and 2018.

Purchase

	For the Year Ended December 31	
	2019	2018
Purchase		
Subsidiaries	$ -	$ 1,393
Other related parties	8,456	11,725
	$ 8,456	$ 13,118

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

	December 31	
	2019	2018
Subsidiaries	$ -	$ 1,411
Other related parties	2,296	4,159
	$ 2,296	$ 5,570

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

Compensation of Key Management Personnel

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 89,559	$ 160,456
Post-employment benefits	878	612
Share-based payments	2,783	(1,791)
	$ 93,220	$ 159,277

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

Lease Expense

	For the Year Ended December 31	
	2019	2018
Other related parties	$ 4,085	$ 4,653

The Company leased meeting rooms owned by other related party under an operating lease agreement.

Property, Plant and Equipment Acquired

	Price	
	For the Year Ended December 31	
	2019	2018
Other related parties	$ -	$ 675

Services, Marketing and Commission Expenses

	For the Year Ended December 31	
	2019	2018
Subsidiaries		
HTC Communication Technologies (SH)	$ 571,009	$ 537,092
HTC EUROPE CO., LTD.	489,806	619,631
Others	862,898	1,428,414
	$ 1,923,713	$ 2,585,137

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

	December 31	
	2019	2018
Subsidiaries	$ 1,427,696	$ 1,235,987
Other related parties	7,321	25
	$ 1,435,017	$ 1,236,012

The subsidiaries provided services such as overseas business activities, research and development, technical support, business consulting and after-sales maintenance for the Company, and all service fees, advertising fees and commission fees are taken into account.

Other related parties provide consultancy service fee to the Company. The consultancy service fee was $10,464 thousand for 2019.

Other Related-party Transactions

To enhance products diversity, the Company has entered into technology license agreement with subsidiaries. As of December 31, 2019 and 2018 the amounts of prepaid royalty were NT$55,217 thousand and NT$56,470 thousand, respectively.

31. PLEDGED ASSETS

As of December 31, 2019 and 2018, the time deposits and demand deposits amounting to NT$267,394 thousand and NT$476,276 thousand and were classified as other financial assets and were provided respectively as collateral for rental deposits, litigation, customs duties patent, vendors cooperation and performance bond.

32. 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 a declaratory judgment action for non-infringement and patent 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 the 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 Italy are still ongoing. The Company implemented the alternative solution since 2012. The Company evaluated the lawsuits and considered the risk of patents-in-suits are low. Also, preliminary injunction and summary judgment against the alternative solution of the Company are very unlikely.

In February 2017, the court of appeal of the United Kingdom found the alternative solution of the Company did not infringed and only some old products without the alternative solution infringed the United Kingdom part of European Patent No. 1841268 (EP '268 patent). In December 2019, the High Court of the United Kingdom issued an injunction order against the old products without the alternative solution. The EP '268 patent was held to be valid by European Patent Office on July 18, 2017. The next hearing has not been scheduled by the courts yet.

In regard to the Company's motion for summary judgement in Washington Court and invalidity proceedings in the United States Patent and Trademark Office ("USPTO"), Washington Court granted on the Company's summary judgment motion in March 2012 and ruled on non-infringement of two of patents-in-suit. As for the third patent-in-suit, the Washington Court had granted a stay on case pending the decision of IPCom's appeal. In January 2014, the Court of Appeal for the Federal Circuit affirmed the Washington Court's decision. In June 2019, the Federal Circuit issued an order that affirmed the USPTO's decision of invalidating the third patent-in-suit. In October 2019, the Washington Court dismissed the US case according to a joint stipulation of dismissal filed by both parties.

As of the date that the board of directors approved and authorized for issuing consolidated financial statements, the courts have not issued a ruling with respect to the above-mentioned patents-in-suit.

b. Since December 2015, Koninklijke Philips N.V. (Philips) filed several lawsuits against the Company in the District Court for the District of Delaware, United States, the District Court of Mannheim, Germany, High Court, Chancery Division, Patent Court, United Kingdom, First Instance Court of Paris, France, and District Court of The Hague, Netherlands, alleging infringement of a dozen Philips patents. On December 24, 2019, Philips and the Company has reached settlement by signing a patent license agreement. According to the patent license agreement, both sides will withdraw from all of the pending proceedings.

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

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	December 31			
	2019		2018	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets				
Monetary items				
USD	$ 859,717	30.10	$ 806,999	30.73
EUR	57,045	33.74	45,717	35.16
JPY	2,153,431	0.2771	3,388,315	0.2787
RMB	593,659	4.32	523,555	4.47
Investments accounted using the equity method				
USD	163,012	30.10	183,171	30.73
SGD	976,381	22.36	967,256	22.55
Financial liabilities				
Monetary items				
USD	731,915	30.10	842,297	30.73
EUR	48,200	33.74	55,851	35.16
JPY	3,051,602	0.2771	3,563,810	0.2787
RMB	69,605	4.32	21,580	4.47

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gain were NT$14,148 thousand and NT$240,609 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.

34. SIGNIFICANT CONTRACTS

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

Contractor	Term	Description
Qualcomm Incorporated.	December 20, 2000 to the following dates: a. If the Company materially breaches any agreement terms and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents. 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.
InterDigital Technology Corporation	December 31, 2003 to the expiry dates of these patents stated in the agreement.	Authorization to use TDMA and CDMA technologies; royalty payment based on agreement.
IV International Licensing Netherlands, B.V.	November 2010 - June 2020	Authorization to use wireless technology; royalty payment based on agreement.
KONINKLIJKE PHILIPS N.V.	December 23, 2019 - December 30, 2024	Authorization to use UMTS/LTE patents and portable feature patents; royalty payment based on agreement.

8.6. INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
HTC Corporation

Opinion

We have audited the accompanying consolidated financial statements of HTC Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HTC Corporation and its subsidiaries as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of Taiwan, the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in Taiwan, the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of HTC Corporation and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of Taiwan, the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2019 are as follows:

Revenue Recognition

According to the accounting policy stated in Note 4, revenue from the sale of goods is recognized when the control and risks are transferred to the buyers. The revenue recognition turns to be difficult as the conditions of part of the customers, which account for 26% of HTC Corporation and its subsidiaries' consolidated operating revenues are more complicated than those applied to the general sale transactions. Because of the significance of sales revenue, revenue recognition was deemed to be a key audit matter.

We have obtained understanding and have verified the accounting policy and the design and implementation of internal controls with respect to HTC Corporation and its subsidiaries' revenue recognition. We checked the compliance with the accounting policy on revenue recognition by reviewing the relevant contracts. For ensuring HTC Corporation and its subsidiaries' compliance with IFRS 15, samples from the recognized revenue have been selected to test if the conditions of revenue recognition were met.

Other Matters

We have also audited the parent company only financial statements of HTC Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of Taiwan, the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing HTC Corporation and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate HTC Corporation and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing HTC Corporation and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in Taiwan, the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in Taiwan, the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HTC Corporation and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on HTC Corporation and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause HTC Corporation and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within HTC Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 2, 2020

Notice to Readers

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

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 28,143,761	53	$ 24,449,548	36
Financial assets at fair value through profit or loss - current (Notes 7 and 31)	69,055	-	83,411	-
Financial assets at fair value through other comprehensive income - current (Notes 8 and 31)	1,069,433	2	409,412	1
Trade receivables, net (Notes 10 and 32)	422,378	1	1,683,150	3
Other receivables (Note 10)	108,823	-	221,707	-
Current tax assets (Note 26)	231,198	1	222,387	-
Inventories (Note 11)	2,359,780	5	3,301,645	5
Prepayments (Note 12)	425,332	1	1,160,299	2
Other current financial assets (Notes 9 and 33)	2,837,350	5	16,915,835	25
Other current assets	1,643	-	12,812	-
Total current assets	35,668,753	68	48,460,206	72
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 31)	361,307	1	236,464	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8, 31 and 32)	1,665,744	3	2,325,020	3
Investments accounted for using equity method (Note 14)	477,956	1	446,133	1
Property, plant and equipment (Notes 15 and 32)	7,888,181	15	8,425,886	13
Right-of-use assets (Note 16)	311,581	1	-	-
Investment properties, net (Note 17)	2,068,531	4	2,090,226	3
Intangible assets (Note 18)	108,877	-	1,181,256	2
Deferred tax assets (Note 26)	3,604,075	7	3,957,060	6
Refundable deposits	110,525	-	124,962	-
Net defined benefit asset - non-current (Note 22)	289,464	-	270,358	-
Other non-current financial assets (Notes 9 and 33)	150,505	-	153,638	-
Other non-current assets (Note 12)	29,328	-	39,610	-
Total non-current assets	17,066,074	32	19,250,613	28
TOTAL	$ 52,734,827	100	$ 67,710,819	100

(Continued)

	2019		2018	
LIABILITIES AND EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	$ 119,755	-	$ 82,156	-
Note and trade payables (Notes 19 and 32)	6,888,171	13	9,812,847	15
Other payables (Notes 20 and 32)	7,215,158	14	9,223,293	14
Current tax liabilities (Note 26)	150,381	-	241,167	-
Provisions - current (Note 21)	1,794,236	4	2,004,190	3
Lease liabilities - current (Notes 16 and 32)	102,784	-	-	-
Other current liabilities (Note 20)	1,005,586	2	953,447	1
Total current liabilities	17,276,071	33	22,317,100	33
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 26)	70,674	-	43,451	-
Lease liabilities - non-current (Notes 16 and 32)	225,930	1	-	-
Guarantee deposits received (Note 31)	164,869	-	130,400	-
Total non-current liabilities	461,473	1	173,851	-
Total liabilities	17,737,544	34	22,490,951	33
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 23)				
Share capital - ordinary shares	8,188,086	15	8,188,135	12
Capital surplus	15,594,766	30	15,576,268	23
Retained earnings				
Legal reserve	18,895,136	36	18,297,655	27
Special reserve	3,080,480	6	-	-
(Accumulated deficits) unappropriated earnings	(7,169,626)	(14)	6,194,337	9
Other equity	(3,735,072)	(7)	(3,087,557)	(4)
Total equity attributable to owners of the parent	34,853,770	66	45,168,838	67
NON-CONTROLLING INTERESTS	143,513	-	51,030	-
Total equity	34,997,283	66	45,219,868	67
TOTAL	$ 52,734,827	100	$ 67,710,819	100

(Concluded)

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 24 and 32)	$ 10,014,966	100	$ 23,740,610	100
OPERATING COST (Notes 11, 25 and 32)	7,986,855	80	23,225,592	98
GROSS PROFIT	2,028,111	20	515,018	2
OPERATING EXPENSES (Notes 25 and 32)				
Selling and marketing	2,719,938	27	3,820,225	16
General and administrative	3,506,120	35	3,588,587	15
Research and development	5,652,309	56	7,069,819	30
Total operating expenses	11,878,367	118	14,478,631	61
OPERATING LOSS	(9,850,256)	(98)	(13,963,613)	(59)
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	1,255,925	13	1,235,879	5
Other gains and losses (Notes 12, 14, 15, 18 and 25)	(755,161)	(8)	29,994,218	127
Finance costs (Note 25)	(19,208)	-	(1,915)	-
Share of the loss of associates (Note 14)	(50,729)	(1)	(36,087)	-
Total non-operating income and expenses	430,827	4	31,192,095	132
(LOSS) PROFIT BEFORE INCOME TAX	(9,419,429)	(94)	17,228,482	73
INCOME TAX BENEFIT (EXPENSE) (Note 26)	6,359	-	(5,203,581)	(22)
(LOSS) PROFIT FOR THE YEAR	(9,413,070)	(94)	12,024,901	51
OTHER COMPREHENSIVE INCOME AND LOSS, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 22)	15,552	-	179,401	1
Unrealized gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income	32,246	1	(857,107)	(4)
Income tax relating to items that will not be reclassified to profit or loss (Note 26)	(1,866)	-	(21,529)	-
	45,932	1	(699,235)	(3)

(Continued)

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$(693,346)	(7)	$ 133,388	-
Other comprehensive loss for the year, net of income tax	(647,414)	(6)	(565,847)	(3)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	$(10,060,484)	(100)	$ 11,459,054	48
NET (LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	$(9,358,078)	(93)	$ 12,068,202	51
Non-controlling interests	(54,992)	(1)	(43,301)	-
	$(9,413,070)	(94)	$ 12,024,901	51
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	$(9,998,984)	(100)	$ 11,500,096	48
Non-controlling interests	(61,500)	-	(41,042)	-
	$(10,060,484)	(100)	$ 11,459,054	48
(LOSS) EARNINGS PER SHARE (Note 27)				
Basic	$(11.43)		$ 14.72	
Diluted	$(11.43)		$ 14.50	

(Concluded)

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	Share Capital		Retained Earnings			Other Equity						
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	(Accumulated Deficits) Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Losses on Available-for-sale Financial Assets	Unearned Employee Benefit	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2018	$ 8,208,261	$ 15,551,491	$ 18,297,655	$ -	$ (6,093,403)	$ (2,183,148)	$ -	$ (35,690)	$ (49,590)	$ 33,695,576	$ 29,552	$ 33,725,128
Effect of retrospective application of accounting standards	-	-	-	-	104,732	-	(171,354)	35,690	-	(30,932)	-	(30,932)
BALANCE, JANUARY 1, 2018 AS RESTATED	8,208,261	15,551,491	18,297,655	-	(5,988,671)	(2,183,148)	(171,354)	-	(49,590)	33,664,644	29,552	33,694,196
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	12,068,202	-	-	-	-	12,068,202	(43,301)	12,024,901
Other comprehensive income and loss for the year ended December 31, 2018	-	-	-	-	157,872	131,129	(857,107)	-	-	(568,106)	2,259	(565,847)
Changes in capital surplus from investments in associates accounted for using the equity method	-	60,873	-	-	-	-	-	-	-	60,873	-	60,873
Issuance of shares from exercise of employee share options	1,490	6,631	-	-	-	-	-	-	-	8,121	-	8,121
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(43,066)	-	-	-	-	(43,066)	62,520	19,454
Share-based payments	(21,616)	(42,727)	-	-	-	-	-	-	42,513	(21,830)	-	(21,830)
BALANCE, DECEMBER 31, 2018	8,188,135	15,576,268	18,297,655	-	6,194,337	(2,052,019)	(1,028,461)	-	(7,077)	45,168,838	51,030	45,219,868
Appropriation of 2018 earnings												
Legal reserve	-	-	597,481	-	(597,481)	-	-	-	-	-	-	-
Special reserve	-	-	-	3,080,480	(3,080,480)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(311,148)	-	-	-	-	(311,148)	-	(311,148)
Net loss for the year ended December 31, 2019	-	-	-	-	(9,358,078)	-	-	-	-	(9,358,078)	(54,992)	(9,413,070)
Other comprehensive income and loss for the year ended December 31, 2019	-	-	-	-	13,686	(686,838)	32,246	-	-	(640,906)	(6,508)	(647,414)
Changes in capital surplus from investments in associates accounted for using the equity method	-	(34,121)	-	-	(21,702)	-	-	-	-	(55,823)	-	(55,823)
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(8,760)	-	-	-	-	(8,760)	153,983	145,223
Share-based payments	(49)	52,619	-	-	-	-	-	-	7,077	59,647	-	59,647
BALANCE, DECEMBER 31, 2019	$ 8,188,086	$15,594,766	$ 18,895,136	$ 3,080,480	$ (7,169,626)	$ (2,738,857)	$ (996,215)	$ -	$ -	$ 34,853,770	$ 143,513	$ 34,997,283

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	$ (9,419,429)	$ 17,228,482
Adjustments for:		
Depreciation expense	720,434	575,573
Amortization expense	1,083,946	1,198,288
Expected credit (reversed gain) loss recognized on trade receivables	(30,000)	82,964
Finance costs	19,208	1,915
Interests income	(439,066)	(546,772)
Dividend income	(160)	-
Compensation cost of employee share-based payments (reversed)	59,647	(21,830)
Share of the loss of associates	50,729	36,087
Net gain on disposal of property, plant and equipment	(82,033)	(245,446)
Net gain on disposal of assets and licensing income (Note 25)	-	(31,285,385)
Net gain on disposal of non-current assets held for sale	-	(1,077,246)
Net gain on disposal of subsidiary	-	(15,396)
Impairment loss on non-financial assets	389,283	3,374,551
Gain from lease modification	(473)	-
Changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	51,955	(11,240)
Decrease in trade receivables	1,290,772	6,767,396
Decrease (increase) in other receivables	20,428	(18,873)
Decrease in inventories	725,387	3,022,777
Decrease in prepayments	650,652	539,518
Decrease in other current assets	11,169	123,009
Decrease (increase) in other non-current assets	3,610	(310,074)
Decrease in note and trade payables	(2,724,676)	(4,756,375)
Decrease in other payables	(1,988,723)	(2,413,211)
Decrease in provisions	(209,954)	(1,373,011)
Increase (decrease) in other current liabilities	52,139	(520,745)
Cash used in operations	(9,765,155)	(9,645,044)
Interest received	531,522	447,435
Interest paid	(19,208)	(1,915)
Income tax refund (paid)	82,793	(296,300)
Net cash used in operating activities	(9,170,048)	(9,495,824)

(Continued)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (153,254)	$ (161,097)
Return of investments accounted for fair value through other comprehensive income	137,736	-
Purchase of financial assets at fair value through profit or loss	(134,347)	(107,067)
Acquisition of investments accounted for using the equity method	(171,767)	-
Net cash inflow on disposal of subsidiary	-	106,918
Proceeds from disposal of non-current assets held of sale	-	2,748,931
Payments for property, plant and equipment	(150,198)	(575,465)
Proceeds from disposal of property, plant and equipment	108,544	385,287
Decrease in advance receipts - disposal of property	-	(1,374,465)
Decrease in refundable deposits	14,437	14,054
Payments for intangible assets	(6,536)	(53,725)
Proceeds from disposal of intangible assets	5,048	-
Increase in other financial assets	-	(9,081,110)
Decrease in other financial assets	14,081,618	-
Dividend received	160	-
Proceeds from disposal of assets and licensing income (Note 25)	-	31,285,385
Net cash generated from investing activities	13,731,441	23,187,646
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from guarantee deposits received	34,469	124,719
Repayment of the principal portion of lease liabilities	(123,574)	-
Dividends paid to owners of the Company	(311,148)	-
Proceeds from exercise of employee share options	-	8,121
Change in non-controlling interests	145,223	19,454
Net cash (used in) generated from financing activities	(255,030)	152,294
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(612,150)	162,205
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,694,213	14,006,321
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	24,449,548	10,443,227
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 28,143,761	$ 24,449,548

(Concluded)

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

HTC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. ORGANIZATION AND OPERATIONS

HTC Corporation (HTC) was incorporated on May 15, 1997 under the Company Law of Taiwan, the Republic of China. HTC and its subsidiaries (collectively referred to as the "Group" or the "Company") are engaged in designing, manufacturing, assembling, processing, and selling smart mobile and virtual reality devices and after-sales service.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by HTC's board of directors and authorized for issue on March 2, 2020.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

IFRS 16 "Leases"

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

Definition of a lease

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

The Company as lessee

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

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

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

The Company also applies the following practical expedients:

1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
3) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
4) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

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

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

The Company as lessor

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

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

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

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.
Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.
Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit assets which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

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

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
b. evel 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 the purpose of trading;
b. Assets expected to be realized within twelve months after the reporting period; and
c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities are:

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

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the HTC and the entities controlled by the HTC (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

See Note 13 for the detailed information on subsidiaries (including the percentage of ownership and main businesses).

Business Combinations

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts 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 (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from 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 cases, 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 purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into the 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. 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 the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rates of exchange prevailing at the end of each reporting period. Exchange differences 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 the weighted-average cost on the balance sheet date.

Investments in Associates

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

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

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

Property, Plant and Equipment

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

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

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

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

Investment Properties

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

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

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

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

Goodwill

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

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

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

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is 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. 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, they are measured on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

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. 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. Corporate assets are allocated to the individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

b) Financial assets at amortized cost

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

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and
ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;
ii) Breach of contract, such as a default;
iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

c) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

a) Internal or external information show that the debtor is unlikely to pay its creditors.
b) When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

- Financial liabilities at FVTPL

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

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

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

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

Provisions

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

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

a. Warranty provisions

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

b. Onerous contracts

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

Revenue Recognition

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

a. Revenue from the sale of goods

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

b. Revenue from the rendering of services

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

c. Licensing revenue

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

Leases

2019

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

a. The Company as lessor

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

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

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

b. The Company as lessee

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

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

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

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

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

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

2018

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

a. The Company as lessor

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

b. The Company as lessee

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

c. Leasehold land for own use

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

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

Employee Benefits

Short-term employee benefits

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

Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

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

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

Other long-term employee benefits

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

Termination benefits

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

Share-based Payment Arrangements

Share-based payment transactions of the Company

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

Restricted shares for employees are recognized as other equity - unearned employ's bonus on the date of grant, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables.

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 on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax

Current and deferred taxes 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 taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Accrued Marketing Expenses

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

a. Impairment of tangible and intangible assets other than goodwill

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

Impairment loss on tangible and intangible assets other than goodwill recognized were NT$172,805 thousand and NT$2,317,547 thousand for the years ended December 31, 2019 and 2018, respectively.

b. Valuation of inventories

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

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

As of December 31, 2019 and 2018, the carrying amounts of inventories were NT$2,359,780 thousand and NT$3,301,645 thousand, respectively.

c. Realization of deferred tax assets

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

As of December 31, 2019 and 2018, the carrying amounts of deferred tax assets were NT$3,604,075 thousand and NT$3,957,060 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 1,156	$ 1,559
Checking accounts and demand deposits	14,362,300	10,557,535
Time deposits (with original maturities less than three months)	13,780,305	13,890,454
	$ 28,143,761	$ 24,449,548

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

	December 31	
	2019	2018
Bank balance	0.01%-0.66%	0.01%-0.62%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange contracts	$ 69,055	$ 83,411
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Convertible bonds	337,829	214,340
Warrants	23,478	22,124
	$ 430,362	$ 319,875
Current	$ 69,055	$ 83,411
Non-current	361,307	236,464
	$ 430,362	$ 319,875
Financial liabilities - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange contracts	$ 119,755	$ 82,156

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

Forward Exchange Contracts

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
December 31, 2019					
Foreign exchange contracts	Sell	EUR/USD	2020.1.8-2020.3.6	EUR	14,000
Foreign exchange contracts	Sell	JPY/USD	2020.1.10-2020.3.6	JPY	3,300,000
Foreign exchange contracts	Sell	GBP/USD	2020.1.8-2020.2.26	GBP	18,000
Foreign exchange contracts	Sell	CAD/USD	2020.2.26	CAD	6,000
Foreign exchange contracts	Sell	AUD/USD	2020.2.21	AUD	1,000
Foreign exchange contracts	Sell	RMB/USD	2020.1.8-2020.2.26	RMB	384,150
Foreign exchange contracts	Buy	RMB/USD	2020.1.8-2020.3.6	RMB	727,465
Foreign exchange contracts	Buy	JPY/USD	2020.1.8-2020.3.6	JPY	3,918,335
Foreign exchange contracts	Buy	USD/NTD	2020.1.8-2020.3.6	USD	369,500
Foreign exchange contracts	Buy	EUR/USD	2020.1.8-2020.3.6	EUR	30,000
Foreign exchange contracts	Buy	GBP/USD	2020.1.8-2020.2.21	GBP	17,000
Foreign exchange contracts	Buy	AUD/USD	2020.1.10-2020.2.21	AUD	9,000
Foreign exchange contracts	Buy	HKD/USD	2020.1.17	HKD	626,440
December 31, 2018					
Foreign exchange contracts	Sell	USD/NTD	2019.1.9	USD	120,000
Foreign exchange contracts	Sell	EUR/USD	2019.1.23-2019.3.6	EUR	16,000
Foreign exchange contracts	Sell	JPY/USD	2019.1.9-2019.3.8	JPY	3,200,000
Foreign exchange contracts	Sell	GBP/USD	2019.1.9-2019.3.6	GBP	28,000
Foreign exchange contracts	Sell	CAD/USD	2019.1.23	CAD	6,000
Foreign exchange contracts	Sell	AUD/USD	2019.1.16	AUD	1,000
Foreign exchange contracts	Sell	RMB/USD	2019.1.11-2019.3.6	RMB	404,984
Foreign exchange contracts	Buy	RMB/USD	2019.1.9-2019.3.6	RMB	1,317,332
Foreign exchange contracts	Buy	JPY/USD	2019.1.9-2019.2.15	JPY	1,718,335

(Continued)

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
Foreign exchange contracts	Buy	USD/NTD	2019.1.9-2019.3.8	USD	594,500
Foreign exchange contracts	Buy	EUR/USD	2019.1.9-2019.3.6	EUR	40,000
Foreign exchange contracts	Buy	GBP/USD	2019.1.9-2019.2.22	GBP	30,000
Foreign exchange contracts	Buy	AUD/USD	2019.1.16-2019.2.22	AUD	9,000

(Concluded)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	December 31	
	2019	2018
Domestic investments		
Listed shares and emerging market shares	$ 87,473	$ 83,383
Unlisted shares	56,573	388,700
	144,046	472,083
Foreign investments		
Listed shares	1,069,433	409,412
Unlisted shares	812,020	1,103,891
Unlisted beneficiary certificate	709,678	749,046
	2,591,131	2,262,349
	$ 2,735,177	$ 2,734,432
Current	$ 1,069,433	$ 409,412
Non-current	1,665,744	2,325,020
	$ 2,735,177	$ 2,734,432

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

9. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
Time deposits with original maturities of more than three months	$ 2,986,855	$ 17,069,473
Restricted demand deposits	1,000	-
	$ 2,987,855	$ 17,069,473

	December 31	
	2019	2018
Current	$ 2,837,350	$ 16,915,835
Non-current	150,505	153,638
	$ 2,987,855	$ 17,069,473

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

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	2018
Notes, trade and overdue receivables		
At amortized cost		
Notes receivable	$ 2	$ -
Trade receivables	551,856	2,055,256
Trade receivables - related parties	598	516
Overdue receivables	2,053,491	1,840,947
Less: Allowances for impairment loss	(130,078)	(372,622)
Less: Allowances for impairment loss - overdue receivables	(2,053,491)	(1,840,947)
	$ 422,378	$ 1,683,150
Current	$ 422,378	$ 1,683,150
Non-current	-	-
	$ 422,378	$ 1,683,150
Other receivables		
Receivables from disposal of investments	$ 1,254,698	$ 1,307,435
Interest receivables	243,528	344,949
VAT refund receivables	50,876	77,375
Others	27,718	21,647
Less: Allowances for impairment loss	(1,467,997)	(1,529,699)
	$ 108,823	$ 221,707
Current	$ 108,823	$ 221,707
Non-current	-	-
	$ 108,823	$ 221,707

a. Trade receivables at amortized cost

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

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

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

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

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

December 31, 2019

	Non Past Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	$ 425,851	$ -	$ 3,647	$ 122,958	$ 552,456
Loss allowance (Lifetime ECL)	(3,473)	-	(3,647)	(122,958)	(130,078)
Amortized cost	$ 422,378	$ -	$ -	$ -	$ 422,378

December 31, 2018

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

The movements of the loss allowance of trade receivables and overdue receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	$ 2,213,569	$ 2,349,999
Add: Loss allowance recognized	-	82,964

(Continued)

	For the Year Ended December 31	
	2019	2018
Less: Loss allowance reversed	(30,000)	-
Less: Amounts written off	-	(219,394)
Balance, end of the year	$ 2,183,569	$ 2,213,569

(Concluded)

b. Other receivables

Receivables from disposal of investments are derived from the sale of shares of Saffron Media Group Ltd. in 2013. While the receivables had not been collected yet, the loss allowance was recognized based on the credit risk as of December 31, 2019.

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

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

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	$ 1,529,699	$ 1,551,542
Foreign exchange gains and losses	(61,702)	(21,843)
Balance, end of the year	$ 1,467,997	$ 1,529,699

11. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 1,005,304	$ 917,762
Work-in-process	11,739	38,522
Semi-finished goods	248,119	446,472
Raw materials	1,066,867	1,865,266
Inventory in transit	27,751	33,623
	$ 2,359,780	$ 3,301,645

The cost of inventories write-downs recognized as operation costs for the years ended December 31, 2019 and 2018 were NT$216,478 thousand and NT$1,057,004 thousand, respectively.

12. PREPAYMENTS

	December 31	
	2019	2018
Prepaid expenses	$ 305,848	$ 302,544
Net input VAT	62,367	522,315
Prepaid software	43,453	162,132
Prepaid equipment	25,322	12,888
Royalty	14,214	28,429
Prepayments to suppliers	3,456	171,601
	$ 454,660	$ 1,199,909
Current	$ 425,332	$ 1,160,299
Non-current	29,328	39,610
	$ 454,660	$ 1,199,909

For the years ended December 31, 2019 and 2018, the Company determined that the carrying amount of some of the prepayments for software and royalties were expected to be unrecoverable, and thus recognized an impairment loss of NT$84,315 thousand and NT$2,248,030 thousand classified as other gains and losses. Refer to Note 25.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

The consolidated entities as of December 31, 2019 and 2018 were as follows:

Investor	Investee	Main Businesses	% of Ownership December 31 2019	% of Ownership December 31 2018	Remark
HTC Corporation	H.T.C. (B.V.I.) Corp.	International holding company and general investing activities	100.00	100.00	-
	High Tech Computer Asia Pacific Pte. Ltd.	International holding company; marketing, repair and after-sales services	100.00	100.00	-
	HTC Investment Corporation	General investing activities	100.00	100.00	-
	PT. High Tech Computer Indonesia	Marketing, repair and after-sales services	1.00	1.00	-
	HTC Holding Cooperatief U.A.	International holding company	0.01	0.01	-
	HTC Investment One (BVI) Corporation	Holding S3 Graphics Co., Ltd. and general investing activities	100.00	100.00	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership December 31 2019	2018	Remark
HTC Corporation	HTC Investment (BVI) Corporation	General investing activities	100.00	100.00	-
	HTC VIVE Holding (BVI) Corp.	International holding company	100.00	100.00	-
	HTC VIVE Investment (BVI) Corp.	General investing activities	100.00	100.00	-
	DeepQ Holding (BVI) Corp.	International holding company	100.00	100.00	-
	HTC VR Content (BVI) Corp.	〃	100.00	100.00	-
	HTC Smartphone (BVI) Corp.	〃	100.00	100.00	-
H.T.C. (B.V.I.) Corp.	High Tech Computer Corp. (Suzhou)	Manufacture and sale of smart mobile devices	-	100.00	1)
High Tech Computer Asia Pacific Pte. Ltd.	HTC (Australia and New Zealand) PTY. Ltd.	Marketing, repair and after-sales services	100.00	100.00	-
	HTC Philippines Corporation	〃	99.99	99.99	-
	PT. High Tech Computer Indonesia	〃	99.00	99.00	-
	HTC (Thailand) Limited	〃	100.00	100.00	-
	HTC India Private Ltd.	〃	99.00	99.00	-
	HTC Malaysia Sdn. Bhd.	〃	100.00	100.00	-
	HTC Communication Co., Ltd.	Manufacture and sale of smart mobile devices and after-sales services	100.00	100.00	-
	HTC HK, Limited	International holding company; marketing, repair and after-sales services	100.00	100.00	-
	HTC Holding Cooperatief U.A.	International holding company	99.99	99.99	-
	HTC Communication Technologies (SH)	Design, research and development of application software	100.00	100.00	-
	HTC Vietnam Services One Member Limited Liability Company	Marketing, repair and after-sales services	100.00	100.00	-
	HTC Myanmar Company Limited	〃	99.00	99.00	-
HTC Investment One (BVI) Corporation	S3 Graphics Co., Ltd.	Design, research and development of graphics technology	100.00	100.00	-
HTC Communication Technologies (SH)	HTC Communication (BJ) Tech Co.	Design, research and development of application software	100.00	100.00	-
HTC HK, Limited	HTC Corporation (Shanghai WGQ)	Smart mobile devices examination and after-sale services and technique consultations	100.00	100.00	-
	HTC Electronics (Shanghai) Co., Ltd.	Manufacture and sale of smart mobile devices	100.00	100.00	-
	HTC Myanmar Company Limited	Marketing, repair and after-sales services	1.00	1.00	-
HTC Holding Cooperatief U.A.	HTC Netherlands B.V.	International holding company; marketing, repair and after-sales services	100.00	100.00	-
	HTC India Private Ltd.	Marketing, repair and after-sales services	1.00	1.00	-
	HTC South Eastern Europe Limited Liability Company	〃	0.67	0.67	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership December 31 2019	2018	Remark
HTC Holding Cooperatief U.A.	HTC Communication Solutions Mexico, S.A DE C.V.	〃	1.00	1.00	-
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	1.00	1.00	-
HTC Netherlands B.V.	HTC EUROPE CO., LTD.	International holding company Marketing, repair and after-sales services	100.00	100.00	-
	HTC BRASIL	Marketing, repair and after-sales services	99.99	99.99	-
	HTC Belgium BVBA/SPRL	〃	100.00	100.00	-
	HTC NIPPON Corporation	Sale of smart mobile devices	100.00	100.00	-
	HTC FRANCE CORPORATION	International holding company; marketing, repair and after-sales services	100.00	100.00	-
	HTC South Eastern Europe Limited liability Company	Marketing, repair and after-sales services	99.33	99.33	-
	HTC Nordic ApS.	〃	100.00	100.00	-
	HTC Italia SRL	〃	100.00	100.00	-
	HTC Germany GmbH	〃	100.00	100.00	-
	HTC Iberia, S.L.	〃	100.00	100.00	-
	HTC Poland sp. z.o.o.	〃	100.00	100.00	-
	HTC Communication Canada, Ltd.	〃	100.00	100.00	-
	HTC Communication Sweden AB	〃	100.00	100.00	-
	HTC Luxembourg S.a.r.l.	Online/download media services	100.00	100.00	-
	HTC Middle East FZ-LLC	Marketing, repair and after-sales services	100.00	100.00	-
	HTC Communication Solutions Mexico, S.A DE C.V.	〃	99.00	99.00	-
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	99.00	99.00	-
HTC EUROPE CO., LTD.	HTC America Holding Inc.	International holding company	100.00	100.00	-
HTC America Holding Inc.	HTC America Inc.	Sale of smart mobile devices	100.00	100.00	-
	One & Company Design, Inc.	Design, research and development of application software	100.00	100.00	-
	HTC America Innovation Inc.	〃	100.00	100.00	-
	HTC America Content Services, Inc.	Online/download media services	100.00	100.00	-
	Dashwire, Inc.	Design and management of cloud synchronization technology	100.00	100.00	-
	Inquisitive Minds, Inc.	Development and sale of digital education platform	100.00	100.00	-
HTC VIVE Holding (BVI) Corp.	HTC VIVE TECH (BVI) Corp.	International holding company	100.00	100.00	-
HTC VIVE TECH (BVI) Corp.	HTC VIVE TECH Corp.	Research, development and sale of virtual reality devices	100.00	100.00	-
	HTC VIVE TECH (HK) Limited	〃	100.00	100.00	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership December 31 2019	% of Ownership December 31 2018	Remark
HTC VIVE TECH (HK) Limited	HTC VIVE TECH (UK) Limited	Research, development and sale of virtual reality devices	100.00	100.00	-
	HTC VIVE TECH (Beijing)		100.00	100.00	-
DeepQ Holding (BVI) Corp.	DeepQ (BVI) Corp.	International holding company	100.00	100.00	-
DeepQ (BVI) Corp.	DeepQ Technology Corp.	Medical technology and health care	100.00	100.00	-
	DeepQ Technology (Beijing)	Development and marketing of software technology	100.00	100.00	-
HTC Investment (BVI) Corporation	VRChat, Inc.	Development of virtual reality contents	50.37	51.26	2)
VRChat, Inc.	VRChat Ca. Development Inc.	Development of virtual reality contents	100.00	100.00	-
HTC VR Content (BVI) Corp.	Uomo Vitruviano Corp.	Development of virtual reality contents	100.00	100.00	-

(Continued)

Remark:

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

2) The equity interest in VRChat Inc. decreased after the investee company' s capital increase in the current period, for which the Company did not proportionally participate in making the capital contribution.

b. Subsidiaries excluded from the consolidated financial statements: None.

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

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31 2019	December 31 2018
Investment in associates	$ 477,956	$ 446,133

Investments in Associates - Associates That Are Not Individually Material

	December 31 2019	December 31 2018
Unlisted equity investments		
East West Artists, LLC	$ -	$ 25,778
Steel Wool Games, Inc.	104,473	89,641
Surgical Theater, LLC	228,674	265,546
MOR Museum Inc.	45,353	-
Gui Zhou Wei Ai Educational Technology Co., Ltd.	99,456	65,168
	$ 477,956	$ 446,133

For the year ended December 31, 2019, the Company determined that the carrying amount of some of the investments in associates were expected to be unrecoverable. Thus it recognized impairment losses of NT$20,757 thousand classified as other gains and losses. Refer to Note 25.

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

Name of Associates	December 31 2019	December 31 2018
East West Artist, LLC	30.00%	30.00%
Steel Wool Games, Inc.	49.00%	49.00%
Surgical Theater, LLC	16.08%	16.68%
MOR Museum Inc.	25.00%	-
Gui Zhou Wei Ai Educational Technology Co., Ltd.	26.05%	23.20%

Aggregate information of associates that are not individually material:

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
The Company's share of:		
Loss from continuing operations	$(50,729)	$(36,087)
Other comprehensive income	-	-
Total comprehensive loss for the year	$(50,729)	$(36,087)

Investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been audited. The Company's management believes there is no material impact arising from applying the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, due to the investee entities' financial statements were not been audited.

15. PROPERTY, PLANT AND EQUIPMENT

	December 31 2019	December 31 2018
Carrying amounts		
Land	$ 4,674,635	$ 4,673,376
Buildings	2,717,215	2,949,910
Machinery and equipment	302,682	492,239
Other equipment	193,649	310,361
	$ 7,888,181	$ 8,425,886

Movements of property, plant and equipment for the years ended December 31, 2019 and 2018 were as follows:

	2019 Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance, beginning of the year	$ 4,673,376	$ 4,529,692	$ 5,401,732	$ 1,802,278	$ 16,407,078
Additions	-	15,122	46,678	56,552	118,352
Disposals	-	(870)	(1,719,113)	(674,357)	(2,394,340)
Reclassified as investment properties	-	(251,752)	-	-	(251,752)
Effect of foreign currency exchange differences	1,259	4,676	(12,382)	(10,802)	(17,249)
Balance, end of the year	4,674,635	4,296,868	3,716,915	1,173,671	13,862,089
Accumulated depreciation					
Balance, beginning of the year	-	1,579,782	4,659,017	1,481,157	7,719,956
Depreciation expenses	-	172,078	207,262	97,627	476,967
Disposals	-	(870)	(1,581,780)	(597,275)	(2,179,925)
Reclassified as investment properties	-	(172,086)	-	-	(172,086)
Effect of foreign currency exchange differences	-	749	(10,396)	(7,403)	(17,050)
Balance, end of the year	-	1,579,653	3,274,103	974,106	5,827,862
Accumulated impairment					
Balance, beginning of the year	-	-	250,476	10,760	261,236
Impairment losses recognized	-	-	8,968	63,746	72,714
Disposals	-	-	(119,316)	(68,590)	(187,906)
Effect of foreign currency exchange differences	-	-	2	-	2
Balance, end of the year	-	-	140,130	5,916	146,046
Net book value, end of the year	$ 4,674,635	$ 2,717,215	$ 302,682	$ 193,649	$ 7,888,181

	2018				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
Cost					
Balance, beginning of the year	$ 4,676,726	$ 7,383,032	$ 12,901,808	$ 2,219,343	$ 27,180,909
Additions	-	79,642	417,355	94,756	591,753
Disposals	-	(48,387)	(7,076,339)	(464,862)	(7,589,588)
Reclassified as non-current assets held for sale	-	-	(2,619)	-	(2,619)
Reclassified as investment properties	-	(2,872,143)	-	-	(2,872,143)
Disposal of subsidiary	-	-	(824,206)	(48,758)	(872,964)
Effect of foreign currency exchange differences	(3,350)	(12,452)	(14,267)	1,799	(28,270)
Balance, end of the year	4,673,376	4,529,692	5,401,732	1,802,278	16,407,078
Accumulated depreciation					
Balance, beginning of the year	-	2,122,305	11,640,682	1,757,876	15,520,863
Depreciation expenses	-	187,640	155,334	141,384	484,358
Disposals	-	(37,505)	(6,373,131)	(403,258)	(6,813,894)
Reclassified as non-current assets held for sale	-	-	(1,885)	-	(1,885)
Reclassified as investment properties	-	(690,702)	-	-	(690,702)
Disposal of subsidiary	-	-	(750,842)	(16,952)	(767,794)
Effect of foreign currency exchange differences	-	(1,956)	(11,141)	2,107	(10,990)
Balance, end of the year	-	1,579,782	4,659,017	1,481,157	7,719,956
Accumulated impairment					
Balance, beginning of the year	-	-	843,747	17,686	861,433
Impairment loss	-	-	936	35,208	36,144
Disposals	-	-	(593,751)	(42,102)	(635,853)
Effect of foreign currency exchange differences	-	-	(456)	(32)	(488)
Balance, end of the year	-	-	250,476	10,760	261,236
Net book value, end of the year	$ 4,673,376	$ 2,949,910	$ 492,239	$ 310,361	$ 8,425,886

For the years ended December 31, 2019 and 2018, the Company determined that the carrying amounts of some of equipment were expected to be unrecoverable. Thus, it recognized impairment losses of NT$72,714 thousand and NT$36,144 thousand classified as other gains and losses, respectively. Refer to Note 25.

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

Buildings	5-50 years
Machinery and equipment	3-6 years
Other equipment	3-5 years

The major component parts of the buildings held by the Company included plants, electro-powering machinery and engineering systems, etc., which are depreciated over their estimated useful lives of 40 to 50 years, 20 years and 5 to 10 years, respectively.

The Company leased part of the buildings in February 2018, November 2018 and July 2019. The leased assets were reclassified as investment properties because the standards related to investment properties are applied on leased assets. For the details, refer to Note 17.

There were no capitalized interests for the years ended December 31, 2019 and 2018.

16. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 311,581

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 143,368
Depreciation charge for right-of-use assets	
Buildings	$ 142,106

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 102,784
Non-current	$ 225,930

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	0.5%-10%

c. Material lease-in activities and terms

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

d. Other lease information

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

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 28,837
Total cash outflow for leases	$(165,478)

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

2018

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

	December 31, 2018
Not later than 1 year	$ 118,916
Later than 1 year and not later than 5 years	248,997
Later than 5 years	28,949
	$ 396,862

(Continued)

(Concluded)

17. INVESTMENT PROPERTIES, NET

Movement of investment properties, net for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Cost		
Balance, beginning of the year	$ 2,872,143	$ -
Reclassification	251,752	2,872,143
Balance, end of the year	3,123,895	2,872,143
Accumulated depreciation		
Balance, beginning of the year	781,917	-
Depreciation expense	101,361	91,215
Reclassification	172,086	690,702
Balance, end of the year	1,055,364	781,917
Net book value, end of the year	$ 2,068,531	$ 2,090,226

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

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	$ 594,820
Year 2	594,649
Year 3	312,878
	$ 1,502,347

The future minimum lease payments under operating lease commitments as of December 31, 2018 are as follows:

	December 31, 2018
Not later than 1 year	$ 528,825
Later than 1 year and not later than 5 years	1,370,236
	$ 1,899,061

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

Main buildings	40-50 years
Electricity distribution system	20 years
Air-conditioning	5-10 years
Others	3-5 years

The determination of fair value for the investment properties leased in December 31, 2019 and 2018 were performed by independent qualified professional appraisers and the fair values were measured by using Level 3 inputs, respectively. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair values as of December 31, 2019 and 2018 were NT$3,005,890 thousand and NT$2,743,226 thousand, respectively.

18. INTANGIBLE ASSETS

	December 31	
	2019	2018
Carrying amounts		
Patents	$ -	$ 1,060,183
Goodwill	67,614	69,021
Other intangible assets	41,263	52,052
	$ 108,877	$ 1,181,256

Movements of intangible assets for the years ended December 31, 2019 and 2018 were as follows:

	2019			
	Patents	Goodwill	Other Intangible Assets	Total
Cost				
Balance, beginning of the year	$ 11,734,540	$ 729,299	$ 1,819,813	$ 14,283,652
Additions	-	-	6,536	6,536
Disposals	-	-	(5,048)	(5,048)
Eliminations	-	-	(332,750)	(332,750)
Effect of foreign currency exchange differences	(187,950)	(11,317)	(11,673)	(210,940)
Balance, end of the year	11,546,590	717,982	1,476,878	13,741,450
Accumulated amortization				
Balance, beginning of the year	10,563,272	-	1,567,249	12,130,521
Amortization expenses	1,066,688	-	17,258	1,083,946
Eliminations	-	-	(332,750)	(332,750)
Effect of foreign currency exchange differences	(194,455)	-	(7,472)	(201,927)
Balance, end of the year	11,435,505	-	1,244,285	12,679,790
Accumulated impairment				
Balance, beginning of the year	111,085	660,278	200,512	971,875
Reversed	-	-	(4,981)	(4,981)
Effect of foreign currency exchange differences	-	(9,910)	(4,201)	(14,111)
Balance, end of the year	111,085	650,368	191,330	952,783
Net book value, end of the year	$ -	$ 67,614	$ 41,263	$ 108,877

	2018			
	Patents	Goodwill	Other Intangible Assets	Total
Cost				
Balance, beginning of the year	$ 11,467,990	$ 713,250	$ 1,753,620	$ 13,934,860
Additions	-	-	53,725	53,725
Effect of foreign currency exchange differences	266,550	16,049	12,468	295,067
Balance, end of the year	11,734,540	729,299	1,819,813	14,283,652

(Continued)

	2018			
	Patents	Goodwill	Other Intangible Assets	Total
Accumulated amortization				
Balance, beginning of the year	$ 9,201,918	-	$ 1,497,864	$ 10,699,782
Amortization expenses	1,137,160	-	61,128	1,198,288
Effect of foreign currency exchange differences	224,194	-	8,257	232,451
Balance, end of the year	10,563,272	-	1,567,249	12,130,521
Accumulated impairment				
Balance, beginning of the year	111,085	646,225	162,327	919,637
Impairment loss	-	-	33,373	33,373
Effect of foreign currency exchange differences	-	14,053	4,812	18,865
Balance, end of the year	111,085	660,278	200,512	971,875
Net book value, end of the year	$ 1,060,183	$ 69,021	$ 52,052	$ 1,181,256

(Concluded)

The Company owns patents of graphics technologies. As of December 31, 2018, the carrying amount of such patents was NT$1,056,258 thousand. The patents was fully amortized over their remaining economic lives on the November 30, 2019.

19. NOTE AND TRADE PAYABLES

	December 31	
	2019	2018
Note payables	$ -	$ 560
Trade payables	6,885,875	9,808,128
Trade payables - related parties	2,296	4,159
	$ 6,888,171	$ 9,812,847

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

20. OTHER LIABILITIES

	December 31	
	2019	2018
Other payables		
Accrued expenses	$ 7,201,235	$ 9,189,958
Payables for purchase of equipment	13,923	33,335
	$ 7,215,158	$ 9,223,293

	December 31	
	2019	2018
Other liabilities		
Advance receipts	$ 531,274	$ 638,340
Agency receipts	87,419	102,714
Others	386,893	212,393
	$ 1,005,586	$ 953,447

Accrued Expenses

	December 31	
	2019	2018
Marketing	$ 2,335,102	$ 4,071,201
Salaries, bonuses and compensation	1,851,294	2,173,295
Services	1,104,638	958,328
Materials and molding expenses	787,176	1,073,179
Import, export and freight	67,789	188,684
Insurance	54,162	72,465
Repairs, maintenance and sundry purchase	52,451	46,872
Others	948,623	605,934
	$ 7,201,235	$ 9,189,958

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

21. PROVISIONS

	December 31	
	2019	2018
Warranties	$ 1,477,671	$ 1,943,976
Others	316,565	60,214
	$ 1,794,236	$ 2,004,190

Movement of provisions for the years ended December 31, 2019 and 2018 were as follows:

	2019		
	Warranty Provision	Others	Total
Balance, beginning of the year	$ 1,943,976	$ 60,214	$ 2,004,190
Provisions recognized	124,048	305,032	429,080
Usage	(586,067)	(39,304)	(625,371)
Effect of foreign currency exchange differences	(4,286)	(9,377)	(13,663)
Balance, end of the year	$ 1,477,671	$ 316,565	$ 1,794,236

	2018		
	Warranty Provision	Others	Total
Balance, beginning of the year	$ 2,795,933	$ 581,268	$ 3,377,201
Provisions recognized (reversed)	695,360	(408,159)	287,201
Usage	(1,546,707)	(112,895)	(1,659,602)
Effect of foreign currency exchange differences	(610)	-	(610)
Balance, end of the year	$ 1,943,976	$ 60,214	$ 2,004,190

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

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

22. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, HTC makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Company has defined benefit plans for all qualified employees of HTC. Besides, the employees of the Company's subsidiary are members of a state-managed retirement benefit plan operated by local government. The subsidiaries is required to contribute amounts calculated at a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions to the fund.

The total expenses recognized in the consolidated statement of comprehensive income were NT$240,777 thousand and NT$290,437 thousand, representing the contributions made and to be made to these plans by the Company at the rates specified in the plans for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the amounts of contributions payable were NT$39,285 thousand and NT$41,089 thousand, respectively, and the amounts were paid subsequent to the end of the reporting period.

Defined Benefit Plans

The defined benefit plan adopted by HTC in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated based on the years of services and the average monthly salaries of the six months before retirement. HTC contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, HTC assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, HTC is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); HTC has no right to influence the investment policy and strategy. HTC had applied a termination of pension contributed to the pension fund monitoring committee from May 2019 to April 2020, and had been approved by the authority.

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

	December 31	
	2019	2018
Present value of defined benefit obligation	$ (325,332)	$ (314,090)
Fair value of plan assets	614,796	584,448
Net defined benefit asset	$ 289,464	$ 270,358

Movements in net defined benefit asset were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset
Balance at January 1, 2018	$ (581,492)	$ 599,611	$ 18,119
Current service cost	(11,514)	-	(11,514)
Past service cost and gain on settlements	61,760	-	61,760
Net interest (expense) income	(8,660)	9,111	451
Recognized in profit or loss	41,586	9,111	50,697
Remeasurement			
Return on plan assets	-	14,720	14,720
Actuarial loss - changes in demographic assumptions	(23,018)	-	(23,018)
Actuarial loss - changes in financial assumptions	(6,545)	-	(6,545)
Actuarial gain - experience adjustments	194,244	-	194,244
Recognized in other comprehensive income	164,681	14,720	179,401
Contributions from the employer	-	20,448	20,448
Benefits paid	56,978	(56,978)	-
Adjustment on disposal of subsidiary	4,157	(2,464)	1,693
Balance at December 31, 2018	(314,090)	584,448	270,358
Current service cost	(5,728)	-	(5,728)
Net interest (expense) income	(4,319)	8,129	3,810
Recognized in profit or loss	(10,047)	8,129	(1,918)
Remeasurement			
Return on plan assets	$ -	$ 19,769	$ 19,769
Actuarial loss - changes in demographic assumptions	(22,463)	-	(22,463)
Actuarial loss - changes in financial assumptions	(16,836)	-	(16,836)
Actuarial gain - experience adjustments	35,082	-	35,082
Recognized in other comprehensive income	(4,217)	19,769	15,552
Contributions from the employer	-	5,472	5,472
Benefits paid	3,022	(3,022)	-
Balance at December 31, 2019	$ (325,332)	$ 614,796	$ 289,464

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

a. Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
b. Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	2018
Discount rates	1.000%	1.375%
Expected rates of salary increase	4.000%	4.000%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would (increase) decrease as follows:

	December 31	
	2019	2018
Discount rates		
0.25% increase	$ 11,916	$ 11,533
0.25% decrease	$ (12,471)	$ (12,075)
Expected rates of salary increase		
0.25% increase	$ (11,938)	$ (11,601)
0.25% decrease	$ 11,477	$ 11,148

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
The expected contributions to the plan for the next year	$ -	$ 13,450
The average duration of the defined benefit obligation	15.51 years	15.45 years

23. EQUITY

Share Capital

a. Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands of shares)	1,000,000	1,000,000
Shares authorized	$ 10,000,000	$ 10,000,000
Number of shares issued and fully paid (in thousands of shares)	818,809	818,814
Shares issued	$ 8,188,086	$ 8,188,135

For the year ended 2018, HTC retired 2,161 thousand restricted shares for employees, totaling NT$21,616 thousand. In January and February 2018, the employee share options have been exercised by the issuance of 149 thousand shares, totaling NT$1,490 thousand. As a result, HTC's issued and outstanding ordinary shares as of December 31, 2018 decreased to NT$8,188,135 thousand, divided into 818,814 thousand ordinary shares at a par value of NT$10. Every ordinary share carries one vote per share and a right to dividends.

For the year ended 2019, HTC retired 5 thousand restricted shares for employees, totaling NT$49 thousand. As a result, HTC's issued and outstanding ordinary shares as of December 31, 2019 decreased to NT$8,188,086 thousand, divided into 818,809 thousand ordinary shares at a par value of NT$10. Every ordinary share carries one vote per share and a right to dividends.

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

b. Global depositary receipts

In November 2003, HTC issued 14,400 thousand ordinary shares, corresponding to 3,600 thousand units of Global Depositary Receipts ("GDRs"). For this GDR issuance, HTC's shareholders, including Via Technologies, Inc., also issued 12,878.4 thousand ordinary shares, corresponding to 3,219.6 thousand GDR units. Thus, the entire offering consisted of 6,819.6 thousand GDR units. Taking into account the effect of share dividends, the GDRs increased to 8,782.1 thousand units (36,060.5 thousand shares). The holders of these GDRs requested HTC to redeem the GDRs to get HTC's ordinary shares. As of December 31, 2019, there were 8,430.3 thousand units of GDRs redeemed, representing 33,721 thousand ordinary shares, and the outstanding GDRs represented 2,339.5 thousand ordinary shares or 0.28% of HTC's issued and outstanding ordinary shares.

Capital Surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of ordinary shares	$ 14,726,491	$ 14,714,126
Arising from consolidation excess	23,288	23,288
Arising from expired share options	527,421	506,611
May be used to offset a deficit only		
Changes in equity-method associates capital surplus	26,752	60,873
May not be used for any purpose		
Arising from employee share options	290,258	247,944
Arising from employee restricted shares	556	23,426
	$ 15,594,766	$ 15,576,268

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

For details of capital surplus - employee share options and employee restricted shares, refer to Note 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. The board of directors shall propose allocation ratios for any remainder profit after withholding the amounts under subparagraphs a. to d. above plus any unappropriated retained earnings of previous years based on the dividend policy set forth in the Article and propose such allocation ratio at the shareholders' meeting.

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

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

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

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

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

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

Other Equity Items

a. Exchange differences on translating foreign operations

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

b. Unrealized gains or losses on financial assets at FVTOCI

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

c. Unearned employee benefit

In the meeting of shareholders on June 2, 2015 and June 19, 2014, the shareholders approved a restricted stock plan for employees. See Note 29 for the information of restricted shares issued.

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	$(7,077)	$(49,590)
Adjustment of turnover rate	-	62,677
Share-based payment expenses recognized	(7,077)	(20,164)
Balance, end of the year	$ -	$(7,077)

24. OPERATING REVENUE

	For the Year Ended December 31	
	2019	2018
Sale of goods	$ 9,194,135	$22,983,634
Other operating income	820,831	756,976
	$ 10,014,966	$ 23,740,610

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

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
Bank deposits	$ 415,114	$ 546,424
Others	23,952	348
	439,066	546,772
Rental income	641,547	459,070
Dividends	160	-
Others	175,152	230,037
	$1,255,925	$1,235,879

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Net gain on disposal of assets and licensing income	$ -	$ 31,285,385
Net gain on disposal of non-current assets held for sale	-	1,077,246
Net foreign exchange gain	216,810	489,797
Net gain on disposal of property, plant and equipment	82,033	245,446
Net gain on disposal of subsidiary (Note 28)	-	15,396
Net (loss) gain on valuation of financial instruments at fair value through profit or loss	(50,700)	1,255
Impairment loss (Notes 12, 14, 15 and 18)	(172,805)	(2,317,547)
Other loss	(830,499)	(802,760)
	$ (755,161)	$ 29,994,218

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

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

c. Financial costs

	For the Year Ended December 31	
	2019	2018
Interest on lease liabilities	$ 13,067	$ -
Others	6,141	1,915
	$ 19,208	$ 1,915

d. Impairment (reversal gain) loss on financial assets

	For the Year Ended December 31	
	2019	2018
Trade receivables (included in operating expense)	$ (30,000)	$ 82,964

e. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	$ 476,967	$ 484,358
Investment properties	101,361	91,215
Intangible assets	1,083,946	1,198,288
Right-of-use assets	142,106	-
	$ 1,804,380	$ 1,773,861
An analysis of depreciation - by function		
Operating costs	$ 52,726	$ 89,866
Operating expenses	566,347	394,492
Other expenses	101,361	91,215
	$ 720,434	$ 575,573
An analysis of amortization - by function		
Operating costs	$ -	$ -
Operating expenses	1,083,946	1,198,288
	$ 1,083,946	$ 1,198,288

f. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 5,813,039	$ 7,974,171
Post-employment benefits (Note 22)		
Defined contribution plans	240,777	290,437
Defined benefit plans	1,918	(50,697)
	242,695	239,740

	For the Year Ended December 31	
	2019	2018
Share-based payments (Note 29)		
Equity-settled share-based payments	59,647	(21,830)
Separation benefits	360,888	537,608
Total employee benefits expense	$ 6,476,269	$ 8,729,689
An analysis of employee benefits expense - by function		
Operating costs	$ 812,820	$ 1,591,106
Operating expenses	5,429,120	6,600,975
Other expenses	234,329	537,608
	$ 6,476,269	$ 8,729,689

g. Employees' compensation and remuneration of directors and supervisors

In compliance with HTC's Articles of Incorporation, the amendments stipulate the distribution of employees' compensation and remuneration to directors and supervisors at rates of no less than 4% and of no more than 0.25%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the years ended December 31, 2019 and 2018, the accrual rates and amount of employees' compensation are as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	4%	4%

Amount

	For the Year Ended December 31	
	2019	2018
Employees' compensation	$ -	$ 456,987

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

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

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

For any further information on the employees' compensation and remuneration to directors and supervisors approved in the meeting of the board of directors in 2020 and 2019, see disclosures in the Market Observation Post System.

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

	For the Year Ended December 31	
	2019	2018
Inventories (included in operating costs)	$ 216,478	$ 1,057,004
Intangible asset (included in other gains and losses)	(4,981)	33,373
Prepayments (included in other gains and losses)	84,315	2,248,030
Investment accounted for using equity method (included in other gains and losses)	20,757	-
Property, plant and equipment (included in other gains and losses)	72,714	36,144
	$ 389,283	$ 3,374,551

i. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2019	2018
Foreign exchange gains	$ 1,379,895	$ 2,133,151
Foreign exchange losses	(1,163,085)	(1,643,354)
Valuation net (loss) gain arising from financial instruments classified as held for trading	(50,700)	1,255
	$ 166,110	$ 491,052

26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2019	2018
In respect of the current year		
Current tax	$ 143,234	$ 277,920
Deferred tax	(106,937)	5,008,928
Land value increment tax	-	84,027
	36,297	5,370,875
Adjustments for previous years		
Current tax	(525,624)	(167,294)
Deferred tax	482,968	-
	(42,656)	(167,294)
Income tax (benefit) expense recognized in profit or loss	$ (6,359)	$ 5,203,581

A reconciliation of accounting (loss) profit and income tax (benefit) expense and the applicable tax rate were as follows:

	For the Year Ended December 31	
	2019	2018
(Loss) profit before income tax	$ (9,419,429)	$ 17,228,482
Income tax (benefit) expense calculated at 20% in 2019 and 2018, respectively	$ (1,883,885)	$ 3,445,696
Effect of expenses that were not deductible in determining taxable profit	18,815	130,963
Effect of temporary differences	1,355,473	1,147,151
Effect of loss carryforward	450,399	306,231
Land Value Increment	-	84,027
Effect of different tax rates of subsidiaries operating in other jurisdictions	95,495	256,807
Adjustments for previous years' tax	(42,656)	(167,294)
Income tax (benefit) expense recognized in profit or loss	$ (6,359)	$ 5,203,581

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

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Recognized in current year		
Income tax expense of remeasurement on defined benefit plan	$ 1,866	$ 21,529

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 231,198	$ 222,387
Current tax liabilities		
Income tax payable	$ 150,381	$ 241,167

d. Deferred tax balances

Movements of deferred tax assets and deferred tax liabilities for the years ended December 31, 2019 and 2018 were as follows:

	2019				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
Deferred tax assets					
Temporary differences					
Unrealized royalties	$ 447,859	$ (25,262)	$ -	$ -	$ 422,597
Unrealized marketing expenses	274,664	(95,536)	-	167	179,295
Unrealized warranty expense	216,581	(47,498)	-	-	169,083
Deferred tax assets					
Temporary differences					
Allowance for loss on decline in value of inventory	$ 224,650	$ (150,287)	$ -	$ -	$ 74,363
Unrealized profit	21,461	(21,461)	-	-	-
Unrealized salary and welfare	46,601	(2,690)	-	(858)	43,053
Unrealized contingent losses on purchase orders	7,226	(3,732)	-	-	3,494
Financial instruments at FVTPL	-	6,084	-	-	6,084
Others	237,206	(45,403)	-	(1,894)	189,909
Loss carryforwards	2,480,812	35,432	-	(47)	2,516,197
	$ 3,957,060	$ (350,353)	$ -	$ (2,632)	$ 3,604,075
Deferred tax liabilities					
Temporary differences					
Financial instruments at FVTPL	$ 151	$ (151)	$ -	$ -	$ -
Defined benefit plans	32,535	2,505	1,866	-	36,906
Unrealized loss	-	5,971	-	-	5,971
Others	10,765	17,353	-	(321)	27,797
	$ 43,451	$ 25,678	$ 1,866	$ (321)	$ 70,674

	2018					
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Disposal of Subsidiary	Translation Adjustment	Closing Balance
Deferred tax assets						
Temporary differences						
Unrealized royalties	$ 404,858	$ 43,001	$ -	$ -	$ -	$ 447,859
Unrealized marketing expenses	456,655	(180,782)	-	-	(1,209)	274,664
Unrealized warranty expense	312,697	(96,116)	-	-	-	216,581
Allowance for loss on decline in value of inventory	560,149	(335,499)	-	-	-	224,650
Unrealized profit	42,754	(21,293)	-	-	-	21,461
Unrealized salary and welfare	52,525	(6,924)	-	-	1,000	46,601
Unrealized contingent losses on purchase orders	69,754	(62,528)	-	-	-	7,226
Others	317,375	(80,047)	-	-	(122)	237,206
Loss carryforwards	6,773,881	(4,293,446)	-	-	377	2,480,812
	$ 8,990,648	$ (5,033,634)	$ -	$ -	$ 46	$ 3,957,060
Deferred tax liabilities						
Temporary differences						
Financial instruments at FVTPL	$ -	$ 151	$ -	$ -	$ -	$ 151
Defined benefit plans	1,936	8,762	21,529	308	-	32,535
Others	45,211	(33,619)	-	-	(827)	10,765
	$ 47,147	$ (24,706)	$ 21,529	$ 308	$ (827)	$ 43,451

e. Amounts of deductible temporary differences, unused carryforward and unused tax credits for which deferred tax assets have not been recognized

	December 31	
	2019	2018
Loss carryforward	$ 68,325,325	$ 56,988,154
Deductible temporary differences	$ 8,439,404	$ 9,058,035

f. Information about unused loss carry-forward

Loss carryforwards as of December 31, 2019 comprised of:

Remaining Carrying	Expiry Year
$ 1,091,847	2020
1,001,947	2021
981,639	2022
490,897	2023
4,068,142	2024
22,459,646	2025
22,167,741	2026
17,906,769	2027
16,413	2028
11,487,525	2029
211,308	2030-2032
$ 81,883,874	

g. The aggregate amount of temporary difference associated with investments for which deferred tax assets (liabilities) have not been recognized

As of December 31, 2019 and 2018, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax assets have been recognized were NT$6,621,415 thousand and NT$5,234,750 thousand, respectively.

h. Income tax assessments

HTC's tax returns through 2017 had been assessed by the tax authorities.

The income tax returns of HTC Investment Corporation, Uomo Vitmviano Corp., Deep Q Technology Corp. and HTC VIVE TECH Corp. for the year through 2017 have been examined and approved by the tax authorities.

27. (LOSS) EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic (loss) earnings per share	$ (11.43)	$ 14.72
Diluted (loss) earnings per share	$ (11.43)	$ 14.50

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

Net (Loss) Profit for the Years

	For the Year Ended December 31	
	2019	2018
(Loss) profit for the year attributable to owners of the parent	$ (9,358,078)	$ 12,068,202

Shares

Unit: In Thousands of Shares

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic (loss) earnings per share	818,811	819,629
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued	-	12,928
Weighted average number of ordinary shares used in the computation of diluted (loss) earnings per share	818,811	832,557

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

The exercise price of the outstanding options issued by the Company exceeded the average market price of the shares during the years ended December 31, 2019 and 2018, which were excluded from the computation of diluted (loss) earnings per share.

28. DISPOSAL OF SUBSIDIARIES

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

a. Consideration received from the disposal

	CGC
Consideration received in cash	$ 410,857

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

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

c. Gain on disposal of subsidiary

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

d. Net cash inflow on disposal of subsidiary

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

29. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

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

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

Qualified employees of HTC and its subsidiaries were granted 1,000 thousand options in August 2015. Each option entitles the holder to subscribe for one ordinary share of HTC. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of HTC and its subsidiaries were granted 20 thousand options in May 2019. Each option entitles the holder to subscribe for one thousand ordinary shares of HTC. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of HTC and its subsidiaries were granted 10,000 thousand options in November 2019. 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 HTC's ordinary shares, the exercise price is adjusted accordingly.

Information on employee share options were as follows:

	For the Year Ended December 31			
	2019		2018	
	Number of Shares (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Shares (In Thousands)	Weighted-average Exercise Price (NT$)
Balance, beginning of the year	6,909	$ 138.19	16,068	$ 137.45
Options granted	30,000	35.35	-	-
Options exercised	-		(149)	
Options forfeited	(948)		(9,010)	
Balance, ending of the year	35,961	53.41	6,909	138.19
Options exercisable, end of the year	6,307		6,889	
Weighted-average fair value of option granted (NT$)	$ 15.34		$ -	

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

	December 31	
	2019	2018
Range of exercise price (NT$)	$35.05-$149	$54.5-$149
Weighted-average remaining contractual life (years)	8.43 years	4.21 years

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

	November 2019	May 2019	August 2015	October 2014	November 2013
Grant-date share price (NT$)	$35.05	$35.50	$54.50	$134.50	$149.00
Exercise price (NT$)	$35.05	$35.50	$54.50	$134.50	$149.00
Expected volatility	43.64%-44.09%	44.94%-45.01%	39.26%	33.46%	45.83%
Expected life (years)	10 years	10 years	10 years	10 years	7 years
Expected dividend yield	-	-	4.04%	4.40%	5.00%
Risk-free interest rate	0.6125%-0.6348%	0.6082%-0.6224%	1.3965%	1.7021%	1.63%

Expected volatility was based on the historical share price volatility over the past 1-7 year. The Company assumed that employees would exercise their options after the vesting date when the share price was 1.63 times the exercise price.

Employee Restricted Shares

In the shareholders' meeting on June 19, 2014 and June 2, 2015, the shareholders approved a restricted share plan for employees amounting to NT$50,000 thousand and NT$75,000 thousand, consisting of 5,000 thousand and 7,500 thousand shares, respectively. In 2014 and 2015, HTC's Board of Directors passed a resolution to issue 5,000 thousand and 7,500 thousand shares, respectively.

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

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

If an employee fails to meet the vesting conditions, HTC will recall or buy back and cancel the restricted shares. For the years ended December 31, 2018 and 2019, HTC retired 2,161 thousand and 5 thousand restricted shares for employees, totaling NT$21,616 thousand and NT$49 thousand, respectively. As a result, the number of HTC's issued and outstanding employee restricted shares as of December 31, 2019 was 164 thousand shares. The related information is as follows:

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

Compensation Cost of Share-based Payment Arrangements

Compensation cost of share-based payment arrangement recognized (reversed) was NT$59,647 thousand and NT$(21,830) thousand for the years ended December 31, 2019 and 2018, 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 measured at fair value held by the Company include financial assets measured at cost. The management considers that the carrying amounts of financial assets not measured at fair value approximate their fair values or the fair values are not measured reliably.

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

a. Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 69,055	$ -	$ 69,055
Convertible bonds	-	-	337,829	337,829
Warrants	-	-	23,478	23,478
	$ -	$ 69,055	$ 361,307	$ 430,362
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 87,473	$ -	$ -	$ 87,473
Domestic unlisted shares	-	-	56,573	56,573
Overseas listed shares	1,069,433	-	-	1,069,433
Overseas unlisted shares	-	-	812,020	812,020
Overseas unlisted beneficiary certificates	-	-	709,678	709,678
	$ 1,156,906	$ -	$ 1,578,271	$ 2,735,177
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 119,755	$ -	$ 119,755

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 83,411	$ -	$ 83,411
Convertible bonds	-	-	214,340	214,340
Warrants	-	-	22,124	22,124
	$ -	$ 83,411	$ 236,464	$ 319,875
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	$ 83,383	$ -	$ -	$ 83,383
Domestic unlisted shares	-	-	388,700	388,700
Overseas listed shares	409,412	-	-	409,412
Overseas unlisted shares	-	-	1,103,891	1,103,891
Overseas unlisted beneficiary certificates	-	-	749,046	749,046
	$ 492,795	$ -	$ 2,241,637	$ 2,734,432
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	$ -	$ 82,156	$ -	$ 82,156

There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.

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

For the year ended December 31, 2019

	Financial Assets at FVTPL	Financial Assets at FVTOCI	
Financial Assets	Derivatives	Equity Instruments	Total
Balance at January 1, 2019	$ 236,464	$ 2,241,637	$ 2,478,101
Recognized in other comprehensive income	-	(640,213)	(640,213)
Purchases	134,347	153,254	287,601
Return of investments	-	(137,736)	(137,736)
Effect of foreign currency exchange differences	(9,504)	(38,671)	(48,175)
Balance at December 31, 2019	$ 361,307	$ 1,578,271	$ 1,939,578

For the year ended December 31, 2018

	Financial Assets at FVTPL	Financial Assets at FVTOCI	
Financial Assets	Derivatives	Equity Instruments	Total
Balance at January 1, 2018	$ 131,742	$ 3,024,565	$ 3,156,307
Recognized in other comprehensive income	-	(907,857)	(907,857)
Reclassification	(7,378)	7,378	-
Purchases	107,067	40,543	147,610
Effect of foreign currency exchange differences	5,033	77,008	82,041
Balance at December 31, 2018	$ 236,464	$ 2,241,637	$ 2,478,101

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

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

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

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

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

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

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

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

Categories of Financial Instruments

	December 31	
	2019	2018
Financial assets		
Financial assets at FVTPL		
Held for trading	$ 69,055	$ 83,411
Mandatorily at FVTPL	361,307	236,464
Amortized cost (Note 1)	31,773,342	43,548,840
Financial assets at FVTOCI		
Equity instruments	2,735,177	2,734,432
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	119,755	82,156
Amortized cost (Note 2)	14,355,617	19,269,254

(Continued) (Concluded)

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, other financial assets, note receivables, trade receivables, other receivables and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise, notes 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 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 audit committee and board of directors for monitoring risks and policies implemented to mitigate risk exposures.

a. Market risk

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

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

Foreign currency risk

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

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

Sensitivity analysis

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

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

	Profit or Loss	Equity
For the year ended December 31, 2019		
USD	$ (11,150)	$ (125,365)
EUR	(1,210)	(3,492)
RMB	(18,947)	(61,865)
JPY	(3,106)	(1,469)
For the year ended December 31, 2018		
USD	$ 7,963	$ (131,112)
EUR	2,527	(3,641)
RMB	(20,430)	(105,301)
JPY	426	(1,504)

(Continued) (Concluded)

b. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the 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 consolidated balance sheets. The Company does not issue any financial guarantee involving credit risk.

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

The credit risk information of trade receivables is disclosed in the Note 10.

c. Liquidity risk

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

1) Liquidity risk tables for non-derivative financial liabilities

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

December 31, 2019

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Note and trade payables	$ 425,184	$ 6,462,987	$ -
Other payables	4,503,157	2,712,001	-
Lease liabilities	30,464	72,320	225,930
Other current liabilities	87,419	-	-
Guarantee deposits received	-	-	164,869
	$ 5,046,224	$ 9,247,308	$ 390,799

December 31, 2018

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

2) Liquidity risk tables for derivative financial instruments

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

December 31, 2019

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Net settled			
Foreign exchange contracts	$ 2,098	$ -	$ -
Gross settled			
Foreign exchange contracts			
Inflows	$ 22,493,831	$ -	$ -
Outflows	(22,528,214)	-	-
	$ 34,383	$ -	$ -

December 31, 2018

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

3) Bank credit limit

	December 31	
	2019	2018
Unsecured bank general credit limit		
Amount used	$ 283,455	$ 538,680
Amount unused	16,574,220	18,128,633
	16,857,675	$ 18,667,313

Amount used included guarantees for customs duties and patent litigation.

32. RELATED-PARTY TRANSACTIONS

Balance, transactions, revenue and expenses between HTC and its subsidiaries, which are related parties of HTC, have been eliminated on consolidation and are not disclosed in this note. Besides as disclosed elsewhere in other notes, details of transactions between the Company and other related parties are disclosed below.

The Names and Relationships of Related-parties

Related-party	Relationship with the Company
VIA Technologies Inc.	Its chairman is HTC's director in substance
Chander Electronics Corp.	Its chairman is HTC's director in substance
Xander International Corp.	Its chairman is HTC's director in substance
VIA Labs, Inc.	Its chairman is HTC's director in substance
Way Chih Investment Co., Ltd.	Its director is HTC's chairwoman in substance (Note)
HTC Education Foundation	Its chairman is HTC's director in substance
Hung-Mao Investment Co., Ltd.	Its significant shareholder in substance is HTC's chairwoman
Nan Ya Plastics Corporation	Its director in substance and HTC's chairwoman are relatives and other relatives
Atrust Computer Corporation	Its general manager in substance is HTC's director
Employees' Welfare Committee	Employees' Welfare Committee of HTC
VIA Technologies (China) Co., Ltd.	The chairman of its parent company is HTC's director in substance
Premier Investment & Consultant (Shanghai) Co., Ltd.	Its chairwoman is HTC's chairwoman in substance
PROOF OF CAPITAL, L.P.	It's co-founder is HTC's management
Gui Zhou Wei Ai Educational Technology Co., Ltd.	Associates
Chengdu Weiai New Economic Technology Institute	Subsidiary of associates
Weishang Electronics (Shanghai) Co., Ltd.	Related party in substance
HTC Social Welfare and Charity Foundation	Its chairman is HTC's director in substance

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

Operating Sales

	For the Year Ended December 31	
	2019	2018
Other related parties	$ 4,455	$ 33,908

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

	December 31	
	2019	2018
Other related parties	$ 598	$ 516

Some related parties whose received products sold at prices which were no different from sales to third parties. No guarantees had been given or received for trade receivables from related parties. Trade receivables from related parties were assessed to have no bad debt risk, hence no bad debt expense had been recognized for the year ended December 31, 2019 and 2018.

Purchase

	For the Year Ended December 31	
	2019	2018
Other related parties	$ 8,456	$ 11,725

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

	December 31	
	2019	2018
Other related parties	$ 2,296	$ 4,159

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

Compensation of Key Management Personnel

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 110,373	$ 179,216
Post-employment benefits	878	612
Share-based payments	2,783	(1,791)
	$ 114,034	$ 178,037

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

Lease Liabilities

	December 31, 2019
VIA Technologies (China) Co., Ltd.	$ 6,052
Premier Investment & Consultant (Shanghai) Co., Ltd.	74,607
Weishang Electronics (Shanghai) Co., Ltd.	52,671
	$ 133,330

Interest Expense

	For the Year Ended December 31	
	2019	2018
VIA Technologies (China) Co., Ltd.	$ 854	$ -
Premier Investment & Consultant (Shanghai) Co., Ltd.	3,268	-
Weishang Electronics (Shanghai) Co., Ltd.	2,695	-
	$ 6,817	$ -

Lease Expenses

	For the Year Ended December 31	
	2019	2018
VIA Technologies (China) Co., Ltd.	$ 867	$ 28,261
Weishang Electronics (Shanghai) Co., Ltd.	$ -	$ 38,709
Other related parties	4,085	9,074
	$ 4,952	$ 76,044

(Concluded)

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

Acquisitions of Financial Assets

The Company injected US$8,000 thousand to become a limited partner of PROOF OF CAPITAL, L.P. As of December 31, 2019, US$4,000 thousand was invested and was classified as financial assets at FVTOCI depending on its nature.

Acquisitions of Property, Plant and Equipment

	Price	
	For the Year Ended December 31	
	2019	2018
Other related parties	$ -	$ 675

Other Related-party Transactions

Other related parties provide consultancy service fee to the Company. The consultancy service fee was NT$10,464 thousand for 2019. As of December 31, 2019 and 2018, the outstanding balance of other payables to related parties were NT$7,321 thousand and NT$25 thousand, respectively.

33. PLEDGED ASSETS

As of December 31, 2019 and 2018, the time deposits and demand deposits amounting to NT$267,394 thousand and NT$476,276 thousand and were classified as other financial assets and were provided respectively as collateral for rental deposits, litigation, customs duties, patent, vendors cooperation and performance bond.

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 a declaratory judgment action for non-infringement and patent 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 the 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 Italy are still ongoing. The Company implemented the alternative solution since 2012. The Company evaluated the lawsuits and considered the risk of patents-in-suits are low. Also, preliminary injunction and summary judgment against the alternative solution of the Company are very unlikely.

In February 2017, the court of appeal of the United Kingdom found the alternative solution of the Company did not infringed and only some old products without the alternative solution infringed the United Kingdom part of European Patent No. 1841268 (EP '268 patent). In December 2019, the High Court of the United Kingdom issued an injunction order against the old products without the alternative solution. The EP '268 patent was held to be valid by European Patent Office on July 18, 2017. The next hearing has not been scheduled by the courts yet.

In regard to the Company's motion for summary judgement in Washington Court and invalidity proceedings in the United States Patent and Trademark Office ("USPTO"), Washington Court granted on the Company's summary judgment motion in March 2012 and ruled on non-infringement of two of patents-in-suit. As for the third patent-in-suit, the Washington Court had granted a stay on case pending the decision of IPCom's appeal. In January 2014, the Court of Appeal for the Federal Circuit affirmed the Washington Court's decision. In June 2019, the Federal Circuit issued an order that affirmed the USPTO's decision of invalidating the third patent-in-suit. In October 2019, the Washington Court dismissed the US case according to a joint stipulation of dismissal filed by both parties.

As of the date that the board of directors approved and authorized for issuing consolidated financial statements, the courts have not issued a ruling with respect to the above-mentioned patents-in-suit.

b. Since December 2015, Koninklijke Philips N.V. (Philips) filed several lawsuits against the Company in the District Court for the District of Delaware, United States, the District Court of Mannheim, Germany, High Court, Chancery Division, Patent Court, United Kingdom, First Instance Court of Paris, France, and District Court of The Hague, Netherlands, alleging infringement of a dozen Philips patents. On December 24, 2019, Philips and the Company has reached settlement by signing a patent license agreement. According to the patent license agreement, both sides will withdraw from all of the pending proceedings.

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

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31			
	2019		2018	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets				
Monetary items				
USD	$ 1,243,650	30.10	$ 1,285,472	30.73
EUR	65,531	33.74	64,339	35.16
JPY	2,712,542	0.2771	4,120,696	0.2787
RMB	1,648,264	4.32	1,395,981	4.47
Non-monetary items				
USD	97,096	30.10	80,612	30.73
RMB	6,885	4.32	4,885	4.47
Investments accounted for using the equity method				
USD	12,574	30.10	15,783	30.73
RMB	14,587	4.32	14,587	4.47
Financial liabilities				
Monetary items				
USD	733,187	30.10	835,550	30.73
EUR	46,392	33.74	54,934	35.16
JPY	3,154,076	0.2771	3,848,890	0.2787
RMB	158,108	4.32	69,622	4.47

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains were NT$166,110 thousand and NT$491,052 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 Company's entities.

36. SIGNIFICANT CONTRACTS

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

Contractor	Term	Description
Qualcomm Incorporated.	December 20, 2000 to the following dates: a. If the Company materially breaches any agreement terms and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents. 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.
InterDigital Technology Corporation	December 31, 2003 to the expiry dates of these patents stated in the agreement.	Authorization to use TDMA and CDMA technologies; royalty payment based on agreement.
IV International Licensing Netherlands, B.V.	November 2010 - June 2020	Authorization to use wireless technology; royalty payment based on agreement.
KONINKLIJKE PHILIPS N.V.	December 23, 2019 - December 30, 2024	Authorization to use UMTS/LTE patents and portable feature patents; royalty payment based on agreement.

37. SEGMENT INFORMATION

The Company's operations are mainly focus on the research, design, manufacture and sale of smart mobile and virtual reality devices and its operating revenue takes up more than 90 percent of the total revenue.

Operating segment financial information was as follows:

Geographical Areas

The Company's non-current assets (other than financial instruments, deferred tax assets and post-employment benefit assets) by country as of December 31, 2019 and 2018 were as follows:

	December 31	
	2019	2018
Taiwan	$ 9,310,547	$ 9,793,710
Country Z	237,654	124,861
Country X	263,154	185,538
Others	604,620	1,632,869
	$ 10,415,975	$ 11,736,978

The countries that accounted for 10 percent or more of consolidated total revenues for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Taiwan	$ 1,969,273	$ 3,532,114
Country Z	3,401,565	8,532,625
Country X	1,097,410	1,513,497
Others	3,546,718	10,162,374
	$ 10,014,966	$ 23,740,610

Major Customer

External customers which accounted for 10 percent or more of the Company's total revenues for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Customer A	$ 1,174,567	$ 1,457,248
Customer B	732,700	6,271,576
	$ 1,907,267	$ 7,728,824

HTC Code of Conduct

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

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

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

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

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

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

Mandatory Contents

1.0 General Moral Imperatives

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

1.1 Work Environments:

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

1.2 Corporate Confidentiality:

During the term of employment with HTC and thereafter, each employee must hold in strict confidence and not disclose, directly or indirectly, any "Confidential Information" (as defined below) gained from HTC or its customers or venders/ suppliers to any third party without the prior written consent of HTC. "Confidential Information" must be used only for the purpose of executing work for HTC. "Confidential Information" shall mean all business, technical, operational or other information that is not generally known to the public and that an employee develops, has access to, and becomes acquainted with during the term of employment, whether or not such information (A) is owned by HTC, HTC's customers, venders/suppliers, or any third party with which HTC desires to establish a business relationship with; (B) is in oral, written, drawn or electronic media form; (C) is subject matter for the application of patents, trademarks, copyrights, or other intellectual property rights; or (D) is labeled with "Confidential" or an equivalent word. Confidential information may include, but is not limited to the following:

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

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

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

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

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

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

1.4 Equal Opportunity:

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

1.5 Political Activities:

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

2.0 Venders/Suppliers and Customers Relationship

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

2.1 Firm and Rational Attitude:

In securing and negotiating business, all employees should attempt to establish long-term relationships with our customers and venders/suppliers by providing essential and accurate information about our products and services. Employees shall demonstrate their professionalism with a sincere, firm, and rational attitude while dealing with customers or venders/suppliers. Conflicts caused by emotional languages or behaviors are strictly prohibited.

2.2 Product Quality and Safety:

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

2.3 Performance of Contracts:

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

2.4 Business Travel:

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

2.5 Gifts, Entertainment and Business Courtesies:

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

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

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

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

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

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

3.0 Conflict of Interest

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

3.1 Inside Trading:

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

3.2 Creditor and debtor relations:

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

3.3 Outside Employment:

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

3.4 Third party invitations, which may reference your role and/or knowledge as an employee at HTC:
If any HTC employee is invited to join external meetings, conferences, seminars, lectures, etc., or if asked to be a host or judge for an event during or outside of office hours, he/she must secure approval from the line manager and local PR team prior to participation.

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

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

宏達國際電子股份有限公司

HTC Corporation

Chairwoman: Cher Wang