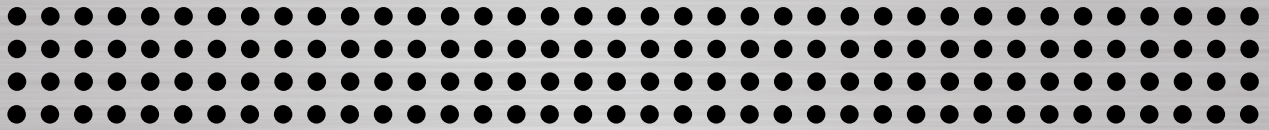


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HTC Corporation
2014 AGM AGENDA

June 19, 2014 at 9 a.m.
Chuto Hotel in Taoyuan, Jin Long Room

Translation

This English version is a translation based on the original Chinese version.
Where any discrepancy arises between the two versions, the Chinese version shall prevail.

HTC CORPORATION
2014 Annual General Shareholders' Meeting Agenda Book
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HTC CORPORATION
Procedure for 2014 Annual General Shareholders' Meeting

1. Call to Order
2. Seating of the Chair
3. Opening Remarks by the Chair
4. Matters to Report
5. Adoption and Discussion Matters
6. Extraordinary Motions
7. Closure of the Meeting

HTC CORPORATION
Agenda for the 2014 Annual General Shareholders' Meeting

Time and Date: June 19, 2014 (Thursday) at 9 a.m.

Location: Chuto Hotel, Jin Long Room (No.398 Taoying Road, Taoyuan City)

Attendees: The entire body of shareholders and authorized representatives of shareholders

Chair: Cher Wang, Chairperson

1. Opening Remarks by the Chair

2. Matters to Report:

Item 1: Fiscal 2013 Business Report

Item 2: Supervisors Audit Report

Item 3: Share Buyback Execution Report.

3. Adoption and Discussion Matters:

Item 1: Adoption of the Fiscal 2013 Business Report and Financial Statements

Item 2: Adoption of the Fiscal 2013 Deficit Compensation Proposal

Item 3: Discussion on the proposal to partially amend the Articles of Incorporation

Item 4: Discussion on the proposal to issue 5,000,000 new restricted employee shares

4. Extraordinary Motions

5. Closure of the Meeting

Matters to Report:

Item 1

Title: Fiscal 2013 Business Report, submitted for review.

Introduction:

(1) Please refer to Supplement 1 of this handbook (page 7) for the Fiscal 2013 Business Report.

(2) Please review.

Item 2

Title: Supervisors Audit Report, submitted for review.

Introduction:

(1) Please refer to Supplement 2 of this handbook (page 10) for the Supervisors Audit Report.

(2) Please review.

Item 3

Title: Share Buyback Execution Report, submitted for review.

Introduction:

(1) Please refer to Supplement 3 of this handbook (page 12) for the Share Buyback Execution Report.

(2) Please review.

Adoption and Discussion Matters

Item 1

Title: Adoption of the Fiscal 2013 Business Report and Financial Statements. (Proposed by the Board of Directors)

Introduction:

- (1) The compilation of the Company's Fiscal 2013 Business Report and Financial Statements are completed and has been approved by the Board of Directors. The Financial Statements have been audited and certified by Yang, Min-Hsien, CPA, and Hsu Wen-Ya, CPA, of Deloitte & Touche. The Business Report and Financial Statements have been audited by the Supervisors, and are hereby submitted for adoption by this Annual General Shareholders' Meeting.
- (2) Please refer to Supplement 1 (page 7), Supplement 4 (page 13) and Supplement 5 (page 20) of this handbook for the Fiscal 2013 Business Report, the CPA Audit Report issued by Deloitte & Touche and the Financial Statements, respectively.
- (3) Adoption requested.

Resolution:

Item 2

Title: Adoption of the Fiscal 2013 Deficit Compensation Proposal. (Proposed by the Board of Directors)

Introduction:

- (1) The Company's net loss for Fiscal 2013 was NT\$1,323,784,541. Please refer to Supplement 6 of this handbook (page 27) for the Chart of the Deficit Compensation for Fiscal 2013. It is proposed not to distribute share dividends to the shareholders.
- (2) Adoption requested.

Resolution:

Item 3

Title: Discussion on the proposal to partially amend the Articles of Incorporation, submitted for discussion. (Proposed by the Board of Directors)

Introduction:

- (1) A partial amendment to the Articles of Incorporation is proposed in response to regulatory requirements and business operation needs of the Company.

(2) Please refer to Supplement 7 of this handbook (page 28) for the Pre- and Post-Amendment Comparison Chart for the Articles of Incorporation.

(3) Resolution requested.

Resolution:

Item 4

Title: Discussion on the proposal to issue 5,000,000 new restricted employee shares, submitted for discussion. (Proposed by the Board of Directors)

Introduction:

(1) It is proposed to issue new restricted employee shares per Article 267 of the Company Act and the Regulations Governing the Offering and Issuance of Securities by Securities Issuers (the "Offering Regulations") issued by the Financial Supervisory Commission.

(2) Total amount to be issued: a total of 5,000,000 common shares, each share having a par value of NT\$10, for a total amount of NT\$50,000,000.

(3) Issue terms:

1. Issue price: The current issue is gratuitous. The issue price is NT\$0.

2. Vesting conditions:

(I) An employee who remains employed at HTC after 1 year has elapsed from the time of the award of the new restricted employee shares, and who in the then-current fiscal year has a performance rating equal to or higher than "Satisfactory", will be eligible for vesting of an installment of 30% of the shares.

(II) An employee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares, and who in the then-current fiscal year has a performance rating equal to or higher than "Satisfactory", will be eligible for vesting of an installment of 30% of the shares.

(III) An employee who remains employed at HTC after 3 year has elapsed from the time of the award of the new restricted employee shares, and who in the then-current fiscal year has a performance rating equal to or higher than "Satisfactory", will be eligible for vesting of an installment of 40% of the shares.

3. Handling of an employee's failure to meet the vesting conditions: HTC will withdraw without compensation and cancel the full number of the shares.

4. Restrictions on the rights associated with shares that have not yet vested:

(I) 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.

(II) During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues.

5. After issuance, the new restricted employee shares must immediately be deposited in

trust.

- (4) Conditions of Eligibility for Award and the number of shares to be awarded or subscribed:
1. Restricted to full-time regular employees of HTC who are already employed on the date that the new restricted employee shares are awarded.
 2. The employees who will be awarded new restricted employee shares and the numbers of such shares awarded will be decided by the chairperson and then approved by the board of directors, with consideration given to factors such as seniority, job rank, work performance, overall contribution, special merit, or other administrative conditions requiring consideration. However, for employees who are officers or hold management positions, the award of such shares is subject to approval by the Compensation Committee.
 3. The sum of the cumulative number of shares subscribable under any new restricted employee shares issued by HTC to a single employee shall be in accordance with the relevant restrictions in the Offering Regulations.
- (5) Necessary reason to issue the new restricted employee shares: To attract and retain professional talents needed by HTC, and to provide incentive to employees and enhance employee commitment, so as to jointly create benefit to the company and its shareholders.
- (6) Potential expenses, dilution to the earnings per share and other effects towards shareholders' equity:
- The number of current outstanding shares, excluding the treasury stocks, is 823,438, 125 shares, and the estimated restricted employee shares to be issued constitute 0.61% of the current outstanding shares. The estimated total possible expenses for the issuance of the restricted employee shares is approximately NT\$ 845,000,000, and are calculated based on the closing share price one day prior to the Board resolution date (May 5, 2014), which is NT\$169 per share. When considering the 3-year vesting period and the current outstanding shares, it is estimated that the expenses generated can dilute the earnings per share by approximately NT\$1.03 per share. Therefore, these expenses should not have a critical impact on shareholder's equity.
- (7) Unless otherwise provided in the applicable governmental regulations, the Board of Directors is authorized to amend or execute any matter which is not specifically prescribed in this proposal after it is approved.
- (8) Resolution requested.

Resolution:

Extraordinary Motions

Closure of the Meeting

Supplement 1

HTC CORPORATION Fiscal 2014 Business Report

2013 was a true year of transition for HTC Corporation, one we believe has positioned us for great success down the road. HTC always puts a relentless focus on our customers. Last year, HTC cemented its position as a true leader in this regard, introducing our most successful smartphone ever, the HTC One. This success was built on premium, critically-acclaimed design and breakthrough innovations that stood out from the crowd. Awards and accolades are still pouring in for this fantastic phone a year later. We also introduced the HTC One mini and HTC One max variants, launched new Desire models for the mid-tier segment, refreshed the powerful Butterfly model that enjoys popularity throughout Asia. HTC has always made great products, and last year we stepped up our efforts to tell customers about them. Our “Here’s To Change” brand platform, sponsorship deal with Europe’s UEFA Champions League, and partnership with Hollywood superstar Robert Downey, Jr. got more people talking about HTC than ever before. Nonetheless, faced with intense pressure from powerful competitors, HTC’s financial performance did not live up to our expectations. We embarked on swift and comprehensive action to return the business to health. So far 2014 has given us much cause for optimism, with strong positive reaction from media and consumers to our groundbreaking HTC One (M8) flagship phone and a beautiful new mid-tier model, the HTC Desire 816. We are confident we have taken the right steps to ensure a healthy, bright future for HTC, our customers, and our investors.

FINANCIAL PERFORMANCE

Full-year consolidated revenues came in at NT\$203.4 billion, with a consolidated gross profit of NT\$42.27 billion and an operating gross margin of 21 percent. Combined operating margin was -2 percent, with an operating loss of NT\$3.97 billion. The full-year after-tax net loss was NT\$1.32 billion, while Earnings Per Share (EPS) was a loss of NT\$1.60. HTC continues to focus on its core operations, working diligently to further reduce costs and restore positive performance in 2014.

PRODUCT SUMMARY

In February, 2013, HTC introduced its new flagship smartphone, the HTC One. This phone introduced a number of breakthrough innovations that still lead the industry. These include a nearly all-aluminum body made possible only with a pioneering manufacturing process, and the BlinkFeed home screen experience that lets users customize their home screen with content from Facebook, Twitter, and hundreds of global media partners including the AOL family of properties, CNN, ESPN, Reuters, and many more. The HTC One also introduced HTC’s own proprietary sound technology, HTC BoomSound with dual front-facing speakers, and the unique UltraPixel camera with incredible low-light performance.

HTC also introduced the HTC Butterfly s, a phone that brought many of the innovations from the HTC One to the Butterfly franchise that has enjoyed popularity throughout Asia. Later in the year, HTC also released blue, red and champagne-gold editions of the HTC One, and a limited-edition “Hello Kitty” HTC Butterfly s.

With the launch of the HTC One on Verizon in August, HTC’s flagship phone became available across all four major U.S. carriers in the US for the first time. Building on the success of the HTC One, HTC introduced the HTC One mini and the HTC One max later on, offering a family of devices that provide something for everyone.

A new range of Desire products was introduced during the course of 2013, complimenting the flagship One family. These products provide options for customers from super fast 4G to entry level smartphones. The most highly recommended of which, the Desire 500 scoring 89% in independent reviews, proving a success in multiple European countries: Germany, Italy, Spain, Poland amongst others. The launch of the new mid-range Desire 601 and entry-level Desire 300, also in the third quarter, further expanded HTC's portfolio, enabling consumers to enjoy a premium experience at any price point. The Desire products also provide a platform for customers to experience a number of core features, such as BlinkFeed, video highlights which were previously only reserved for the One family.

This positive momentum has only continued in 2014. At Mobile World Congress in February, we launched the HTC Desire 816, which brought beautiful design and high performance to the mid-tier segment. This new smartphone won several awards, including "Best Mid-Range Phone" from Android Authority and "Best Budget Phone" from Laptop Magazine. Also at MWC, the HTC One was awarded "Best Smartphone of 2013" from the GSMA, and also won the coveted Gold Design award from iF Design.

In March, we unveiled the HTC One (M8), our new flagship smartphone that delivers premium metal design, a completely redesigned HTC Sense user experience, improved BoomSound, and a breakthrough Duo Camera.

HONORS, AWARDS, AND BUZZ

HTC's designs were lauded by the media, and received prestigious awards throughout 2013. The new HTC One was awarded the GSMA's "The Best Mobile Handset, Device, or Tablet". This flagship device was also awarded Tech Radar's "MWC's Best Phone" and "Best in Show" and won "Best Smartphone" from Mobile Geeks. The HTC One continued to win accolades later in the year, including "Phone of the Year in 2013" by T3 Gadget Awards and "Best European Advanced Smartphone 2013-2014" from the European Imaging and Sound Association. In the fourth quarter, the HTC One claimed yet another Best Phone title by Tbreak Awards, the most prestigious technology and gaming awards in the Middle East. At Mobile World Congress 2014, the GSMA named the HTC One "Best Smartphone of the Year", and iF Design bestowed its coveted Gold Award for Design on the HTC One as well.

HTC also made great strides in raising the profile of the HTC brand, launching the Here's To Change global brand campaign that affirmed our role as the change-maker challenging the status quo since the dawn of the mobile phone industry, as well as our mission of continuing to bring change into the hands of people around the world. The campaign kicked off with a television commercial featuring Robert Downey, Jr., which significantly ramped up consumer engagement and positive sentiments, increasing advertising awareness by 12% and brand momentum by 15%.

2013 was also HTC's first full year as Official Global Phone Supplier to the UEFA Champions League and Europa League. This extensive partnership helped us reach over one billion people globally through our "Change Your Game" integrated marketing communications program. In 2013 we also launched the HTC FootballFeed app, enabling consumers to get real-time official updates on all aspects of two of football's most prestigious competitions, bringing fans closer than ever to the game, through an innovative and overall richer mobile experience.

Other examples of innovative marketing activities included the launch of HTC's "Most Beautiful Smartphone" campaign through an interactive outdoor billboard at Times Square in New York City, boosting digital engagement with consumers and activation through the holiday sales season. Also, "The Ultimate Smartphone Photo Booth" was launched in partnership with

Qualcomm. This technological marvel consisted of 130 HTC One phones arranged to shoot 540 degrees of action. The photo booth toured major cities in the United States, showing off the vivid and true-to-life images captured by HTC's groundbreaking UltraPixel camera in a way similar to high-end Hollywood special effects. A video about the project received more than five million views on YouTube alone.

Another very rewarding program we've revealed in Barcelona was the shared processing initiative - Power To Give, an app that allows people to donate their spare processing power as they charge their phone overnight, to good causes of their choice, in order to answer some of the world's biggest questions – cure for cancer or alzheimers, helping environmental and ecological programs and of course, the search for extraterrestrial life. This corporate social responsive initiative spells a new era for HTC brand and our drive to tackle some of the biggest opportunities that a connected, mobile world can unite to solve.

SOCIAL RESPONSIBILITY

HTC has always cared for the community, promoting public service as a duty and hoping to make a contribution. The HTC Social Welfare Foundation has been a long-term sponsor of the welfare of disadvantaged groups, supporting educational programs at home and abroad, and providing scholarships to impoverished students globally. In addition, the HTC Education Foundation is committed to promoting moral character and civic education programs. Apart from the donation of books, the foundation works with local and global educational institutions to plan educational projects, as well as actively initiating educational incentive programs.

VISION FOR THE FUTURE

This year we are more excited than ever about the future of mobile. We are confident in our ability to continue leading the industry with brilliant design inside and out, and innovation that is relevant to our customers. Exciting new technologies are opening up tantalizing opportunities, and HTC is determined to bring our world-class design and innovation to create breakthrough products. We will continue to invest in our brand, marketing and sales and make sure that more people than ever get to know HTC first hand. Thanks for coming along for the ride!

HTC CORPORATION

Chairperson : Cher Wang

President : Peter Chou

Chief Accountant : James.CY Chen

Supplement 2

HTC CORPORATION Supervisors Audit Report

The Board of Directors has prepared the Company's 2013 Financial Statements. HTC Corporation's Financial Statements have been audited and certified by Yang, Ming-Hsien, CPA, and Hsu Wen-Ya, CPA, of Deloitte & Touche and an audit report relating to the Financial Statements has been issued. The Financial Statements has been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of HTC Corporation. According to Article 219 of the Company Law, I hereby submit this report.

HTC CORPORATION

Supervisor:

Huang-Chieh Chu

Way-Chih Investment Co., Ltd.

Representative: Shao-Lun Lee

March 28, 2014

HTC CORPORATION
Supervisors Audit Report

The Board of Directors has prepared the Company's 2013 Business Report and Deficit Compensation Proposal. The Business Report and Deficit Compensation Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of HTC Corporation. According to Article 219 of the Company Law, I hereby submit this report.

HTC CORPORATION

Supervisor:

Huang-Chieh Chu

Way-Chih Investment Co., Ltd.

Representative: Shao-Lun Lee

May 6, 2014

Supplement 3

Share Buyback Execution Report :

Topic	Explanation
Initial Estimation of Share Buy-back Status	
Board of Director resolution	August 02, 2013
Purpose of the share buy-back	To stabilize stock price by maintaining company credibility and shareholders rights. According to the Regulations Governing Share Repurchase by Listed and OTC Companies, Article 2 requires off-setting of buy-back Treasury stocks.
Type of share buy-back	Common stock
Total amount allocated for share buy-back	NTD 4,350,000,000
Buy-back period	Aug. 5 to Oct. 4, 2013
Estimated number of buy-back shares (as percentage of total issued shares)(Note 1)	15,000,000 shares (1.76%)
Estimated buy-back price interval	Buy-back stock price is between NTD 140 to NTD 290. It is further resolved by the Board of Directors to continue buy-back of shares if the stock price falls under NTD 140.
Method of Buy-back	Buy-back shares from stock exchange
Actual Share Buy-back Status	
Buy-back period	From Aug. 20 to Oct. 4, 2013
Number of buy-back shares (as a percentage of total issued shares) (Note 2)	7,789,000 shares (0.91%)
Total amount for buy-back shares	NTD 1,033,845,666
Average price per buy-back share	NTD 132.73

Note 1: The percentage is calculated based on the total outstanding shares when the Company reported share repurchase.

Note 2: The percentage is calculated based on the total outstanding shares when the Company reported expiration of repurchase period or completion of the repurchase.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
HTC Corporation

We have audited the accompanying balance sheets of HTC Corporation (the "Company") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

February 28, 2014

Notice to Readers

The accompanying 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 the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

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

HTC CORPORATION

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 33,034,504	20	\$ 42,545,929	22	\$ 53,397,570	22
Financial assets at fair value through profit or loss - current (Notes 7 and 32)	162,297	-	6,950	-	256,868	-
Available-for-sale financial assets - current (Notes 8 and 32)	-	-	-	-	736,031	-
Held-to-maturity financial assets - current (Notes 9 and 32)	-	-	101,459	-	-	-
Derivative financial assets for hedging - current (Notes 10 and 32)	-	-	204,519	-	-	-
Note and trade receivables, net (Note 13)	13,966,622	8	19,743,763	10	32,039,776	13
Trade receivables - related parties, net (Notes 13 and 33)	13,203,577	8	19,468,130	10	32,977,269	13
Other receivables (Note 13)	1,856,060	1	1,300,399	1	1,615,044	1
Other receivables - related parties (Notes 13 and 33)	336	-	6,633,724	3	79,077	-
Current tax assets (Note 26)	24,192	-	-	-	-	-
Inventories (Note 14)	18,463,656	11	20,521,967	10	25,389,320	10
Prepayments (Note 15)	3,596,806	2	4,154,949	2	6,473,372	3
Other current financial assets (Notes 6, 12 and 34)	2,359,041	2	5,606,720	3	25,538,650	10
Other current assets	125,019	-	34,137	-	248,085	-
Total current assets	<u>86,792,110</u>	<u>52</u>	<u>120,322,646</u>	<u>61</u>	<u>178,751,062</u>	<u>72</u>
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Notes 8 and 32)	239	-	197	-	279	-
Held-to-maturity financial assets - non-current (Notes 9 and 32)	-	-	-	-	204,597	-
Financial assets measured at cost - non-current (Notes 11 and 32)	515,861	-	515,861	-	515,861	-
Investments accounted for using equity method (Notes 16, 29 and 30)	42,130,349	25	39,781,249	20	35,904,924	15
Property, plant and equipment (Notes 17 and 33)	19,773,608	12	19,726,836	10	15,318,600	6
Intangible assets (Note 18)	1,650,891	1	1,717,150	1	2,241,541	1
Deferred tax assets (Note 26)	6,475,936	4	6,545,718	4	5,359,291	2
Refundable deposits (Note 32)	75,081	-	84,947	-	78,894	-
Prepaid pension cost - non-current (Note 22)	125,894	-	119,522	-	101,026	-
Other non-current assets (Note 15)	<u>10,014,225</u>	<u>6</u>	<u>8,165,713</u>	<u>4</u>	<u>8,645,392</u>	<u>4</u>
Total non-current assets	<u>80,762,084</u>	<u>48</u>	<u>76,657,193</u>	<u>39</u>	<u>68,370,405</u>	<u>28</u>
TOTAL	<u>\$ 167,554,194</u>	<u>100</u>	<u>\$ 196,979,839</u>	<u>100</u>	<u>\$ 247,121,467</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Note and trade payables (Note 19)	\$ 42,788,723	26	\$ 71,227,584	36	\$ 72,855,374	30
Trade payable - related parties (Notes 19 and 33)	5,622,019	4	2,902,985	1	3,639,231	1
Other payables (Notes 20 and 33)	33,562,853	20	32,211,263	16	43,521,453	18
Current tax liabilities (Note 26)	303	-	1,424,006	1	9,653,090	4
Provisions - current (Note 21)	7,224,637	4	7,603,717	4	14,808,145	6
Other current liabilities (Note 20)	<u>532,805</u>	<u>-</u>	<u>1,187,056</u>	<u>1</u>	<u>1,154,196</u>	<u>-</u>
Total current liabilities	<u>89,731,340</u>	<u>54</u>	<u>116,556,611</u>	<u>59</u>	<u>145,631,489</u>	<u>59</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 26)	114,034	-	150,534	-	187,469	-
Guarantee deposits received (Note 32)	<u>1,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>628</u>	<u>-</u>
Total non-current liabilities	<u>115,194</u>	<u>-</u>	<u>150,534</u>	<u>-</u>	<u>188,097</u>	<u>-</u>
Total liabilities	<u>89,846,534</u>	<u>54</u>	<u>116,707,145</u>	<u>59</u>	<u>145,819,586</u>	<u>59</u>
EQUITY (Note 23)						
Share capital - common stock	<u>8,423,505</u>	<u>5</u>	<u>8,520,521</u>	<u>4</u>	<u>8,520,521</u>	<u>3</u>
Capital surplus	<u>15,360,307</u>	<u>9</u>	<u>16,601,557</u>	<u>8</u>	<u>16,601,557</u>	<u>7</u>
Retained earnings						
Legal reserve	18,149,350	11	16,471,254	9	10,273,674	4
Special reserve	854,138	1	-	-	580,856	-
Accumulated earnings	<u>47,282,820</u>	<u>28</u>	<u>53,630,777</u>	<u>27</u>	<u>75,687,478</u>	<u>31</u>
Total retained earnings	<u>66,286,308</u>	<u>40</u>	<u>70,102,031</u>	<u>36</u>	<u>86,542,008</u>	<u>35</u>
Other equity	<u>557,698</u>	<u>-</u>	<u>(885,925)</u>	<u>-</u>	<u>2,939</u>	<u>-</u>
Treasury shares	<u>(12,920,158)</u>	<u>(8)</u>	<u>(14,065,490)</u>	<u>(7)</u>	<u>(10,365,144)</u>	<u>(4)</u>
Total equity	<u>77,707,660</u>	<u>46</u>	<u>80,272,694</u>	<u>41</u>	<u>101,301,881</u>	<u>41</u>
TOTAL	<u>\$ 167,554,194</u>	<u>100</u>	<u>\$ 196,979,839</u>	<u>100</u>	<u>\$ 247,121,467</u>	<u>100</u>

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

HTC CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
REVENUES (Notes 24 and 33)	\$ 194,294,044	100	\$ 270,701,687	100
COST OF REVENUES (Notes 14, 25 and 33)	<u>160,324,556</u>	<u>82</u>	<u>213,706,894</u>	<u>79</u>
GROSS PROFIT	33,969,488	18	56,994,793	21
UNREALIZED GAINS	(1,611,132)	(1)	(2,354,363)	(1)
REALIZED GAINS	<u>2,354,363</u>	<u>1</u>	<u>1,151,531</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>34,712,719</u>	<u>18</u>	<u>55,791,961</u>	<u>20</u>
OPERATING EXPENSES (Notes 25 and 33)				
Selling and marketing	18,767,921	10	21,716,367	8
General and administrative	6,149,762	3	5,521,638	2
Research and development	<u>11,431,489</u>	<u>6</u>	<u>13,783,569</u>	<u>5</u>
Total operating expenses	<u>36,349,172</u>	<u>19</u>	<u>41,021,574</u>	<u>15</u>
OPERATING (LOSS) PROFIT	<u>(1,636,453)</u>	<u>(1)</u>	<u>14,770,387</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	675,659	-	964,499	1
Other gains and losses (Note 25)	758,009	-	580,421	-
Finance costs	(6,550)	-	(320)	-
Share of the profit or loss of subsidiaries, associates and joint ventures (Note 16)	<u>(1,075,872)</u>	<u>-</u>	<u>617,723</u>	<u>-</u>
Total non-operating income and expenses	<u>351,246</u>	<u>-</u>	<u>2,162,323</u>	<u>1</u>
(LOSS) PROFIT BEFORE INCOME TAX	(1,285,207)	(1)	16,932,710	6
INCOME TAX (Note 26)	<u>(38,578)</u>	<u>-</u>	<u>(119,135)</u>	<u>-</u>
(LOSS) PROFIT FOR THE YEAR	<u>(1,323,785)</u>	<u>(1)</u>	<u>16,813,575</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME AND LOSS				
Exchange differences on translating foreign operations (Note 23)	1,649,412	1	(1,089,693)	-
Unrealized gain (loss) on available-for-sale financial assets (Note 23)	42	-	(4,713)	-

(Continued)

HTC CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Cash flow hedge (Notes 10 and 23)	\$ (194,052)	-	\$ 194,052	-
Actuarial gain and loss arising from defined benefit plans (Note 22)	(16,976)	-	(5,310)	-
Share of the other comprehensive income of subsidiaries, associates and joint ventures	(11,887)	-	11,430	-
Income tax relating to the components of other comprehensive income (Notes 22 and 26)	<u>1,771</u>	<u>-</u>	<u>903</u>	<u>-</u>
Other comprehensive income and loss for the year, net of income tax	<u>1,428,310</u>	<u>1</u>	<u>(893,331)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 104,525</u>	<u>-</u>	<u>\$ 15,920,244</u>	<u>6</u>
(LOSS) EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ (1.60)</u>		<u>\$ 20.21</u>	
Diluted	<u>\$ (1.60)</u>		<u>\$ 20.12</u>	

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

(Concluded)

HTC CORPORATION

STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Cash Flow Hedge	Treasury Shares	Total Equity
			Legal Reserve	Special Reserve	Accumulated Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets				
BALANCE, JANUARY 1, 2012	\$ 8,520,521	\$ 16,601,557	\$ 10,273,674	\$ 580,856	\$ 75,687,478	\$ -	\$ 2,939	\$ -	\$ (10,365,144)	\$ 101,301,881	
Appropriation of 2011 earnings											
Legal reserve	-	-	6,197,580	-	(6,197,580)	-	-	-	-	-	
Special reserve reversed	-	-	-	(580,856)	580,856	-	-	-	-	-	
Cash dividends	-	-	-	-	(33,249,085)	-	-	-	-	(33,249,085)	
Profit for the year ended December 31, 2012	-	-	-	-	16,813,575	-	-	-	-	16,813,575	
Other comprehensive income and loss for the year ended December 31, 2012	-	-	-	-	(4,467)	(1,089,693)	6,777	194,052	-	(893,331)	
Purchase of treasury shares	-	-	-	-	-	-	-	-	(3,700,346)	(3,700,346)	
BALANCE, DECEMBER 31, 2012	8,520,521	16,601,557	16,471,254	-	53,630,777	(1,089,693)	9,716	194,052	(14,065,490)	80,272,694	
Appropriation of 2012 earnings											
Legal reserve	-	-	1,678,096	-	(1,678,096)	-	-	-	-	-	
Special reserve	-	-	-	854,138	(854,138)	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,662,455)	-	-	-	-	(1,662,455)	
Loss for the year ended December 31, 2013	-	-	-	-	(1,323,785)	-	-	-	-	(1,323,785)	
Other comprehensive income and loss for the year ended December 31, 2013	-	-	-	-	(15,313)	1,649,412	(11,737)	(194,052)	-	1,428,310	
Purchase of treasury shares	-	-	-	-	-	-	-	-	(1,033,846)	(1,033,846)	
Retirement of treasury stock	(97,016)	(1,267,992)	-	-	(814,170)	-	-	-	2,179,178	-	
Share-based payments	-	26,742	-	-	-	-	-	-	-	26,742	
BALANCE, DECEMBER 31, 2013	\$ 8,423,505	\$ 15,360,307	\$ 18,149,350	\$ 854,138	\$ 47,282,820	\$ 559,719	\$ (2,021)	\$ -	\$ (12,920,158)	\$ 77,707,660	

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

HTC CORPORATION

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	\$ (1,285,207)	\$ 16,932,710
Adjustments for:		
Depreciation	1,602,946	1,292,949
Amortization	651,632	524,391
Impairment loss recognized on trade receivables	991,821	505,078
Finance costs	6,550	320
Interest income	(426,679)	(504,794)
Compensation cost of employee share options	23,443	-
Share of the profit or loss of associates and joint ventures	1,075,872	(617,723)
Transfer of property, plant and equipment to expenses	1,581	5,912
Gain on disposal of intangible assets	(110,602)	-
Gain on sale of available-for-sale financial assets	-	(7,695)
Impairment losses on non-financial assets	550,224	1,256,571
Unrealized gain on sales	1,611,132	2,354,363
Realized gain on sales	(2,354,363)	(1,151,531)
Ineffective portion of cash flow hedges	10,467	(10,467)
Changes in operating assets and liabilities		
(Increase) decrease in financial instruments held for trading	(155,347)	249,918
Decrease in note and trade receivables	4,785,320	11,790,935
Decrease in trade receivables - related parties	6,264,553	13,509,139
(Increase) decrease in other receivables	(555,055)	301,456
Decrease in other receivables - related parties	33,295	45,446
Decrease in inventories	1,619,172	3,655,799
Decrease (increase) in prepayments	48,433	(585,542)
(Increase) decrease in other current assets	(90,882)	213,948
(Increase) decrease in other non-current assets	(1,933,827)	560,878
(Decrease) increase in note and trade payables	(25,938,861)	1,276,175
Increase (decrease) in trade payable - related parties	2,719,034	(736,246)
Increase (decrease) in other payables	2,129,687	(11,861,840)
Decrease in provisions	(2,879,080)	(7,204,428)
(Decrease) increase in other current liabilities	(654,251)	32,860
Cash (used in) generated from operations	(12,258,992)	31,828,582
Interest received	473,600	475,053
Interest paid	(6,550)	(320)
Income tax paid	(1,451,420)	(9,570,678)
Net cash (used in) generated from operating activities	<u>(13,243,362)</u>	<u>22,732,637</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	-	739,095
Recovery of the principal amount of held-to-maturity investments	100,000	100,000
Net cash inflow on disposal of subsidiaries	22	-

(Continued)

HTC CORPORATION

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
Payments for property, plant and equipment	\$ (2,367,429)	\$ (5,260,452)
Increase in refundable deposits	-	(6,053)
Decrease in refundable deposits	9,866	-
Increase in other receivables - related parties	-	(6,554,025)
Decrease in other receivables - related parties	6,554,025	-
Payments for intangible assets	(193,526)	-
Proceeds from disposal of intangible assets	117,380	-
Decrease in other current financial assets	3,247,679	19,931,930
Dividend received	<u>7,655</u>	<u>1,744</u>
Net cash generated from investing activities	<u>7,475,672</u>	<u>8,952,239</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for treasury shares	(1,033,846)	(3,700,346)
Increase in guarantee deposits received	1,160	-
Decrease in guarantee deposits received	-	(628)
Net cash outflow on acquisition of subsidiaries	(1,048,594)	(5,586,458)
Dividends paid to owners of the Company	<u>(1,662,455)</u>	<u>(33,249,085)</u>
Net cash used in financing activities	<u>(3,743,735)</u>	<u>(42,536,517)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,511,425)	(10,851,641)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>42,545,929</u>	<u>53,397,570</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 33,034,504</u>	<u>\$ 42,545,929</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
HTC Corporation

We have audited the accompanying consolidated balance sheets of HTC Corporation and its subsidiaries (collectively referred to as the "Company") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of HTC Corporation as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

February 28, 2014

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 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 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 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 the Republic of China were not translated into English.

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 53,298,941	31	\$ 50,966,143	25	\$ 62,026,758	24
Financial assets at fair value through profit or loss - current (Notes 7 and 32)	162,297	-	6,950	-	256,868	-
Available-for-sale financial assets - current (Notes 8 and 32)	-	-	37,902	-	736,031	-
Held-to-maturity financial assets - current (Notes 9 and 32)	-	-	101,459	-	-	-
Derivative financial assets for hedging - current (Notes 10 and 32)	-	-	204,519	-	-	-
Note and trade receivables, net (Notes 13 and 33)	23,371,172	14	41,253,826	20	64,719,791	25
Other receivables (Note 13)	2,137,653	1	1,524,269	1	1,947,665	1
Other receivables - related parties (Notes 13 and 33)	-	-	6,600,093	3	966	-
Current tax assets (Note 26)	238,085	-	61,532	-	263,116	-
Inventories (Note 14)	23,599,558	14	23,809,377	12	28,430,590	11
Prepayments (Note 15)	5,803,744	3	4,965,814	2	6,507,516	3
Other current financial assets (Notes 6, 12 and 34)	2,771,023	2	6,561,444	3	25,543,450	10
Other current assets	124,808	-	39,097	-	249,644	-
Total current assets	<u>111,507,281</u>	<u>65</u>	<u>136,132,425</u>	<u>66</u>	<u>190,682,395</u>	<u>74</u>
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Notes 8 and 32)	239	-	197	-	279	-
Held-to-maturity financial assets - non-current (Notes 9 and 32)	-	-	-	-	204,597	-
Financial assets measured at cost - non-current (Notes 11 and 32)	4,603,061	2	4,304,907	2	3,408,654	1
Investments accounted for using equity method (Notes 16 and 33)	227,504	-	5,892,168	3	71,732	-
Property, plant and equipment (Notes 17 and 33)	25,561,399	15	25,990,766	12	21,715,633	9
Intangible assets (Note 18)	8,664,066	5	11,683,170	6	22,767,479	9
Deferred tax assets (Note 26)	8,665,235	5	8,689,842	4	6,319,978	3
Refundable deposits (Note 32)	352,894	-	190,142	-	185,306	-
Long-term receivables (Notes 13 and 30)	1,182,393	1	4,369,350	2	-	-
Prepaid pension cost - non-current (Note 22)	125,715	-	119,273	-	100,651	-
Other non-current assets (Note 15)	11,739,400	7	9,876,752	5	10,655,126	4
Total non-current assets	<u>61,121,906</u>	<u>35</u>	<u>71,116,567</u>	<u>34</u>	<u>65,429,435</u>	<u>26</u>
TOTAL	<u>\$ 172,629,187</u>	<u>100</u>	<u>\$ 207,248,992</u>	<u>100</u>	<u>\$ 256,111,830</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Note and trade payables (Notes 19 and 33)	\$ 46,275,851	27	\$ 73,618,197	36	\$ 78,473,130	31
Other payables (Notes 20 and 33)	38,032,999	22	39,267,173	19	47,595,791	18
Current tax liabilities (Note 26)	1,040,128	1	2,713,373	1	10,570,682	4
Provisions - current (Note 21)	8,208,885	5	8,881,514	4	15,133,275	6
Other current liabilities (Note 20)	956,127	-	1,788,106	1	1,661,140	1
Total current liabilities	<u>94,513,990</u>	<u>55</u>	<u>126,268,363</u>	<u>61</u>	<u>153,434,018</u>	<u>60</u>
NON-CURRENT LIABILITIES						
Deferred tax liabilities (Note 26)	151,122	-	647,936	-	340,261	-
Guarantee deposits received (Note 32)	256,415	-	59,999	-	42,946	-
Total non-current liabilities	<u>407,537</u>	<u>-</u>	<u>707,935</u>	<u>-</u>	<u>383,207</u>	<u>-</u>
Total liabilities	<u>94,921,527</u>	<u>55</u>	<u>126,976,298</u>	<u>61</u>	<u>153,817,225</u>	<u>60</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 23)						
Share capital - common stock	8,423,505	5	8,520,521	4	8,520,521	3
Capital surplus	15,360,307	9	16,601,557	8	16,601,557	7
Retained earnings						
Legal reserve	18,149,350	11	16,471,254	8	10,273,674	4
Special reserve	854,138	-	-	-	580,856	-
Accumulated earnings	47,282,820	27	53,630,777	26	75,687,478	30
Total retained earnings	<u>66,286,308</u>	<u>38</u>	<u>70,102,031</u>	<u>34</u>	<u>86,542,008</u>	<u>34</u>
Other equity	557,698	-	(885,925)	-	2,939	-
Treasury shares	(12,920,158)	(7)	(14,065,490)	(7)	(10,365,144)	(4)
Total equity attributable to owners of the parent	77,707,660	45	80,272,694	39	101,301,881	40
NON-CONTROLLING INTEREST						
Total equity	<u>77,707,660</u>	<u>45</u>	<u>80,272,694</u>	<u>39</u>	<u>102,294,605</u>	<u>40</u>
TOTAL	<u>\$ 172,629,187</u>	<u>100</u>	<u>\$ 207,248,992</u>	<u>100</u>	<u>\$ 256,111,830</u>	<u>100</u>

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
REVENUES (Notes 24 and 33)	\$ 203,402,648	100	\$ 289,020,175	100
COST OF REVENUES (Notes 14, 25 and 33)	<u>161,131,895</u>	<u>79</u>	<u>216,089,326</u>	<u>75</u>
GROSS PROFIT	<u>42,270,753</u>	<u>21</u>	<u>72,930,849</u>	<u>25</u>
OPERATING EXPENSES (Notes 25 and 33)				
Selling and marketing	26,467,742	13	32,382,563	11
General and administrative	7,230,081	4	6,227,833	2
Research and development	<u>12,543,452</u>	<u>6</u>	<u>15,493,139</u>	<u>5</u>
Total operating expenses	<u>46,241,275</u>	<u>23</u>	<u>54,103,535</u>	<u>18</u>
OPERATING (LOSS) PROFIT	<u>(3,970,522)</u>	<u>(2)</u>	<u>18,827,314</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	1,164,948	1	1,168,532	-
Other gain and loss (Note 25)	2,421,266	1	(923,544)	-
Finance costs	(8,405)	-	(1,715)	-
Share of the profit or loss of associates and joint ventures (Note 16)	<u>197,069</u>	<u>-</u>	<u>387,478</u>	<u>-</u>
Total non-operating income and expenses	<u>3,774,878</u>	<u>2</u>	<u>630,751</u>	<u>-</u>
(LOSS) PROFIT BEFORE INCOME TAX	(195,644)	-	19,458,065	7
INCOME TAX (Note 26)	<u>1,128,141</u>	<u>1</u>	<u>1,836,272</u>	<u>1</u>
(LOSS) PROFIT FOR THE YEAR	<u>(1,323,785)</u>	<u>(1)</u>	<u>17,621,793</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME AND LOSS				
Exchange differences on translating foreign operations (Note 23)	1,649,412	1	(1,089,693)	-
Unrealized (loss) gain on available-for-sale financial assets (Note 23)	(11,738)	-	6,777	-
Cash flow hedge (Notes 10 and 23)	(194,052)	-	194,052	-
Actuarial losses arising from defined benefit plans (Note 22)	(17,106)	-	(5,382)	-
Income tax relating to the components of other comprehensive income (Notes 22 and 26)	<u>1,794</u>	<u>-</u>	<u>915</u>	<u>-</u>
Other comprehensive income and loss for the year, net of income tax	<u>1,428,310</u>	<u>1</u>	<u>(893,331)</u>	<u>-</u>

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 104,525	-	\$ 16,728,462	6
ALLOCATIONS OF (LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ (1,323,785)	(1)	\$ 16,813,575	6
Non-controlling interest	-	-	808,218	-
	\$ (1,323,785)	(1)	\$ 17,621,793	6
ALLOCATIONS OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ 104,525	-	\$ 15,920,244	6
Non-controlling interest	-	-	808,218	-
	\$ 104,525	-	\$ 16,728,462	6
(LOSS) EARNINGS PER SHARE (Note 27)				
Basic	\$ (1.60)		\$ 20.21	
Diluted	\$ (1.60)		\$ 20.12	

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

(Concluded)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent											Total Equity	
	Share Capital Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Cash Flow Hedge	Treasury Shares	Total Equity Attributable to Owners of the Parent		Non-controlling Interest
			Legal Reserve	Special Reserve	Accumulated Earnings		Unrealized Gain (Loss) on Available- for-sale Financial Assets						
BALANCE, JANUARY 1, 2012	\$ 8,520,521	\$ 16,601,557	\$ 10,273,674	\$ 580,856	\$ 75,687,478	\$ -	\$ 2,939	\$ -	\$ (10,365,144)	\$ 101,301,881	\$ 992,724	\$ 102,294,605	
Appropriation of 2011 earnings													
Legal reserve	-	-	6,197,580	-	(6,197,580)	-	-	-	-	-	-	-	
Special reserve reversed	-	-	-	(580,856)	580,856	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(33,249,085)	-	-	-	-	(33,249,085)	-	(33,249,085)	
Profit for the year ended December 31, 2012	-	-	-	-	16,813,575	-	-	-	-	16,813,575	808,218	17,621,793	
Other comprehensive income and loss for the year ended December 31, 2012	-	-	-	-	(4,467)	(1,089,693)	6,777	194,052	-	(893,331)	-	(893,331)	
Purchase of treasury shares	-	-	-	-	-	-	-	-	(3,700,346)	(3,700,346)	-	(3,700,346)	
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(1,800,942)	(1,800,942)	
BALANCE, DECEMBER 31, 2012	8,520,521	16,601,557	16,471,254	-	53,630,777	(1,089,693)	9,716	194,052	(14,065,490)	80,272,694	-	80,272,694	
Appropriation of 2012 earnings													
Legal reserve	-	-	1,678,096	-	(1,678,096)	-	-	-	-	-	-	-	
Special reserve	-	-	-	854,138	(854,138)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(1,662,455)	-	-	-	-	(1,662,455)	-	(1,662,455)	
Loss for the year ended December 31, 2013	-	-	-	-	(1,323,785)	-	-	-	-	(1,323,785)	-	(1,323,785)	
Other comprehensive income and loss for the year ended December 31, 2013	-	-	-	-	(15,313)	1,649,412	(11,737)	(194,052)	-	1,428,310	-	1,428,310	
Purchase of treasury shares	-	-	-	-	-	-	-	-	(1,033,846)	(1,033,846)	-	(1,033,846)	
Retirement of treasury stock	(97,016)	(1,267,992)	-	-	(814,170)	-	-	-	2,179,178	-	-	-	
Share-based payments	-	26,742	-	-	-	-	-	-	-	26,742	-	26,742	
BALANCE, DECEMBER 31, 2013	<u>\$ 8,423,505</u>	<u>\$ 15,360,307</u>	<u>\$ 18,149,350</u>	<u>\$ 854,138</u>	<u>\$ 47,282,820</u>	<u>\$ 559,719</u>	<u>\$ (2,021)</u>	<u>\$ -</u>	<u>\$ (12,920,158)</u>	<u>\$ 77,707,660</u>	<u>\$ -</u>	<u>\$ 77,707,660</u>	

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax	\$ (195,644)	\$ 19,458,065
Adjustments for:		
Depreciation	2,916,699	2,463,017
Amortization	1,968,492	2,047,681
Impairment loss recognized on trade receivables	1,010,405	531,364
Finance costs	8,405	1,715
Interest income	(554,355)	(617,635)
Dividend income	(16,282)	(22,441)
Compensation cost of employee share options	26,742	-
Share of the profit or loss of associates and joint ventures	(197,069)	(387,478)
Losses on disposal of property, plant and equipment	58	6,395
Transfer of property, plant and equipment to expenses	2,995	15,098
Gain on disposal of intangible assets	(108,265)	-
Gains on sale of investments	(29,735)	(49,084)
Gain on disposal of investments accounted for using equity method	(2,637,673)	-
Impairment loss recognized on financial assets measured at cost	-	1,199,045
Impairment losses on non-financial assets	1,281,518	2,268,727
(Gain) loss on disposal of subsidiaries/ Ineffective portion of cash flow hedges	(164,969)	203,801
Changes in operating assets and liabilities		
(Increase) decrease in financial instruments held for trading	(155,347)	249,918
Decrease in note and trade receivables	16,845,574	19,353,654
(Increase) decrease in other receivables	(607,949)	408,075
Decrease in other receivables - related parties	-	966
(Increase) decrease in inventories	(207,347)	552,981
Increase in prepayments	(1,360,194)	(1,412,046)
Increase in other current assets	(96,724)	(155,932)
(Increase) decrease in other non-current assets	(1,869,090)	719,233
(Decrease) increase in note and trade payables	(27,311,669)	216,687
Decrease in other payables	(427,233)	(6,540,051)
Decrease in provisions	(672,629)	(6,251,761)
(Decrease) increase in other current liabilities	(822,489)	303,102
Cash (used in) generated from operations	(13,373,775)	34,563,096
Interest received	599,071	589,899
Interest paid	(8,405)	(1,715)
Income tax paid	(3,448,352)	(11,553,271)
Net cash (used in) generated from operating activities	<u>(16,231,461)</u>	<u>23,598,009</u>

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	\$ 56,738	\$ 829,071
Recovery of the principal amount of held-to-maturity investments	100,000	-
Payments to acquire financial assets measured at cost	(197,684)	(2,292,573)
Disposal of long-term investments accounted for using equity method	7,883,326	-
Net cash outflow on acquisition of subsidiaries	-	(173,926)
Net cash inflow (outflow) on disposal of subsidiaries	4,643,189	(647,609)
Payments for property, plant and equipment	(2,855,698)	(6,646,776)
Proceeds from disposal of property, plant and equipment	2,609	38,813
Increase in refundable deposits	(166,428)	(13,718)
Increase in other receivables - related parties	-	(6,554,025)
Decrease in other receivables - related parties	6,554,025	-
Payments for intangible assets	(223,008)	(556,581)
Disposal of intangible assets	117,380	-
Decrease in other current financial assets	3,790,421	18,964,300
Dividend received	661,896	22,441
	<u>20,366,766</u>	<u>2,969,417</u>
Net cash generated from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	196,416	17,053
Cash dividends	(1,662,455)	(33,249,085)
Payments for treasury shares	(1,033,846)	(3,700,346)
Change in non-controlling interest	-	(1,459,370)
	<u>(2,499,885)</u>	<u>(38,391,748)</u>
Net cash used in financing activities		
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>697,378</u>	<u>763,707</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	2,332,798	(11,060,615)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		
	<u>50,966,143</u>	<u>62,026,758</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR		
	<u>\$ 53,298,941</u>	<u>\$ 50,966,143</u>

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

(Concluded)

Supplement 6

HTC CORPORATION The Chart of 2013 Deficit Compensation

UNIT : NT\$

Item	Amount	
	Subtotal	Total
Accumulated earnings at beginning of 2013		49,482,784,571
Less : IFRSs adjustment results from the Company was first-time adoption of IFRSs in 2013		(46,697,450)
Adjusted accumulated earnings at beginning of 2013		49,436,087,121
Less : Net Loss of 2013		(1,323,784,541)
Less : The amounts of actuarial losses recognized in other comprehensive income and loss		(15,204,382)
Less : The company's investment loss for it's subsidiary's amounts of actuarial losses recognized in other comprehensive income and loss based on equity method		(107,591)
Add : To reverse Special reserve (Note 1)		854,138,232
Less : Because the book value of retired treasury shares is higher than the sum of par value plus original issue premium, the difference is charged to capital reserve generated by treasury shares of the same class. If this capital reserve is insufficient		(1,720,855,676)
Accumulated earnings at end of 2013		47,230,273,163

[NOTE]: Employee Cash Bonus Distribution: NT\$ 0
Directors and Supervisors' remuneration : NT\$ 0

(Note 1) : Calculation : UNIT : NT\$

Other adjustments of Stockholders' Equity:

As of Dec 31, 2013 :

Unrealized loss on available-for-sale financial assets	(2,021,292)
Exchange differences on translating foreign operations	559,719,075
Other adjustments of Stockholders' Equity as of Dec 31, 2013	557,697,783
Accumulated Special reserve for debit of Stockholders' Equity as of Dec 31, 2013 :	0
Less : Accumulated Special reserve for debit of Stockholders' Equity per book as of Dec 31, 2012	(854,138,232)
To reverse the Special reserve for debit of Stockholders' Equity	854,138,232

HTC CORPORATION

Chairperson: Cher Wang
President: Peter Chou
Chief Accountant : James.CY Chen

Supplement 7

HTC Corporation Articles of Incorporation Before and After Revision

Article no.	Original article	Amended article	Notes
Article 5	The authorized capital of the Company is NT\$ 10 billion consisting of 1 billion, shares, all of common stock, with a par value of NT\$10 per share. The Board of directors is authorized to issue the shares in separate installments as required. Among these shares, 16 million shares are reserved for the holders of stock warrants, preferred shares with warrants, or corporate bonds with warrants to exercise their stock warrants.	The authorized capital of the Company is NT\$ 10 billion consisting of 1 billion, shares, all of common stock, with a par value of NT\$10 per share. The Board of directors is authorized to issue the shares in separate installments as required. Among these shares, <u>50</u> million shares are reserved for the holders of stock warrants, preferred shares with warrants, or corporate bonds with warrants to exercise their stock warrants.	Amended in accordance with the operational requirements.
Article 13	The Company shall have five to seven directors and two supervisors, to be elected by the shareholders meeting from among candidates with legal capacity. The term of office is three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors and supervisors shall comply with the regulations prescribed by the securities supervisory authorities.	The Company shall have five to seven directors and two supervisors. <u>The directors and supervisors shall be elected by a candidate nomination system. They shall</u> be elected by the shareholders meeting from among <u>the slate of director and supervisor candidates</u> . The term of office is three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors and supervisors shall comply with the regulations prescribed by the securities supervisory authorities.	Amended in accordance with the applicable regulations.
Article 13-1	<u>To harmonize with Article 183 of the Securities and Exchange Act</u> , there shall be at least two independent directors among the Company's directors, and the independent directors shall represent at least one-fifth of the directors seats. <u>A candidate nomination system shall be adopted, and the shareholders meeting shall elect independent directors from among the those listed on the slate of independent director candidates</u> . The relevant regulations of the competent securities authority shall be followed regarding the professional qualifications, shareholding, moonlighting restrictions, nomination and election, and other compliance requirements regarding independent directors.	There shall be at least two independent directors among the Company's directors, and the independent directors shall represent at least one-fifth of the directors seats. The relevant regulations of the competent securities authority shall be followed regarding the professional qualifications, shareholding, moonlighting restrictions, nomination and election, and other compliance requirements regarding independent directors.	Amended in accordance with the applicable regulations.

HTC Corporation
Articles of Incorporation
Before and After Revision

Article no.	Original article	Amended article	Notes
Article 22	<p>These Articles of Incorporation were adopted on 10 May 1997.</p> <p>The first amendment was made on 1 July 1997.</p> <p>The second amendment was made on 26 February 1998.</p> <p>The third amendment was made on 8 May 1998.</p> <p>The fourth amendment was made on 22 October 1998.</p> <p>The fifth amendment was made on 24 April 2000.</p> <p>The sixth amendment was made on 23 April 2001.</p> <p>The seventh amendment was made on 13 July 2001.</p> <p>The eighth amendment was made on 14 March 2002.</p> <p>The ninth amendment was made on 26 June 2003.</p> <p>The 10th amendment was made on 16 June 2004.</p> <p>The 11th amendment was made on 13 June 2005.</p> <p>The 12th amendment was made on 2 May 2006.</p> <p>The 13th amendment was made on 20 June 2007.</p> <p>The 14th amendment was made on 13 June 2008.</p> <p>The 15th amendment was made on 19 June 2009.</p> <p>The 16th amendment was made on 18 June 2010.</p> <p>The 17th amendment was made on 15 June 2011.</p> <p>The 18th amendment was made on 21 June 2013.</p>	<p>These Articles of Incorporation were adopted on 10 May 1997.</p> <p>The first amendment was made on 1 July 1997.</p> <p>The second amendment was made on 26 February 1998.</p> <p>The third amendment was made on 8 May 1998.</p> <p>The fourth amendment was made on 22 October 1998.</p> <p>The fifth amendment was made on 24 April 2000.</p> <p>The sixth amendment was made on 23 April 2001.</p> <p>The seventh amendment was made on 13 July 2001.</p> <p>The eighth amendment was made on 14 March 2002.</p> <p>The ninth amendment was made on 26 June 2003.</p> <p>The 10th amendment was made on 16 June 2004.</p> <p>The 11th amendment was made on 13 June 2005.</p> <p>The 12th amendment was made on 2 May 2006.</p> <p>The 13th amendment was made on 20 June 2007.</p> <p>The 14th amendment was made on 13 June 2008.</p> <p>The 15th amendment was made on 19 June 2009.</p> <p>The 16th amendment was made on 18 June 2010.</p> <p>The 17th amendment was made on 15 June 2011.</p> <p>The 18th amendment was made on 21 June 2013.</p> <p>The 19th amendment was made on 19 June 2014.</p>	<p>The date of the amendment is added.</p>

Appendix 1

HTC CORPORATION Rules of Procedure for Shareholders Meetings

Article 1

The proceedings of shareholders meetings of the Corporation shall be conducted in accordance with these Rules of Procedure. Matters on which these Rules of Procedure are silent shall be handled in accordance with applicable laws and regulations.

Article 2

Shareholders who attend a shareholders meeting shall hand in an attendance card at the meeting in lieu of signing in. The number of shares in attendance shall be calculated based on the number of attendance cards that are handed in.

Article 3

The venue for the shareholders meeting shall be the location of the Corporation, or a place convenient for shareholders to attend and suited to convening a shareholders meeting. The time at which the meeting begins may not be earlier than 9 a.m. or later than 3 p.m.

Article 4

The chair shall call the meeting to order at the appointed meeting time. However, when the shareholders in attendance do not represent a majority of the total number of issued shares, the chair may announce the postponement of the meeting time; no more than two such postponements, for a combined total of not more than one hour, may be made. If the quorum is not met after two postponements and the shareholders in attendance represent one third or more of the total number of issued shares, a tentative resolution may be approved pursuant to the Company Act. The execution of a tentative resolution referred to in this paragraph shall be handled in accordance with the applicable provisions of the Company Act.

When the number of shares represented by the shareholders in attendance reaches the statutory number before the end of the meeting, the chair may resubmit the tentative resolution for a vote by the meeting in accordance with the provisions of the Company Act.

Article 5

If a shareholders meeting is convened by the board of directors, the chairman of the board shall chair the meeting. If the chairman of the board is unable to exercise powers for some reason, the chairman may designate one director to do so on the chairman's behalf. If the chairman does not designate a representative, the directors shall mutually select a chair from among themselves. If a shareholders meeting is convened by a party with convening power other than the board of directors, the convening party shall chair that meeting. When two or more parties meet this description, they shall mutually select a chair from among themselves.

Article 6

The Corporation may appoint retained attorneys or certified public accountants, or relevant personnel, to attend a shareholders meeting in a non-voting capacity. Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

Article 7

If a shareholders meeting is convened by the board of directors, the board of directors shall adopt the shareholders meeting agenda, compile and print a meeting agenda book, and distribute it to the attending shareholders or proxies. The meeting proceedings shall follow the order set in the agenda, which may not be changed without a shareholders meeting resolution.

If a shareholders meeting is convened by a party with convening power other than the board of directors, the provisions of the preceding paragraph shall apply mutatis mutandis.

Unless by resolution of the meeting, the chair may not declare the meeting closed before all of the items (including extraordinary motions) on the meeting agenda have been concluded. After the meeting is closed, shareholders may not separately elect a chair and resume the meeting at the original or another venue.

Article 8

Shareholders in attendance have the duty to comply with the meeting rules of procedure, abide by resolutions, and maintain order in the meeting place.

Article 9

Before speaking, shareholders in attendance must record the main points of their speech, their attendance number (or shareholder account number) and account name on a speaker's slip. The order in which they speak will be set by the chair. A shareholder in attendance who submits a speaker's slip but does not speak shall be deemed to have not spoken. Where the content of the speech and that recorded on the speaker's slip do not correspond, the spoken content shall prevail. When a shareholder in attendance is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the permission of the chair and the shareholder that has the floor; the chair shall stop any violation. A shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes, provided that with the chair's permission, these restrictions shall not apply.

If a shareholder's speech violates the provisions of the preceding paragraph or exceeds the scope of the agenda item, the chair may terminate the speech.

Article 10

When a proposal is under discussion, the chair may at an appropriate time declare the discussion closed, and when necessary, may also suspend discussion and speeches.

Article 11

The chair shall appoint scrutineers and ballot counters for votes on proposals; however, the scrutineers shall be shareholders. The results of the vote shall be made known immediately and recorded in writing.

Article 12

During a shareholders meeting, if the chair declares the meeting closed in violation of the meeting rules of procedure, one person may be elected as chair with the agreement of a majority of the shareholder voting rights in attendance, and the meeting may continue.

Article 13

The corporation shall document the proceedings of a shareholders meeting in their entirety via audio or video, and preserve such documentation for at least one year.

Article 14

Except for special resolutions as specified in the Company Act and the Articles of Incorporation

that shall comply with the provisions therein, passage of a vote on a proposal shall require the consent of a majority of the voting rights of shareholders in attendance. If before a vote a non-ballot voting method is adopted and upon inquiry by the chair there is no objection, it is deemed passed, and its effectiveness shall be the same as a vote by ballot.

Article 15

While a meeting is in progress, the chair may consider the time schedule and announce a break. If a force majeure event occurs, the chair may rule for a temporary suspension of the meeting, and announce the time when the meeting will be reconvened depending on the circumstances, or the shareholders meeting may make a resolution to reconvene the meeting within five days without notification or public announcement.

Article 16

The chair may direct the sergeant-at-arms (or security personnel) to help maintain order at the meeting place. When the sergeant-at-arms (or security personnel) help maintain order at the meeting place, they shall wear an arm band bearing the words "sergeant-at-arms".

Article 17

Matters on which these Rules of Procedure are silent shall be handled in accordance with the Company Act and the Article of Incorporation of the Corporation.

Article 18

These Rules of Procedure, and any amendments hereto, shall be implemented after being adopted as a resolution by the board of directors and passed by a shareholders meeting.

Appendix 2

HTC CORPORATION Articles of Incorporation

Chapter I General Provisions

Article 1

This Company, organized under the Company Act as a company limited by shares, shall be named HTC Corporation. (hereinafter, "the Company").

Article 2

The scope of business of the Company is as follows:

- 1.CC01080 Electronic Parts and Components Manufacturing.
- 2.CC01101 Controlled Telecommunications Radio Frequency Equipment and Materials Manufacturing.
- 3.CC01110 Computers and Computing Peripheral Equipment Manufacturing.
- 4.C805050 Industrial Plastic Products Manufacturing.
- 5.CC01120 Data Storage Media Manufacturing and Duplicating.
- 6.E605010 Computing Equipment Installation.
- 7.E701040 Basic Telecommunications Equipment Construction.
- 8.E701020 Satellite Television Equipment and Materials Installation for Channels KU and C.
- 9.E701030 Controlled Telecommunications Radio Frequency Equipment and Materials Installation and Construction
- 10.F113030 Wholesale of Precision Instruments.
- 11.F113050 Wholesale of Computing and Business Machinery Equipment.
- 12.F113070 Wholesale of Telecommunications Equipment.
- 13.F118010 Wholesale of Computer Software.
- 14.F119010 Wholesale of Electronics Materials.
- 15.F213030 Retail sale of Computing and Business Machinery Equipment.
- 16.F213040 Retail Sale of Precision Instruments.
- 17.F213060 Retail Sale of Telecommunications Equipment.
- 18.F218010 Retail Sale of Computer Software.
- 19.F219010 Retail Sale of Electronics Materials.
- 20.F401010 International Trade.
- 21.F401021 Controlled Telecommunications Radio Frequency Equipment and Materials Import.
- 22.G801010 Warehousing and Storage.
- 23.I301010 Software Design Services.
- 24.I301020 Data Processing Services.
- 25.I301030 Digital Information Supply Services.
- 26.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2~1

The Company may act as a guarantor and may invest in other companies. The total amount of the Company's investment in other companies is exempted from the prohibition against exceeding 40 percent of paid-in capital set out in Article 13 of the Company Act.

Article 3

The Company is headquartered in Taoyuan County, Taiwan and when necessary may establish branches at home and abroad as resolved by the board of directors.

Article 4

Deleted.

Chapter II Shares

Article 5

The authorized capital of the Company is NT\$ 10 billion consisting of 1 billion, shares, all of common stock, with a par value of NT\$10 per share. The Board of directors is authorized to issue the shares in separate installments as required. Among these shares, 16 million shares are reserved for the holders of stock warrants, preferred shares with warrants, or corporate bonds with warrants to exercise their stock warrants.

Article 5~1

In the event that the Company becomes duly entitled to purchase back its own shares, the board of directors is authorized to do so in accordance with laws and regulations.

Article 6

Deleted.

Article 7

The share certificates of the Company shall without exception be in registered form, signed by, or affixed with the seals of, at least three directors, and authenticated by the competent governmental authority or a registration institution authorized thereby before issuance.

Shares issued by the Company need not be in certificate form, but shall be registered with a securities depository enterprise.

Article 8

All entries in the shareholders register due to share transfers shall be suspended for 60 days prior to an ordinary shareholders meeting, or for 30 days prior to an extraordinary shareholders meeting, or for 5 days prior to the record date fixed for distributing dividends, bonus, or any other benefit.

Chapter III Shareholders Meeting

Article 9

Shareholders meetings of the Company are of two kinds: ordinary shareholders meetings and extraordinary shareholders meetings. The ordinary shareholders meeting is called once per year within six months from the close of the fiscal year. Extraordinary shareholders meetings may be called in accordance with applicable laws and regulations whenever necessary.

Article 10

For any shareholders meeting, a shareholder may appoint a proxy to attend the meeting by using the proxy form issued by the Company and specifying the scope of proxy. Shareholder attendance by proxy shall be subject to the Company Act and also to the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies issued by the competent authority.

Article 11

Each shareholder of the Company is entitled to one vote per share, except under circumstances in which shares have no voting power as set out in the applicable regulations.

Article 12

Unless otherwise provided by applicable law or regulation, a resolution of the shareholders meeting shall be adopted by consent of a majority of the votes represented by those in attendance at a meeting attended, in person or by proxy, by shareholders who represent a majority of the total issued shares.

Chapter IV Directors and Supervisors

Article 13

The Company shall have five to seven directors and two supervisors, to be elected by the shareholders meeting from among candidates with legal capacity. The term of office is three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors and supervisors shall comply with the regulations prescribed by the securities supervisory authorities.

Article 13-1

To harmonize with Article 183 of the Securities and Exchange Act, there shall be at least two independent directors among the Company's directors, and the independent directors shall represent at least one-fifth of the directors seats. A candidate nomination system shall be adopted, and the shareholders meeting shall elect independent directors from among the those listed on the slate of independent director candidates. The relevant regulations of the competent securities authority shall be followed regarding the professional qualifications, shareholding, moonlighting restrictions, nomination and election, and other compliance requirements regarding independent directors.

Article 14

The board of directors shall consist of the directors of the company, and the chairman of the board of directors shall be elected from among the directors by a majority of directors in attendance at a meeting attended by at least two-thirds of the directors. The chairman of the board of directors shall represent the Company in external matters.

Directors shall attend meetings of the board of directors in the preceding paragraph in person. In the event that a board of directors meeting is held through video conference, a director who participates in the meeting by means of video system shall be deemed to have attended in person. If a director is unavailable to attend a meeting in person, the director may issue a power of attorney for the given meeting specifying the scope of the authorized powers to authorize another director to attend the meeting on the director's behalf, provided that a director may represent only one other director at a meeting.

Article 14-1

Each director and supervisor shall be given at least 7 days advance notice of the convening of a board of directors meeting of the Company. In emergency circumstances, however, a meeting may be called on shorter notice.

The meeting notice referred to in the preceding paragraph shall specify the reasons for convening the meeting, and shall be made in writing, by e-mail, or by facsimile.

Article 15

If the chairman of the board of directors is on leave or cannot exercise powers or perform duties for any reason, an acting chairman shall be designated in accordance with Article 208 of the Company Act.

Article 16

When the Company's directors and supervisors 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. If the Company operates at a profit, they also may allocate remuneration in accordance with Article 20.

The company may acquire liability insurance for all directors and supervisors, within the scope of the indemnity liability they bear under law in connection with their business responsibilities, throughout their term to minimize and disperse the risk of material loss or damage to the company and shareholders as a consequence of any illegal act .

Chapter V Managerial Officers

Article 17

The Company may have managerial officers, whose appointment, dismissal, and remuneration shall be handled in accordance with Article 29 of the Company Act.

Chapter VI Accounting

Article 18

At the end of each fiscal year, the board of directors shall prepare the following documents, which shall be submitted to the supervisors for auditing 30 days prior to the ordinary shareholders meeting, and submitted to the shareholders' meeting for approval:

1. Business report;
2. Financial report;
3. Proposal for allocating profit or covering loss.

Article 19

Deleted.

Article 20

If the Company has earnings after the annual final accounting, it 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. To pay remuneration to directors and supervisors at 0.3% maximum of the balance after withholding the amounts under subparagraphs 1 to 4.
6. To pay bonus to employees at 5% minimum of the balance after withholding the amounts under subparagraphs 1 to 4, or such balance plus the unappropriated retained earnings of previous years. However, the bonus may not exceed the limits on employee bonus distributions as set out in the Regulations Governing the Offering and Issuance of Securities by Issuers. Where bonus to employees is allocated by means of new share issuance, the employees to receive bonus may include employees serving with affiliates who meet specific requirements. Such specific requirements shall be prescribed by the board of directors.
7. For any remainder, the board of directors shall propose allocation ratios based on the dividend policy set forth in paragraph 2 of this Article and propose them at the shareholders' meeting.

Because the Company is a technology and capital-intensive enterprise in its growing phase, the Company sets a policy to allocate dividends with consideration to factors such as the Company's

current and future investment climate, demand for working capital, competitive environment at home and globally, capital budget, as well as the interests of the shareholders, balanced dividends, and long-term financial planning of the Company. Every year, the board of directors shall propose the allocation ratio and propose it at the shareholders' meeting. The earnings may be allocated in cash dividends or stock dividends, provided that the ratio of cash dividends may not be less than 50% of the total dividends.

Chapter Seven Bylaws

Article 21

Any matters insufficiently provided for in these Articles of Incorporation shall be handled in accordance with the Company Act.

Article 22

These Articles of Incorporation were adopted on 10 May 1997.

The first amendment was made on 1 July 1997.

The second amendment was made on 26 February 1998.

The third amendment was made on 8 May 1998.

The fourth amendment was made on 22 October 1998.

The fifth amendment was made on 24 April 2000.

The sixth amendment was made on 23 April 2001.

The seventh amendment was made on 13 July 2001.

The eighth amendment was made on 14 March 2002.

The ninth amendment was made on 26 June 2003.

The 10th amendment was made on 16 June 2004.

The 11th amendment was made on 13 June 2005.

The 12th amendment was made on 2 May 2006.

The 13th amendment was made on 20 June 2007.

The 14th amendment was made on 13 June 2008.

The 15th amendment was made on 19 June 2009.

The 16th amendment was made on 18 June 2010.

The 17th amendment was made on 15 June 2011.

The 18th amendment was made on 21 June 2013.

HTC CORPORATION

Chairperson: Cher Wang

Appendix 3

Impact of the Stock Dividend Proposal of this Shareholders Meeting on Operational Performance and Earnings per Share :

No stock dividend proposal is proposed at this shareholders meeting; therefore it is inapplicable.

Appendix 4

HTC CORPORATION Information on Employee Profit Sharing & Regular Compensation for Directors and Supervisors

1. Company's Articles of Incorporation stipulate the distribution of employee profit sharing as well as Directors and Supervisors' remuneration in terms of percentage or scope.

Company's Articles of Incorporation stipulate that for earnings, the order of distribution shall be followed according to below:

- (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) To pay remuneration to directors and supervisors at 0.3% maximum of the balance after withholding the amounts under subparagraphs (1) to (4).
- (6) To pay bonus to employees at 5% minimum of the balance after withholding the amounts under subparagraphs (1) to (4), or such balance plus the unappropriated retained earnings of previous years.

2. Board of Directors has adopted the proposed distribution of bonus for employees in the following manner:

Unit: NT\$ 1,000

Distributions of Earnings in 2013	Accrued Expenses for Employee Bonus	Resolution Approved by The Board of Directors	
		May 6, 2014	
Employee Bonus	0	Employee Cash Bonus	0
Directors' and Supervisors' Remunerations	0	0	
Note: The value of employee cash bonuses and director/supervisor remunerations proposals approved by the board of directors is the same as the Company's accrued expenses in the financial reporting period.			

3. Distributions of earnings in 2012 as employees' bonus and remunerations for directors and supervisors:

Unit: NT\$ 1,000; shares

Distributions of earnings in 2012	
Date of passage of annual dividends of the Board of Directors' Meeting resolution	May 1, 2013
Date of Regular Shareholders' Meeting	June 21, 2013
Employee Stock Bonus	Total Number of Shares 0
	Total Amount 0
Employee Cash Bonus	976,327
Total Amount of Employee Bonus	976,327
Directors' and Supervisors' Remunerations	0

Appendix 5

HTC CORPORATION

Shareholding of all Directors and Supervisors and Minimum Required Shareholding

1. Company's current Directors and Supervisors' shareholding are as follows:

Total common shares outstanding	840,352,125 shares
Minimum Required Shareholding by all Directors	26,891,268 shares
Minimum Required Shareholding by all Supervisors	2,689,126 shares

2.

Record Date: April 21, 2014

Title	Name	Current Shareholding	Percentage
Chairperson	Cher Wang	32,272,427	3.84%
Director	Wen-Chi Chen	22,391,389	2.66%
Director	HT Cho	145,530	0.02%
Director	David Bruce Yoffie	0	0.00%
Independent Director	Chen-Kuo Lin	0	0.00%
Independent Director	Josef Felder	229,985	0.03%
Supervisor	Way-Chih Investment Co., Ltd.	43,819,290	5.21%
Supervisor	Huang-Chieh Chu	0	0.00%
Total Directors (excluding Independent Directors)		54,809,346	6.52%
Total Supervisors		43,819,290	5.21%