



HTC CORPORATION

2017 Annual General Shareholders Meeting Minutes (Translation)

Time and Date: June 15, 2017 (Thursday) at 9 a.m.

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

The shareholders present in person and by proxy represented 629,535,855 shares or 76.59% of the total 821,904,155 shares outstanding.

Attendees: HT Cho, Board of Director

Shao-Lun Lee (Way-Chih Investment Co., Ltd. Representative), Supervisor

Chia-Lin Chang, President of Smartphone and Connected Devices Business

Peter Shen, CFO

Marcus Woo, General Counsel

Hsiu Lai, Accountant-General

Yang Shiau Pan, Counsel of Lexcel Law Offices

Casey Lai, CPA of Deloitte & Touche

Chair: Cher Wang, Chairwoman

Recorder: Marcus Woo

- 1. Call Meeting to Order:** The aggregate shareholding of the attending shareholders constituted a quorum. The Chairperson called the meeting to order.
- 2. Opening Remarks by the Chairwoman:** Omitted
- 3. Matters to Report:**

Item 1: Fiscal 2016 Business Report (Please refer to supplement 1)

Summary of shareholders' statements:

At the meeting, shareholder number 344917, 9420, and 344849 raised enquiries on meeting procedure; investment and R&D strategy; cost, marketing and advertising expenses; marketing allocation; business and profit models for VR; shareholding status and rewards to management team. The Chairwoman and the persons designated by the Chairwoman responded respectively to the above statements and suggestions made by the said shareholders.

Item 2: Supervisors Audit Report (Please refer to supplement 2)

Summary of shareholders' statements:

At the meeting, shareholder number 317575, 344917, 10578, 370083, 90190088, 344849, 98778, 231574, 46784, 90390831, 358504, 357638, 12649, 9420, 344917, and 344849 raised enquiries on meeting procedure; Financial statements and fair value measurement; duties of supervisors; the status of operations of the Board of Directors; Financial statements shall be disclosed according to law; dividend policy; mainland market; inventories; VR in Education in China; cancellation of treasury shares; procedure of election of Directors and Supervisors in 2016; the management model in VR; smartphone marketing strategy; business plan, numbers of financial statements and accounts receivable and guidance for the preparation of financial reports. The Chairwoman and the persons designated by the Chairwoman responded respectively to the above statements and suggestions made by the said shareholders.

Item 3: Share Buyback Execution Report (Please refer to supplement 3)

Above reports are for shareholders information.

4. Adoption Matters:

Item 1

Title: Adoption of the Fiscal 2016 Business Report and Financial Statements. (Proposed by the Board of Directors)

Introduction:

- (1) The compilation of the Company's Fiscal 2016 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 Hsu, Wen-Ya, CPA, and Casey Lai, 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, Supplement 4 and Supplement 5 for the Fiscal 2016 Business Report, the CPA Audit Report issued by Deloitte & Touche and the Financial Statements, respectively.
- (3) Adoption requested.

Resolution: Voting results were as follows: the total number of shares represented by the shareholders present at the time of voting was 629,535,855 among which 587,796,260 votes representing 93.36% of votes were cast in favor of the proposal, 166,779 votes were cast against the proposal, invalid votes were 11,000, and 41,561,816 votes were abstained. This proposal was approved and adopted as is.

Summary of shareholders' statements:

At the meeting, shareholder number 9420, 344917, and 344849 raised enquiries on other receivable; non-current assets held for sale; investment in associates; aging of trade receivables; compensation costs of employee share-based payments; financial analysis of operating performance and other numbers of financial statements. The Chairwoman and the persons designated by the Chairwoman responded respectively to the above statements made by the said shareholders.

Item 2

Title: Adoption of the Fiscal 2016 Deficit Compensation Proposal. (Proposed by the Board of Directors)

Introduction:

- (1) The Company's net loss for Fiscal 2016 was NT\$10,560,103,298. Please refer to Supplement 6 for the Chart of the Deficit Compensation for Fiscal 2016. It is proposed not to distribute share dividends to the shareholders.
- (2) Adoption requested.

Resolution: Voting results were as follows: the total number of shares represented by the shareholders present at the time of voting was 629,535,855 among which 590,055,841 votes representing 93.72% of votes were cast in favor of the proposal, 176,372 votes were cast against the proposal, there were no invalid votes, and 39,303,642 votes were abstained. This proposal was approved and adopted as is.

5. Discussion Matters:

Item 1

Title: Discussion on the proposal to partially amend the Company's Procedures for the Acquisition or Disposal of Assets is submitted for discussion. (Proposed by the Board of Directors)

Introduction:

- (1) Partial amendment to the Company's "Procedures for the Acquisition or Disposal of Assets" is proposed to adopt the updates made to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" by the Financial Supervisory Commission on February 9, 2017.
- (2) For the Before and After Revision of the Procedures for the Acquisition or Disposal of Asset, please refer to Supplement 7.
- (3) Resolution requested.

Resolution: Voting results were as follows: the total number of shares represented by the shareholders present at the time of voting was 629,535,855 among which 590,072,566 votes representing 93.73% of votes were cast in favor of the proposal, 155,871 votes were cast against the proposal, there were no invalid votes, and 39,307,418 votes were abstained. This proposal was approved and adopted as is.

6. Extraordinary Motions: None

Summary of shareholders' statements:

At the meeting, shareholder number 12649 and 394415 raised suggestions regarding promotion and product instruction. The Chairwoman and the persons designated by the Chairwoman responded respectively to the above statements and suggestions made by the said shareholders.

7. Closure of the Meeting: June 15, 2017 (Thursday) at 02:45 p.m.

(This 2017 AGM Minutes outlines main points of the meeting. Video recording of the meeting shall prevail as actual record of meeting procedure and contents.)



Chairwoman: Cher Wang



Recorder: Marcus Woo

Please note that the above is an English translation. If there is any discrepancy between the original Chinese version and this English translation, the Chinese version shall prevail.

Supplement 1

HTC CORPORATION

Fiscal 2016 Business Report

2016 was in many ways a rewarding year for HTC with the fruits of our labour to restructure the Company starting to pay off, not only in terms of the achievements in operating and process efficiency across HTC, but also in terms of the remarkable products we released, where innovation triumphed in all of our focus product areas, firmly reasserting us at the top of the innovation and quality ladder once again. While we are disappointed that these great achievements have not been wholly reflected in our financial performance, there are positive trends, including the sequential improvement in quarterly revenues over the year, while our aggressive program to manage operating expenditure delivered a 34% annual cost reduction.

HTC is particularly proud of its record of innovation and execution in 2016. The media and consumer buzz around our flagship products, the HTC 10 premium smartphone and the HTC VIVE virtual reality system, both of which launched in April, clearly demonstrated our renewed leadership in innovation and provided a great boost to the HTC brand. This acclaim translated to around 150 international awards and excellent reviews for the HTC 10, and over 100 for the HTC VIVE, a remarkable achievement and a strong endorsement of the efforts we have made to strengthen our innovation capabilities.

Those capabilities were also extended to partner products in 2016 through our ‘Powered by HTC’ program, with devices launched that showcased the superior quality of our innovation, design, engineering and manufacturing expertise. We are looking to extend this program in 2017 with target partners that share our vision of creating high quality products that benefit people all over the world.

Those capabilities were also applied to our work with the Dynamical Biomarkers Group in the Qualcomm Tricorder XPRIZE, a competition to design and build a lightweight, easy-to-use wireless diagnostic tool capable of accurately diagnosing 13 health conditions for use in underdeveloped and remote areas of the world underserved by healthcare services. Working with Taiwan’s National Central University and other institutions, this project leveraged HTC’s artificial intelligence and big data strengths, as well as our industrial design, system integration and user experience prowess. We were very proud when the DB Group was announced as one of the two XPRIZE finalists in December 2016, winning out over the dozens of groups that started out four years ago, and we look forward to continued success in our innovation.

PRODUCT STRATEGY

Smartphones and Connected Devices

HTC smartphones had a good year, with many of the innovations in the flagship HTC 10 being introduced into later products in the HTC One and Desire lines, including luxury design, high resolution cameras and audio, and aggressive power management.

The flagship smartphone for 2016, the HTC 10, was widely acclaimed around the world as the best Android phone on the market and a clear indicator that HTC has rediscovered its leading innovative edge in a highly competitive market. The HTC 10 gained more than double the number of awards and excellent reviews of its predecessor, due to its stunning design, intelligent features and superb user experience. Inspired by light and sculpted to perfection, the HTC 10 employed a new approach to design, with bold contours carved out of solid metal and chamfered edges for a more slimline look that catches the light, and with a full glass front merging seamlessly into the metal body. Among several industry firsts, the HTC 10 boasted the world's first optically stabilized, larger aperture f/1.8 lenses on both the front and rear cameras, with many new features that earned it an industry-leading DxOMark™ score of 88.

The HTC 10 evo launched in November featured the unique HTC BoomSound™ Adaptive Audio, the world's first USB Type-C dual adaptive earphones that tailors sound to the user's ear, and an all-metal unibody that is IP57-rated as water, splash, and dust resistant. Continuing the popular HTC One line, the HTC One S9 and the HTC One A9s phones were launched over the summer, which drew on HTC's iconic design pedigree and introduced strong technologies from the flagship line.

The HTC Desire range continued to see robust performance across several regions, with several strong launches over 2016, including the HTC Desire 10 Pro and Lifestyle editions in September that again raised the bar for features, design and quality in mid-tier phones.

HTC's industrial design teams worked hard to create differentiation in the smartphone families. The unique splash-pattern body design of the HTC Desire 530, 626 and 825 phones early in 2016 earned 'Best of MWC' nominations in publications such as Android Central and PocketLint, while the 50/50 smooth grooved rear design of the HTC Desire 650 launched in Q4'16 was not only stylish but provided a more secure grip in the hands. The HTC Desire 10 Pro launched in November was inspired by the Art Deco movement, with bold, precise, geometric metallic lines framed by elegant colors and sophisticated materials, providing strong visual differentiation in a competitive landscape.

HTC maintained an aggressive approach to power management over the year, with the HTC 10 introducing Boost+, a suite of intelligent technologies designed to make your phone faster, consume less power and provide effective applications management, such as smart boost that automatically optimises your memory, and the new PowerBotics system that auto detects and shuts down apps using excessive power, improving battery life by 30% and delivering up to two days' charge. Boost+ has since been incorporated into all smartphones launched later in 2016.

The overwhelming response of the media and industry to the HTC 10 flagship launch in April and the subsequent repositioning of HTC as a leader in smartphone innovation and design was reflected in the critical acclaim that greeted the launch of the HTC U Ultra and HTC U Play premium smartphones at the beginning of 2017.

HTC VIVE Virtual Reality

The HTC VIVE virtual reality system received an overwhelming reception everywhere it was shown in 2015, winning 24 awards over the year even before it was publicly available. After the launch of the consumer edition in April 2016, the excitement simply amplified around the world, with the HTC VIVE earning over a hundred awards over the year. Today, the HTC VIVE is firmly established as the industry leader in PC-based virtual reality (VR), with a thriving development environment.

With HTC's considerable experience in the consumer electronics industry, we understood that having the best hardware in the world is not enough to ensure wide adoption. Accordingly, we undertook an ambitious yet keenly focused program to build the VR ecosystem, to enable the whole industry to expand through the creation of compelling content and rich experiences. This saw the establishment of four distinct business areas within the VIVE business unit, covering hardware, platform, content generation, and an accelerator program.

- HTC VIVE represents the hardware element of the VIVE business, leveraging HTC's proven design, system integration, user experience and manufacturing quality to create industry-leading head-mounted VR devices, and the accompanying controllers and base stations that enable interactive tracking and room-scale motion. Over the eight months since launch, there has been an aggressive expansion of retail execution across all major regions, which has helped raise awareness and lift sales. On the hardware side, we launched the HTC VIVE BE head-mounted device for enterprise and B2B2C applications, and have a clear roadmap for in-house and partner-developed peripherals and accessories.
- VIVEPORT is the marketplace for VIVE content, making available the most considered content in the VR world and providing an exceptional platform for content developers to promote their titles and enable greater monetization opportunities. Launched in September 2016, VIVEPORT hosts a wealth of VR content, and will offer a subscription model in 2017. It also provides a platform for alternative revenue streams for developers such as VR arcades, like the VIVELAND arcade that opened in Taipei, Taiwan in 2016.
- VIVE Studios is the content generation engine for VIVE, creating content to enhance in-house content design and engineering capabilities, and also investing in external projects to produce compelling content in both gaming and non-gaming fields. VIVE Studios brought its first in-house gaming title, Arcade Saga, to market in late 2016, while collaborating with Time-Life Inc. on the poignant 'Remembering Pearl Harbor' app, highlighting how VR can bring history to life and evoke greater empathy for society challenges. With more VR content available for VIVE than any other platform, including several high-profile titles such as Star Wars: Trials on Tatooine, VIVE users can look forward to a high calibre of VR content for the HTC VIVE set to be released in 2017.
- VIVE X is the accelerator program for VIVE, hosted in Beijing, Taipei, Shenzhen and San Francisco, that attracts companies focused on developing content, tools and analytics to help grow the VR ecosystem and fill capability gaps. The program held its first demo days in December, attracting top venture capital funds to consider a wide range of VR applications and tools that solve problems, take VR into new areas, and enhance VR operations. The second batch commenced in early 2017.

The vast range of enterprise applications for HTC VIVE systems has been one of the surprise outcomes of the virtual reality market, with businesses both big and small recognizing the potential of affordable yet high quality systems to solve problems such as design collaboration across continents, offering new services to their business or consumer customers, and creating new business models. HTC VIVE systems have been integrated into myriad non-consumer applications, including medical, education and training, design, marketing, architecture, finance, military and much more. We are also collaborating with leading international museums to help bring their museum experiences to life and make them more accessible, and we look forward to working with these and many more organisations in the years ahead.

Powered by HTC

HTC has an enviable record of innovation, with widely-acclaimed design, engineering and manufacturing expertise, as demonstrated by the high esteem in which our products are held by media, customers and the industry alike. HTC is also known in the industry for building strong partnerships that spark innovation and drive the industry forward. Accordingly, HTC has set out a new strategy, Powered by HTC, that seeks to work with partners in other industries to create compelling products that leverage our industrial design, user experience and technology strengths.

The successful launch of two partner products in 2016 proved that this form of collaboration can result in innovative products that serve the partner's customers, while extending the HTC brand into new markets. HTC is looking to extend this program in 2017, seeking partners that share our vision of creating high quality products that benefit people all over the world. We are optimizing our engineering strengths and innovative and creative capabilities to enable target partners to achieve their objectives, and drive the most efficient design and manufacturing in the world. We have created a dynamic, modular structure that enables taskforce creation for rapid project set-up, and the ability to tap into HTC's world-class skills in hardware, software and system integration resources for efficient, effective product definition and development.

Awards

2016 saw unprecedented acclaim for the quality and design of our products, with a record number of media, design and industry awards and superlative reviews. In Q1'16, HTC's entire portfolio won critical acclaim, with over 50 awards earned at the Consumer Electronics Show (CES) and Mobile World Congress (MWC) in January and February respectively for the HTC VIVE virtual reality system and for smartphone and connected device products including the HTC One X9 and the HTC Desire 530, 626 and 825.

This momentum continued over the summer, with the global launches of our two flagship products in April seeing a tremendous response, with around 150 awards and stellar reviews for the HTC 10 premium smartphone and over a hundred for the HTC VIVE virtual reality system. We believe this recognition of our product quality and innovation reflects the work we have put into restructuring the Company and rejuvenating the innovation process.

FINANCIAL PERFORMANCE

Over 2016, HTC streamlined its portfolio and sharpened its focus which, coupled with prudent cost control, led to improved performance over 2015. While the full year results were disappointing, the progress we have made in operating efficiency across the Company has significantly improved our financial position and, more importantly, has created a positive and energetic environment of innovation across all of our business divisions, and a dynamic attitude to product and market development that will stand HTC in good stead in the years ahead.

Revenues for 2016 totalled NT\$78.2 billion, with gross profit of NT\$9.4 billion and a gross margin of 12.1%; however, the operating margin of -18.7% led to a net income of -NT\$10.6 billion, corresponding to an earnings per share of -NT\$12.81. The launch and commercial availability of our flagship products in April provided a boost to Q2'16 revenues, and this trend continued in the third quarter's sequential rise of 18%, with a material contribution from our Powered by HTC program. This improvement in performance coupled with continued progress in operating expenditure control, prompted a significant improvement in net income over the year.

BRAND UPDATE

Over the last year, HTC continued to reinforce our brand values and brand promise, the Pursuit of Brilliance, to ensure that all of our employees live the brand in every division and at every stage of our business – from starting a project right through to selling to consumers. Our brand drives the Company ethos, and is the yardstick by which we measure our performance.

With the launch of the HTC VIVE virtual reality system in 2016, the business set about to define the VIVE brand to ensure that the whole team are working towards a unified goal. While a living brand, the branding project was successfully concluded in 2016, with all employees being provided training to inculcate the brand values across all parts of the business.

The VIVE brand mission is to unleash human imagination from the limitations of reality, to bring people and their imaginations closer together than ever before. This reflects the unprecedented ability of immersive virtual reality to create empathy and understanding, which VIVE looks to drive forward. Accordingly, the brand promise is to create the most compelling and considered experiences by constantly pushing the bounds of virtual reality.

SOCIAL RESPONSIBILITY

HTC continues to seek ways to provide a positive impact on the environment, our employees and the communities around us. From recyclable packaging through enhancing employee welfare to aggressive power management at both factory and product level, HTC strives to improve our carbon footprint and our contribution to society.

HTC worked hard at further improving our energy management in our manufacturing facilities in 2016, with an electricity use reduction rate up to 42.26%, compared to 25% for 2015. The corresponding reduction in carbon emissions represented a greenhouse gas emission reduction of up to 42.69%, again comparing favorably to 2015's 26.51%. Progress was also made regarding the green fields and planted areas inside the factories, which are irrigated with recycled sewage water to avoid increasing total water consumption. This contributed to a sewage recycling rate of 72.54% in 2016, up from 68.92% the previous year.

The HTC Foundation, now ten years old, continued its noble work of promoting character education and motivation through 2016, working to help children and youngsters develop good character by supporting both schools and teachers. The HTC Foundation has established 4 character- building schools in Taiwan.

A new initiative of HTC announced early in 2017, the ‘VR FOR IMPACT’ program, aims to leverage the incredible power of VR to change the world around us. Immersive, interactive systems like our HTC VIVE make it possible to better share other people’s experiences and emotions, bringing the world closer together. HTC is looking for opportunities to transform education, health, medicine, art and many other areas through VR, and create positive societal impact, in line with the United Nations Sustainable development goals that seek to end poverty, protect the planet, and ensure prosperity for all. HTC is dedicating US\$10 million in funding to help make this happen. This initiative has received a remarkable response from the media and the VR community, and led to engagement with over 800 developers and organizations interested in building experiences that speak to our humanity and have the potential to change the world. We look forward to the results of this program in the years ahead.

Throughout all of HTC’s activities, there is a conscious effort to preserve, recycle, reuse, and maintain as we strive to set the example for the industry and for the countries in which we operate.

HTC Corporation

Chairwoman and CEO: Cher Wang

Chief Accountant: Hsiu Lai

Supplement 2

HTC CORPORATION Supervisors Audit Report

The Board of Directors has prepared the Company's 2016 Business Report, Financial Statements and Deficit Compensation Proposal. 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 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

March 6, 2017

Supplement 3

Share Buyback Execution Report

Topic	Explanation
Thirteenth Estimation of Share Buy-back Status	
Board of Director resolution	May 14, 2016
Purpose of the share buy-back	To maintain credit of the company and interest of shareholders. 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 2,800,000,000
Estimated Buy-back period	May 16, 2016 to July 15, 2016
Estimated number of buy-back shares (as percentage of total issued shares) (Note 1)	40,000,000 shares (4.83%)
Estimated buy-back price interval	Buy-back stock price is between NTD 47 to NTD 70. It is further resolved by the Board of Directors to continue buy-back of shares if the stock price falls under NTD 47.
Method of Buy-back	Buy-back shares from stock exchange
Thirteenth Actual Share Buy-back Status	
Buy-back period	May 17, 2016 to May 25, 2016
Number of buy-back shares (as a percentage of total issued shares) (Note 2)	7,050,000 shares (0.85%)
Total amount for buy-back shares	NTD 436,869,134
Average price per buy-back share	NTD 61.97
Reason for not completing the share buy-back	To maintain interest of shareholders and the market mechanism, the company repurchases its shares in batches, depending on the share price and volume.
Cancellation of buy-back shares	7,050,000 shares

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.

Supplement 4

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 (the Company), which comprise the parent company only balance sheets as of December 31, 2016 and 2015, 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 the Company as of December 31, 2016 and 2015, 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 the Company 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, 2016. 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, 2016 are as follow:

Allowances for Doubtful Debts

As of December 31, 2016, the balance of allowances for doubtful debts amounted to NT\$2,712,869 thousand. The evaluation of ratio to allowances for doubtful debts was arrived at by reference to the aging of receivables and credit risk scoring by customers. The credit risk may be different due to the diversity of customer base from customers in various economics areas. Since the Company's management needs to apply judgment to evaluate the allowance for doubtful debts and

as changes in the balance of trade receivables would have a significant influence on the parent company only financial statements for the year ended December 31, 2016, the valuation of the allowances for doubtful debts was deemed to be a key audit matter.

We had evaluated the accounting policy of allowances for doubtful debts recognized by the Company, reviewed the classification of credit risk to customers and the reasonableness to the distribution of aging schedule, and verified the data accuracy of aging. By assessing the balance of allowances for doubtful debts as of December 31, 2016, the adequacy of accounting policy was based on the past experience of bad debt recognition.

For the accounting policy of allowance for doubtful debts, refer to Note 4; for critical accounting judgments and key sources of estimation uncertainty, refer to Note 5; and, for other relevant disclosure, refer to Notes 10 and 28.

Valuation of Inventories

The Company's operations are mainly in the research, manufacture and sale of smart mobile devices, and the balance of inventories amounted to NT\$12,685,394 thousand as of December 31, 2016. Due to the rapid change in technology, the industry is highly competitive; in addition, since the management needs to apply judgment to evaluate the impairment of net realizable value and as the balance of inventories has a significant weight on the parent company only financial statements for the year ended December 31, 2016, the valuation of inventories was deemed to be a key audit matter.

We evaluated the accounting policy of the assessment of inventory write-downs recognized by the Company at the end of the reporting period, reviewed the classification of inventories by products sold, and verified the source of evaluation for net realizable value and the adequacy of marketing planning within a specified period.

For the accounting policy of the assessment of inventory write-downs, refer to Note 4; for critical accounting judgments and key sources of estimation uncertainty, refer to Note 5; and, for other relevant disclosure, refer to Note 11.

Impairment of Property, Plant and Equipment, Prepayments, Intangible Assets and Deferred Tax Assets

As of December 31, 2016, the balance of property, plant and equipment, prepayments, intangible assets and deferred tax assets were NT\$10,501,997 thousand, NT\$3,665,492 thousand, NT\$309,321 thousand and NT\$8,431,842 thousand respectively. The Company is now in a highly competitive business environment. In contrast with previous periods, the operating conditions and earnings are significantly deteriorated, indicating potential impairments on the aforementioned asset items. Since there exists uncertainty regarding estimations of cash flow forecast, growth rate and discount rate, which were used in the process of evaluating asset impairment by the Company's management, and, as the parent company only financial statements for the year ended December 31, 2016, were highly influenced by the change in the balance of the aforementioned asset items, the valuation of impairment thereof was deemed to be a key audit matter.

We have evaluated the reasonableness of assessment and method to impairment testing process performed by the Company's management, the adequacy of material impact related to revenue growth and profit ratio of smart phone devices, and the effectiveness of cash flow forecast and growth rate in previous years. The aforementioned uncertainty of the various estimates would also be reevaluated by our internal experts for its adequacy.

For the accounting policy of the impairment of property, plant and equipment, prepayments, intangible assets and deferred tax assets, refer to Note 4; for critical accounting judgments and key sources of estimation uncertainty, refer to Note 5; and, for other relevant disclosure, refer to Notes 12, 15, 16 and 24.

Revenue Recognition

According to the accounting policy stated in Note 4, revenue from the sale of goods is recognized when the significant risks and ownership are transferred to the buyers. The conditions of risks and ownership transferring to a part of the customers, which accounts for 72.21% of the Company's parent only operating revenues are more complicated than those applied to sale transactions. Since the recognition of revenue has significant influence on the parent company only financial statements for the year ended December 31, 2016, the revenue recognition was deemed to be a key audit matter.

We have obtained necessary understanding and have verified the accounting policy of revenue recognition and the design and implementation of internal controls with respect to the Company's revenue recognition. The compliance of accounting treatments and the policy of revenue recognition by the Company have been verified by reviewing the relevant contractual provisions. For ensuring the Company's compliance with IAS 18, samples from the recognized revenue have been drawn to verify 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 from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including management and supervisors, are responsible for overseeing the Company'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 from 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 the Company'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 the Company'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 the Company 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 the entities or business activities within the Company 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, 2016 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 6, 2017

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 Taiwan, 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 Taiwan, 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 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 financial statements shall prevail. Also, as stated in Note 4 to the 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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 15,299,273	15	\$ 20,688,988	16
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	143,642	-	95,493	-
Trade receivables, net (Note 10)	4,951,500	5	6,011,023	5
Trade receivables - related parties, net (Notes 10 and 29)	6,659,174	7	7,955,352	6
Other receivables (Note 10)	84,714	-	257,500	-
Current tax assets (Note 24)	33,505	-	43,707	-
Inventories (Note 11)	12,685,394	12	15,834,166	13
Prepayments (Notes 12 and 29)	1,084,696	1	3,377,222	3
Non-current assets held for sale (Note 13)	-	-	3,768,277	3
Other current financial assets (Note 30)	112,943	-	-	-
Other current assets	64,699	-	54,491	-
Total current assets	41,119,540	40	58,086,219	46
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 28)	86	-	75	-
Financial assets measured at cost - non-current (Notes 9 and 28)	515,861	1	515,861	-
Investments accounted for using equity method (Note 14)	37,673,892	37	41,480,856	33
Property, plant and equipment (Notes 15 and 29)	10,501,997	10	13,152,866	10
Intangible assets (Note 16)	309,321	-	622,138	-
Deferred tax assets (Note 24)	8,431,842	8	7,630,919	6
Refundable deposits (Note 28)	1,435,391	1	1,387,578	1
Net defined benefit asset - non-current (Note 20)	41,588	-	79,978	-
Other non-current assets (Note 12)	2,580,796	3	4,518,531	4
Total non-current assets	61,490,774	60	69,388,802	54
TOTAL	\$ 102,610,314	100	\$ 127,475,021	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 28)	\$ 133,420	-	\$ 36,544	-
Note and trade payables (Note 17)	26,647,483	26	29,654,545	23
Trade payable - related parties (Notes 17 and 29)	803,638	1	384,914	-
Other payables (Notes 18 and 29)	17,849,265	18	24,106,616	19
Current tax liabilities (Note 24)	12,202	-	12,495	-
Provisions - current (Note 19)	3,065,589	3	5,451,807	4
Other current liabilities (Note 18)	2,319,525	2	3,017,699	3
Total current liabilities	50,831,122	50	62,664,620	49
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 24)	6,218	-	16,672	-
Guarantee deposits received (Note 28)	1,468	-	1,634	-
Total non-current liabilities	7,686	-	18,306	-
Total liabilities	50,838,808	50	62,682,926	49
EQUITY (Note 21)				
Share capital - ordinary shares	8,220,087	8	8,318,695	7
Capital surplus	15,614,641	15	15,505,853	12
Retained earnings				
Legal reserve	18,297,655	18	18,297,655	14
Unappropriated earnings	10,841,425	10	21,782,432	17
Other equity	(1,202,302)	(1)	1,088,415	1
Treasury shares	-	-	(200,955)	-
Total equity	51,771,506	50	64,792,095	51
TOTAL	\$ 102,610,314	100	\$ 127,475,021	100

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 8, 22 and 29)	\$ 74,228,118	100	\$ 117,083,037	100
OPERATING COSTS (Notes 11, 20, 23 and 29)	<u>66,859,647</u>	<u>90</u>	<u>100,832,782</u>	<u>86</u>
GROSS PROFIT	7,368,471	10	16,250,255	14
UNREALIZED GAINS	(688,022)	(1)	(1,178,011)	(1)
REALIZED GAINS	<u>1,178,011</u>	<u>2</u>	<u>955,021</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>7,858,460</u>	<u>11</u>	<u>16,027,265</u>	<u>14</u>
OPERATING EXPENSES (Notes 20, 23 and 29)				
Selling and marketing	6,289,362	9	13,471,147	11
General and administrative	3,040,714	4	3,467,788	3
Research and development	<u>9,990,574</u>	<u>13</u>	<u>12,714,139</u>	<u>11</u>
Total operating expenses	<u>19,320,650</u>	<u>26</u>	<u>29,653,074</u>	<u>25</u>
LOSS FROM OPERATIONS	<u>(11,462,190)</u>	<u>(15)</u>	<u>(13,625,809)</u>	<u>(11)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	192,955	-	287,500	-
Other gains and losses (Notes 8, 12, 13, 15 and 23)	3,005,805	4	(2,066,354)	(2)
Finance costs	(5,156)	-	(7,819)	-
Share of the profit or loss of subsidiaries and joint ventures (Note 14)	<u>(2,823,843)</u>	<u>(4)</u>	<u>(1,369,062)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>369,761</u>	<u>-</u>	<u>(3,155,735)</u>	<u>(3)</u>
LOSS BEFORE INCOME TAX	(11,092,429)	(15)	(16,781,544)	(14)
INCOME TAX BENEFIT (Note 24)	<u>(532,326)</u>	<u>(1)</u>	<u>(1,248,476)</u>	<u>(1)</u>
LOSS FOR THE YEAR	<u>(10,560,103)</u>	<u>(14)</u>	<u>(15,533,068)</u>	<u>(13)</u>

(Continued)

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	\$ (53,143)	-	\$ (47,667)	-
Share of the profit or loss of subsidiaries - items that will not be reclassified to profit or loss	(683)	-	(456)	-
Income tax relating to the components of other comprehensive loss - items that will not be reclassified to profit or loss (Note 24)	<u>6,377</u>	<u>-</u>	<u>5,720</u>	<u>-</u>
	<u>(47,449)</u>	<u>-</u>	<u>(42,403)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(2,254,715)	(3)	10,562	-
Unrealized gains (losses) on available-for-sale financial assets	11	-	(18)	-
Share of the profit or loss of subsidiaries - items that may be reclassified to profit or loss	<u>(153,460)</u>	<u>(1)</u>	<u>(11,448)</u>	<u>-</u>
	<u>(2,408,164)</u>	<u>(4)</u>	<u>(904)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(2,455,613)</u>	<u>(4)</u>	<u>(43,307)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (13,015,716)</u>	<u>(18)</u>	<u>\$ (15,576,375)</u>	<u>(13)</u>
LOSS PER SHARE (Note 25)				
Basic	<u>\$ (12.81)</u>		<u>\$ (18.79)</u>	

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

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Share Capital Ordinary Shares	Capital Surplus	Retained Earnings		Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Shares	Total Equity
			Legal Reserve	Unappropriated Earnings		Unrealized Losses on Available-for- sale Financial Assets	Unearned Employee Benefit		
BALANCE, JANUARY 1, 2015	\$ 8,349,521	\$ 15,140,687	\$ 18,149,350	\$ 41,381,753	\$ 1,462,855	\$ (2,167)	\$ (398,570)	\$ (3,750,056)	\$ 80,333,373
Appropriation of 2014 earnings	-	-	148,305	(148,305)	-	-	-	-	-
Legal reserve	-	-	-	(314,636)	-	-	-	-	(314,636)
Cash dividends	-	-	-	-	-	-	-	-	-
Net loss for the year ended December 31, 2015	-	-	-	(15,533,068)	-	-	-	-	(15,533,068)
Other comprehensive income and loss for the year ended December 31, 2015	-	-	-	(42,403)	10,562	(11,466)	-	-	(43,307)
Buy-back of treasury shares	-	-	-	-	-	-	-	(200,955)	(200,955)
Retirement of treasury shares	(69,140)	(120,007)	-	(3,560,909)	-	-	-	3,750,056	-
Share-based payments	38,314	485,173	-	-	-	-	27,201	-	550,688
BALANCE, DECEMBER 31, 2015	8,318,695	15,505,853	18,297,655	21,782,432	1,473,417	(13,633)	(371,369)	(200,955)	64,792,095
Net loss for the year ended December 31, 2016	-	-	-	(10,560,103)	-	-	-	-	(10,560,103)
Other comprehensive income and loss for the year ended December 31, 2016	-	-	-	(47,449)	(2,254,715)	(153,449)	-	-	(2,455,613)
Buy-back of treasury shares	-	-	-	-	-	-	-	(436,869)	(436,869)
Retirement of treasury shares	(111,600)	(192,769)	-	(333,455)	-	-	-	637,824	-
Share-based payments	12,992	301,557	-	-	-	-	117,447	-	431,996
BALANCE, DECEMBER 31, 2016	\$ 8,220,087	\$ 15,614,641	\$ 18,297,655	\$ 10,841,425	\$ (781,298)	\$ (167,082)	\$ (253,922)	\$ -	\$ 51,771,506

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

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (11,092,429)	\$ (16,781,544)
Adjustments for:		
Depreciation expense	1,121,095	1,579,960
Amortization expense	361,804	682,553
Reversal gain of bad debt expenses	(299,951)	-
Finance costs	5,156	7,819
Interest income	(121,919)	(179,328)
Compensation costs of employee share-based payments	404,461	513,002
Share of the profit or loss of subsidiaries and joint ventures	2,823,843	1,369,062
(Gain) loss on disposal of property, plant and equipment	(3,199,503)	33
Transfer of property, plant and equipment to expenses	-	8,339
Net gain on sale of investments	-	(327)
Impairment losses on non-financial assets	1,956,188	3,943,192
Unrealized gains on sales	688,022	1,178,011
Realized gains on sales	(1,178,011)	(955,021)
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	48,727	181,171
Decrease in trade receivables	1,359,474	6,394,021
Decrease in trade receivables - related parties	1,296,178	8,294,882
Decrease in other receivables	174,371	59,348
Decrease (increase) in inventories	1,192,584	(3,554,159)
Decrease in prepayments	2,292,526	1,253,557
(Increase) decrease in other current assets	(10,208)	40,655
Decrease in other non-current assets	1,903,888	2,551,946
Decrease in trade payables	(3,007,062)	(11,161,265)
Increase (decrease) in trade payable - related parties	418,724	(6,123,607)
Decrease in other payables	(6,217,185)	(5,079,584)
(Decrease) increase in provisions	(2,386,218)	9,427
(Decrease) increase in other current liabilities	(698,174)	2,508,568
Cash used in operations	(12,163,619)	(13,259,289)
Interest received	120,334	186,907
Interest paid	(5,156)	(7,819)
Income tax (paid) refund	(262,765)	5,040
Net cash used in operating activities	<u>(12,311,206)</u>	<u>(13,075,161)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets measured at cost	-	327
Proceeds from disposal of investments accounted for using equity method	182,579	-
Proceeds from disposal of non-current assets held for sale	6,060,000	-
Payments for property, plant and equipment	(463,690)	(385,477)
Disposal of property, plant and equipment	2,880,172	-
Increase in refundable deposits	(47,813)	(1,318,594)

(Continued)

HTC CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Payments for intangible assets	\$ (48,987)	\$ (81,970)
Increase in other current financial assets	(112,943)	-
Dividend received	<u>1,926</u>	<u>38,362</u>
Net cash generated from (used in) investing activities	<u>8,451,244</u>	<u>(1,747,352)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in guarantee deposits received	(166)	474
Dividends paid to owners of the Company	-	(314,636)
Payments for treasury shares	(436,869)	(200,955)
Net cash outflow on acquisition of subsidiaries	<u>(1,092,718)</u>	<u>(579,172)</u>
Net cash used in financing activities	<u>(1,529,753)</u>	<u>(1,094,289)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,389,715)	(15,916,802)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>20,688,988</u>	<u>36,605,790</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 15,299,273</u>	<u>\$ 20,688,988</u>

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

(Concluded)

Supplement 5

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 (collectively referred to as the Company), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, 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 the Company as of December 31, 2016 and 2015, and their consolidated financial performance and their consolidated cash flows for the years 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 the Company 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, 2016. 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, 2016 are as follow:

Allowances for Doubtful Debts

As of December 31, 2016, the balance of allowances for doubtful debts amounted to NT\$4,187,999 thousand. The evaluation of the ratio to allowances for doubtful debts was arrived at by reference to the aging of receivables and credit risk scoring by customers. The credit risk may be different due to the diversity of the customer base from customers in various economics areas. Since the Company's management needs to apply judgment to evaluate the allowance for doubtful debts and as changes in the balance of trade receivables would have a significant influence on the consolidated financial statements for the year ended December 31, 2016, the valuation of the allowances for doubtful debts was deemed to be a key audit matter.

We had evaluated the accounting policy of allowances for doubtful debts recognized by the Company, reviewed the classification of credit risk to customers and the reasonableness to the distribution of aging schedule, and verified the data accuracy of aging. By assessing the balance of allowances for doubtful debts as of December 31, 2016, the adequacy of accounting policy was based on the past experience of bad debt recognition.

For the accounting policy of allowance for doubtful debts please refer to Note 4; for critical accounting judgments and key sources of estimation uncertainty please refer to Note 5; and for other relevant disclosure please refer to Notes 11 and 31.

Valuation of Inventories

The Company's operations are mainly in the research, manufacture and sale of smart mobile devices, and the balance of inventories amounted to NT\$14,163,571 thousand as of December 31, 2016. Due to the rapid change in technology, the industry is highly competitive; in addition, since the management needs to apply judgment to evaluate the impairment of net realizable value and as the balance of inventories has a significant weight on the consolidated financial statements for the year ended December 31, 2016, the valuation of inventories was deemed to be a key audit matter.

We evaluated the accounting policy of the assessment of inventory write-downs recognized by the Company at the end of the reporting period, reviewed the classification of inventories by products sold, and verified the source of evaluation of net realizable value and the adequacy of marketing planning within a specified period.

For the accounting policy of the assessment of inventory write-downs please refer to Note 4; for critical accounting judgments and key sources of estimation uncertainty please refer to Note 5; and for other relevant disclosure please refer to Note 12.

Impairment of Property, Plant and Equipment, Prepayments, Intangible Assets and Deferred Tax Assets

As of December 31, 2016, the balance of property, plant and equipment, prepayments, intangible assets and deferred tax assets were NT\$12,025,496 thousand, NT\$4,569,375 thousand, NT\$3,878,356 thousand and NT\$8,957,876 thousand, respectively. The Company is now in a highly competitive environment. In contrast with previous periods, the operating conditions and earnings are significantly deteriorated, indicating potential impairments on the aforementioned asset items. Since there exists uncertainty regarding estimations of cash flow forecast, growth rate and discount rate, which were used in the process of evaluating asset impairment by the Company's management, and as the consolidated financial statements for the year ended December 31, 2016, were highly influenced by the change in the balance of the aforementioned asset items, the valuation of impairment thereof was deemed to be a key audit matter.

We have evaluated the reasonableness of assessment and method to impairment testing process performed by the Company's management, the adequacy of material impact related to revenue growth and profit ratio of smart phone devices, and the effectiveness of cash flow forecast and growth rate in previous years. The aforementioned uncertainty of the various estimates would also be reevaluated by our internal experts for its adequacy.

For the accounting policy of the impairment of property, plant and equipment, prepayments, intangible assets and deferred tax assets please refer to Note 4; for critical accounting judgments and key sources of estimation uncertainty please refer to Note 5; and for other relevant disclosure please refer to Notes 13, 17, 19 and 27.

Revenue Recognition

According to the accounting policy stated in Note 4, revenue from the sale of goods is recognized when the significant risks and ownership are transferred to the buyers. The conditions of risks and ownership transferring to a part of the customers, which accounts for 68.5% of the Company's consolidated operating revenues are more complicated than those applied to the general sale transactions. Since the recognition of revenue had significant influence on the consolidated financial statements for the year ended December 31, 2016, the revenue recognition was deemed to be a key audit matter.

We have obtained necessary understanding and have verified the accounting policy and the design and implementation of internal controls with respect to the Company's revenue recognition. The compliance of accounting treatments and the policy of revenue recognition by the Company have been verified by reviewing the relevant contractual provisions. For ensuring the Company's compliance with IAS 18, samples from the recognized revenue have been drawn to verify 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, 2016 and 2015 on which we have issued an unmodified report.

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 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including management and supervisors, are responsible for overseeing the Company's 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 from 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 the Company'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 the Company'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 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 the Company 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 the Company 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, 2016 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 6, 2017

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 30,080,217	29	\$ 35,346,799	27
Financial assets at fair value through profit or loss - current (Notes 7 and 31)	143,642	-	95,493	-
Available-for-sale financial assets - current (Note 31)	199,344	-	303,289	-
Debt investments with no active market - current (Note 31)	8,067	-	8,266	-
Trade receivables, net (Notes 11 and 32)	15,961,835	15	18,518,948	14
Other receivables (Note 11)	168,526	-	466,791	1
Current tax assets (Note 27)	184,817	-	212,033	-
Inventories (Note 12)	14,163,571	14	19,123,637	15
Prepayments (Note 13)	1,833,499	2	4,400,968	4
Non-current assets held for sale (Note 14)	-	-	3,768,277	3
Other current financial assets (Notes 10 and 33)	5,750,450	6	4,100,290	3
Other current assets	68,414	-	94,611	-
Total current assets	68,562,382	66	86,439,402	67
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Note 31)	86	-	75	-
Financial assets measured at cost - non-current (Notes 9 and 31)	3,363,736	3	3,396,151	3
Debt investments with no active market - non-current (Note 31)	25,009	-	-	-
Investments accounted for using equity method (Note 16)	531,445	1	240,237	-
Property, plant and equipment (Notes 17 and 32)	12,025,496	12	15,432,130	12
Investment properties, net (Note 18)	1,527,001	1	1,708,489	1
Intangible assets (Note 19)	3,878,356	4	5,561,444	4
Deferred tax assets (Note 27)	8,957,876	9	8,699,322	7
Refundable deposits (Note 31)	1,501,480	1	1,580,342	1
Long-term receivables (Note 11)	-	-	1,488,775	1
Net defined benefit asset - non-current (Note 23)	40,439	-	79,470	-
Other non-current assets (Note 13)	2,735,876	3	4,767,246	4
Total non-current assets	34,586,800	34	42,953,681	33
TOTAL	\$ 103,149,182	100	\$ 129,393,083	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 31)	\$ 133,420	-	\$ 36,544	-
Note and trade payables (Notes 20 and 32)	26,247,728	26	29,598,385	23
Other payables (Note 21)	18,348,734	18	24,993,276	19
Current tax liabilities (Note 27)	155,651	-	163,252	-
Provisions - current (Note 22)	3,384,311	3	5,992,258	5
Other current liabilities (Note 21)	3,004,432	3	3,689,763	3
Total current liabilities	51,274,276	50	64,473,478	50
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 27)	81,294	-	97,351	-
Guarantee deposits received (Note 31)	22,106	-	30,159	-
Total non-current liabilities	103,400	-	127,510	-
Total liabilities	51,377,676	50	64,600,988	50
EQUITY (Note 24)				
Share capital - ordinary shares	8,220,087	8	8,318,695	6
Capital surplus	15,614,641	15	15,505,853	12
Retained earnings				
Legal reserve	18,297,655	18	18,297,655	14
Unappropriated earnings	10,841,425	10	21,782,432	17
Other equity	(1,202,302)	(1)	1,088,415	1
Treasury shares	-	-	(200,955)	-
Total equity	51,771,506	50	64,792,095	50
TOTAL	\$ 103,149,182	100	\$ 129,393,083	100

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 8, 25 and 32)	\$ 78,161,158	100	\$ 121,684,231	100
OPERATING COST (Notes 12, 23, 26 and 32)	<u>68,726,567</u>	<u>88</u>	<u>99,731,124</u>	<u>82</u>
GROSS PROFIT	<u>9,434,591</u>	<u>12</u>	<u>21,953,107</u>	<u>18</u>
OPERATING EXPENSES (Notes 23, 26 and 32)				
Selling and marketing	8,861,758	11	17,452,673	15
General and administrative	4,223,697	6	4,975,964	4
Research and development	<u>10,957,200</u>	<u>14</u>	<u>13,727,616</u>	<u>11</u>
Total operating expenses	<u>24,042,655</u>	<u>31</u>	<u>36,156,253</u>	<u>30</u>
OPERATING LOSS	<u>(14,608,064)</u>	<u>(19)</u>	<u>(14,203,146)</u>	<u>(12)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 26)	643,078	1	928,036	1
Other gains and losses (Notes 8, 13, 14, 17 and 26)	3,448,618	4	(2,286,659)	(2)
Finance costs	(5,298)	-	(8,123)	-
Share of the profit or loss of associates and joint venture (Note 16)	<u>(62,282)</u>	<u>-</u>	<u>(11,648)</u>	<u>-</u>
Total non-operating income and expenses	<u>4,024,116</u>	<u>5</u>	<u>(1,378,394)</u>	<u>(1)</u>
LOSS BEFORE INCOME TAX	(10,583,948)	(14)	(15,581,540)	(13)
INCOME TAX BENEFIT (Note 27)	<u>23,845</u>	<u>-</u>	<u>48,472</u>	<u>-</u>
LOSS FOR THE YEAR	<u>(10,560,103)</u>	<u>(14)</u>	<u>(15,533,068)</u>	<u>(13)</u>
OTHER COMPREHENSIVE LOSS, NET OF INCOME TAX				
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans (Note 23)	(53,981)	-	(48,216)	-
Income tax relating to items that will not be reclassified to profit or loss (Note 27)	<u>6,532</u>	<u>-</u>	<u>5,813</u>	<u>-</u>
	<u>(47,449)</u>	<u>-</u>	<u>(42,403)</u>	<u>-</u>

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2016		2015	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (2,254,715)	(3)	\$ 10,562	-
Unrealized loss on available-for-sale financial assets	<u>(153,449)</u>	<u>-</u>	<u>(11,466)</u>	<u>-</u>
	<u>(2,408,164)</u>	<u>(3)</u>	<u>(904)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(2,455,613)</u>	<u>(3)</u>	<u>(43,307)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (13,015,716)</u>	<u>(17)</u>	<u>\$ (15,576,375)</u>	<u>(13)</u>
NET LOSS FOR THE YEAR ATTRIBUTABLE TO Owners of the parent	<u>\$ (10,560,103)</u>	<u>(14)</u>	<u>\$ (15,533,068)</u>	<u>(13)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO Owners of the parent	<u>\$ (13,015,716)</u>	<u>(17)</u>	<u>\$ (15,576,375)</u>	<u>(13)</u>
LOSS PER SHARE (Note 28)				
Basic	<u>\$ (12.81)</u>		<u>\$ (18.79)</u>	

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

(Concluded)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	Share Capital Ordinary Shares	Capital Surplus	Retained Earnings	Exchange Differences on Translating Foreign Operations	Other Equity	Treasury Shares	Total Equity
			Unappropriated Earnings	Unrealized Losses on Available-for- sale Financial Assets	Unearned Employee Benefit		
BALANCE, JANUARY 1, 2015	\$ 8,349,521	\$ 15,140,687	\$ 18,149,350	\$ 41,381,753	\$ 1,462,855	\$ (3,750,056)	\$ 80,333,373
Appropriation of 2014 earnings	-	-	148,305	(148,305)	-	-	-
Legal reserve	-	-	-	(314,636)	-	-	(314,636)
Cash dividends	-	-	-	-	-	-	-
Net loss for the year ended December 31, 2015	-	-	-	(15,533,068)	-	-	(15,533,068)
Other comprehensive income and loss for the year ended December 31, 2015	-	-	-	(42,403)	10,562	-	(43,307)
Buy-back of treasury shares	-	-	-	-	-	(200,955)	(200,955)
Retirement of treasury shares	(69,140)	(120,007)	-	(3,560,909)	-	3,750,056	-
Share-based payments	38,314	485,173	-	-	27,201	-	550,688
BALANCE, DECEMBER 31, 2015	8,318,695	15,505,853	18,297,655	21,782,432	1,473,417	(200,955)	64,792,095
Net loss for the year ended December 31, 2016	-	-	-	(10,560,103)	-	-	(10,560,103)
Other comprehensive income and loss for the year ended December 31, 2016	-	-	-	(47,449)	(2,254,715)	-	(2,455,613)
Buy-back of treasury shares	-	-	-	-	-	(436,869)	(436,869)
Retirement of treasury shares	(111,600)	(192,769)	-	(333,455)	-	637,824	-
Share-based payments	12,992	301,557	-	-	117,447	-	431,996
BALANCE, DECEMBER 31, 2016	\$ 8,220,087	\$ 15,614,641	\$ 18,297,655	\$ 10,841,425	\$ (781,298)	\$ -	\$ 51,771,506

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (10,583,948)	\$ (15,581,540)
Adjustments for:		
Depreciation expenses	1,752,322	2,539,046
Amortization expenses	1,639,516	1,956,533
Bad debt expense	1,175,179	-
Finance costs	5,298	8,123
Interests income	(382,550)	(419,969)
Dividend income	(138,761)	(352,074)
Compensation costs of employee share-based payments	431,996	550,688
Share of the profit or loss of associates and joint venture	62,282	11,648
Net gain on disposal of property, plant and equipment	(3,196,381)	(8,385)
Transfer of properties, plants and equipment to expense	-	8,339
Net gain on sale of investments	-	(327)
Impairment loss on non-financial assets	2,054,453	4,859,336
Changes in operating assets and liabilities		
Decrease in financial instruments held for trading	48,727	181,171
Decrease in trade receivables	2,857,064	10,621,336
Decrease in other receivables	312,686	112,713
Decrease (increase) in inventories	2,918,208	(3,850,023)
Decrease in prepayments	2,567,469	2,225,138
Decrease in other current assets	26,197	4,658
Decrease in other non-current assets	1,993,672	2,666,129
Decrease in note and trade payables	(3,350,657)	(14,204,958)
Decrease in other payables	(6,574,405)	(7,108,608)
(Decrease) increase in provisions	(2,607,947)	151,079
(Decrease) increase in other current liabilities	(685,331)	2,546,629
Cash used in operations	(9,674,911)	(13,083,318)
Interest received	336,626	334,309
Interest paid	(5,298)	(8,123)
Income tax paid	(275,929)	(295,351)
Net cash used in operating activities	(9,619,512)	(13,052,483)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire debt investment with no active market	(24,548)	-
Payments to acquire financial assets measured at cost	(203,283)	(700,245)
Proceeds from disposal of financial assets measured at cost	-	327
Acquisition of associates	(363,754)	(16,531)
Proceeds from disposal of investments accounted for using equity method	182,579	-
Proceeds from disposal of non-current assets held of sale	6,060,000	-
Payments for property, plant and equipment	(601,427)	(987,329)
Proceeds from disposal of property, plant and equipment	2,935,283	345,464
Increase in refundable deposits	-	(1,317,602)

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Decrease in refundable deposits	\$ 78,862	\$ -
Payments for intangible assets	(75,455)	(93,683)
Increase in other current financial assets	(1,650,160)	(3,765,336)
Dividend received	<u>83,844</u>	<u>38,166</u>
Net cash generated from (used in) investing activities	<u>6,421,941</u>	<u>(6,496,769)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of guarantee deposits received	(8,053)	(13,071)
Dividends paid to owners of the Company	-	(314,636)
Buy-back of treasury shares	<u>(436,869)</u>	<u>(200,955)</u>
Net cash used in financing activities	<u>(444,922)</u>	<u>(528,662)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(1,624,089)</u>	<u>(318,845)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,266,582)	(20,396,759)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>35,346,799</u>	<u>55,743,558</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 30,080,217</u>	<u>\$ 35,346,799</u>

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

(Concluded)

Supplement 6

HTC CORPORATION The Chart of 2016 Deficit Compensation

UNIT: NT\$

Item	Amount	
	Total	
Accumulated earnings at beginning of 2016		21,693,586,409
Less : Net loss of 2016	(10,560,103,298)	
Less : The amounts of actuarial losses recognized in other comprehensive income and loss	(46,765,575)	
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	(683,472)	
Appropriation of earnings as of Dec 31, 2016		11,086,034,064
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		(244,609,156)
Accumulated earnings at end of 2016		10,841,424,908

HTC CORPORATION

Chairwoman and CEO: Cher Wang

Chief Accountant: Hsiu Lai

Supplement 7

HTC Corporation Procedures for the Acquisition or Disposal of Assets Before and After Revision

Article no.	Original article	Amended article	Notes
Article 3	<p>Appraisal procedures</p> <p>The methods and reference criteria for determining the price at which the Company acquires or disposes of assets shall comply with the following:</p> <p>1. Securities investments:</p> <p>To acquire or dispose of securities, before the actual date of transaction, the Company shall first obtain, for reference in appraising the transaction price, a financial statement of the subject company for the most recent period that has been audited and certified or reviewed by a certified public accountant (CPA), or an investor memorandum, prospectus, or financial information regarding the subject securities, and shall determine the transaction price using the following methods:</p> <p>(1) For acquisition or disposal of securities traded on the centralized securities exchange market or an OTC market, the price shall be determined according to the current trading price.</p> <p>(2) For acquisition or disposal of securities not traded on the centralized securities exchange market or an OTC market, the price shall be determined through negotiation after consideration of net worth per share, profitability, and future development potential, taking current market prices as a reference, or by negotiation after reference to current market interest rates, bond coupon rates, and debtor creditworthiness.</p> <p>In addition, when the amount of a transaction reaches 20 percent of paid-in capital or NT\$300 million or more, before the actual date of transaction, the Company shall obtain an opinion from a CPA on the reasonableness of the trading price. If</p>	<p>Appraisal procedures</p> <p>The methods and reference criteria for determining the price at which the Company acquires or disposes of assets shall comply with the following:</p> <p>1. Securities investments:</p> <p>To acquire or dispose of securities, before the actual date of transaction, the Company shall first obtain, for reference in appraising the transaction price, a financial statement of the subject company for the most recent period that has been audited and certified or reviewed by a certified public accountant (CPA), or an investor memorandum, prospectus, or financial information regarding the subject securities, and shall determine the transaction price using the following methods:</p> <p>(1) For acquisition or disposal of securities traded on the centralized securities exchange market or an OTC market, the price shall be determined according to the current trading price.</p> <p>(2) For acquisition or disposal of securities not traded on the centralized securities exchange market or an OTC market, the price shall be determined through negotiation after consideration of net worth per share, profitability, and future development potential, taking current market prices as a reference, or by negotiation after reference to current market interest rates, bond coupon rates, and debtor creditworthiness.</p> <p>In addition, when the amount of a transaction reaches 20 percent of paid-in capital or NT\$300 million or more, before the actual date of transaction, the Company shall obtain an opinion from a CPA on the reasonableness of the trading price. If</p>	Amended in accordance with a revised order of the Article.

HTC Corporation
Procedures for the Acquisition or Disposal of Assets
Before and After Revision

Article no.	Original article	Amended article	Notes
	<p>the CPA needs to adopt an expert's report, the Statements on Auditing Standards No. 20 announced by the ROC Accounting Research and Development Foundation (ARDF) will apply. This requirement does not apply, however, to publicly quoted prices of securities that have an active market or that are subject to the Financial Supervisory Commission's Interpretation concerning the Article 10 proviso in the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.</p> <p>2. Real property or equipment: Prices for the acquisition or disposal of real property shall be determined through negotiation, with reference to the announced current value and assessed value of the property and the actual transaction prices of neighboring real properties; in acquisition or disposal of equipment, the Company shall first collect relevant price information and make a price determination through one of three methods, either price comparison, price negotiation, or call for tenders. When the Company acquires or disposes of real property or equipment, if the transaction amount reaches 20 percent of paid-in capital or NT\$300 million or more, except in transactions with government <u>agencies</u>, hiring others to build on its own land, hiring others to build on rented land, or acquiring or disposing of equipment for business use, before the actual date of transaction, it shall first obtain an appraisal report from a professional appraiser and shall further comply with the following provisions: (1) Where due to special circumstances it is necessary to use a limited price, specified price, or special price as reference</p>	<p>the CPA needs to adopt an expert's report, the Statements on Auditing Standards No. 20 announced by the ROC Accounting Research and Development Foundation (ARDF) will apply. This requirement does not apply, however, to publicly quoted prices of securities that have an active market or that are subject to the Financial Supervisory Commission's Interpretation concerning the Article 10 proviso in the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.</p> <p>2. Real property or equipment: Prices for the acquisition or disposal of real property shall be determined through negotiation, with reference to the announced current value and assessed value of the property and the actual transaction prices of neighboring real properties; in acquisition or disposal of equipment, the Company shall first collect relevant price information and make a price determination through one of three methods, either price comparison, price negotiation, or call for tenders. When the Company acquires or disposes of real property or equipment, if the transaction amount reaches 20 percent of paid-in capital or NT\$300 million or more, except in transactions with government <u>entity</u>, hiring others to build on its own land, hiring others to build on rented land, or acquiring or disposing of equipment for business use, before the actual date of transaction, it shall first obtain an appraisal report from a professional appraiser and shall further comply with the following provisions: (1) Where due to special circumstances it is necessary to use a limited price, specified price, or special price as reference</p>	

HTC Corporation
Procedures for the Acquisition or Disposal of Assets
Before and After Revision

Article no.	Original article	Amended article	Notes
	<p>criteria for the transaction price, the transaction shall first be submitted for approval by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>(2)Where the transaction amount reaches NT\$1 billion or more, two or more professional appraisers shall be engaged to provide appraisals.</p> <p>(3)Where any of the following circumstances applies with respect to the results of a professional appraisal, except that the appraisal price is higher than the acquisition price or is less than the disposal price, a CPA shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF and to issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>1.The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>2.The discrepancy between the results of two or more professional appraisals is 10 percent or more of the transaction amount.</p> <p>(4)No more than three months may pass between the date of the appraisal report and the contract execution date, provided that where the announced current value used in the appraisal is for the same period and not more than six months have elapsed, the original professional appraiser may issue an opinion.</p> <p>3.Membership certificates or intangible</p>	<p>criteria for the transaction price, the transaction shall first be submitted for approval by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>(2)Where the transaction amount reaches NT\$1 billion or more, two or more professional appraisers shall be engaged to provide appraisals.</p> <p>(3)Where any of the following circumstances applies with respect to the results of a professional appraisal, except that the appraisal price is higher than the acquisition price or is less than the disposal price, a CPA shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF and to issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>1.The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>2.The discrepancy between the results of two or more professional appraisals is 10 percent or more of the transaction amount.</p> <p>(4)No more than three months may pass between the date of the appraisal report and the contract execution date, provided that where the announced current value used in the appraisal is for the same period and not more than six months have elapsed, the original professional appraiser may issue an opinion.</p> <p>3.Membership certificates or intangible</p>	

HTC Corporation
Procedures for the Acquisition or Disposal of Assets
Before and After Revision

Article no.	Original article	Amended article	Notes
	<p>assets</p> <p>When acquiring or disposing of membership certificates, the Company shall first collect relevant price information and use one of two methods, price comparison or price negotiation, to effect acquisition or disposal. When acquiring or disposing of intangible assets, the Company shall also collect relevant price information, and shall make a careful assessment of the relevant laws and regulations and the content of the contract in order to decide the transaction price.</p> <p>When a transaction amount for acquisition or disposal of membership certificates or intangible assets reaches 20 percent of paid-in capital or NT\$300 million or more, except in transactions with a government <u>agency</u>, before the actual date of transaction, the Company shall seek an opinion from a CPA on the reasonableness of the transaction price. The CPA shall issue its opinion in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF.</p> <p>4. Other material assets</p> <p>In acquiring claims of financial institutions, derivatives products, assets transferred by means of lawful mergers, demergers, acquisitions, or share transfers, or other material assets, the Company shall collect relevant price information, depending on the nature of the subject asset of the transaction, and make a careful assessment of the relevant laws and regulations and the content of the contract in order to decide the transaction price.</p> <p>5. When the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	<p>assets</p> <p>When acquiring or disposing of membership certificates, the Company shall first collect relevant price information and use one of two methods, price comparison or price negotiation, to effect acquisition or disposal. When acquiring or disposing of intangible assets, the Company shall also collect relevant price information, and shall make a careful assessment of the relevant laws and regulations and the content of the contract in order to decide the transaction price.</p> <p>When a transaction amount for acquisition or disposal of membership certificates or intangible assets reaches 20 percent of paid-in capital or NT\$300 million or more, except in transactions with a government <u>entity</u>, before the actual date of transaction, the Company shall seek an opinion from a CPA on the reasonableness of the transaction price. The CPA shall issue its opinion in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF.</p> <p>4. Other material assets</p> <p>In acquiring claims of financial institutions, derivatives products, assets transferred by means of lawful mergers, demergers, acquisitions, or share transfers, or other material assets, the Company shall collect relevant price information, depending on the nature of the subject asset of the transaction, and make a careful assessment of the relevant laws and regulations and the content of the contract in order to decide the transaction price.</p> <p>5. When the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	
Article 4	<p>Operating procedures</p> <p>1. Levels of authorization</p>	<p>Operating procedures</p> <p>1. Levels of authorization</p>	Amended in accordance

HTC Corporation
Procedures for the Acquisition or Disposal of Assets
Before and After Revision

Article no.	Original article	Amended article	Notes
	<p>(1)When the Company acquires or disposes of assets with non-related parties, the unit handling the transaction shall compile information on each asset to be transacted, including the reasons for the proposed acquisition or disposal, the target asset, the trading counterparty, the transfer price, the terms of payment, and the price reference criteria, and submit them to the unit with overall authority for a decision on the transaction.</p> <p>1.Acquisitions or disposals of securities:</p> <p>1.1 When an acquisition or disposal is for the purpose of business needs or strategic investments ,the following provisions will apply:</p> <p>1.1.1Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>1.1.2Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director, and shall be reported to the board of directors after its execution.</p> <p>1.1.3The board of directors authorizes the Chairman of the board to approve and execute each</p>	<p>(1)When the Company acquires or disposes of assets with non-related parties, the unit handling the transaction shall compile information on each asset to be transacted, including the reasons for the proposed acquisition or disposal, the target asset, the trading counterparty, the transfer price, the terms of payment, and the price reference criteria, and submit them to the unit with overall authority for a decision on the transaction.</p> <p>1.Acquisitions or disposals of securities:</p> <p>1.1 When an acquisition or disposal is for the purpose of business needs or strategic investments ,the following provisions will apply:</p> <p>1.1.1Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>1.1.2Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director, and shall be reported to the board of directors after its execution.</p> <p>1.1.3The board of directors authorizes the Chairman of the board to approve and execute each</p>	<p>with a revised order of the Article.</p>

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	<p>individual transaction in an amount less than NT\$600 million, who shall then report the board of directors of the status of execution afterwards.</p> <p>1.2 When the purpose of the acquisition or disposal is financial investment, then the transaction shall be executed, after determination of the amount and procedures for its approval in accordance with the "Financial Investment Approval Matrix" submitted by the financial unit and approved by the chairman, and after its further submission for approval by the responsible officers in order of increasing authority.</p> <p>2.Acquisitions or disposals of real property:</p> <p>2.1 Acquisition or disposal of real property for use in business operations:</p> <p>2.1.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>2.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director,</p>	<p>individual transaction in an amount less than NT\$600 million, who shall then report the board of directors of the status of execution afterwards.</p> <p>1.2 When the purpose of the acquisition or disposal is financial investment, then the transaction shall be executed, after determination of the amount and procedures for its approval in accordance with the "Financial Investment Approval Matrix" submitted by the financial unit and approved by the chairman, and after its further submission for approval by the responsible officers in order of increasing authority.</p> <p>2.Acquisitions or disposals of real property:</p> <p>2.1 Acquisition or disposal of real property for use in business operations:</p> <p>2.1.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>2.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director,</p>	

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	<p>and shall be reported to the board of directors after its execution.</p> <p>2.1.3 The board of directors authorizes the Chairman of the board to approve and execute each individual transaction in an amount less than NT\$600 million, who shall then report the board of directors of the status of execution afterwards.</p> <p>2.2 The acquisition or disposal of real property not for use in business operations, within the limits for transaction amounts set out in paragraph 2 of this article, may be executed after submission to and approval by the board of directors.</p> <p>3. Acquisition or disposal of equipment:</p> <p>3.1 Acquisition or disposal of assets for use in business operations:</p> <p>3.1.1 Each transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>3.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director,</p>	<p>and shall be reported to the board of directors after its execution.</p> <p>2.1.3 The board of directors authorizes the Chairman of the board to approve and execute each individual transaction in an amount less than NT\$600 million, who shall then report the board of directors of the status of execution afterwards.</p> <p>2.2 The acquisition or disposal of real property not for use in business operations, within the limits for transaction amounts set out in paragraph 2 of this article, may be executed after submission to and approval by the board of directors.</p> <p>3. Acquisition or disposal of equipment:</p> <p>3.1 Acquisition or disposal of assets for use in business operations:</p> <p>3.1.1 Each transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>3.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director,</p>	

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	<p>and shall be reported to the board of directors after its execution.</p> <p>3.1.3 Transactions in amounts less than NT\$600 million shall be submitted to supervisors for approval in order of their increasing authority in accordance with the "internal decision authorization limits."</p> <p>3.2 Acquisitions or disposals of assets that are not intended for use in business operations shall be submitted to and approved by the board of directors prior to their execution.</p> <p>4. The board of directors authorizes the Chairman of the board to approve and execute each individual transaction for acquisition or disposal of membership certificates, who shall then report the board of directors of the status of execution afterwards.</p> <p>5. Acquisition or disposal of intangible assets and other material assets:</p> <p>5.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>5.2 For any individual transaction amount that is less than NT\$1.5 billion, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be</p>	<p>and shall be reported to the board of directors after its execution.</p> <p>3.1.3 Transactions in amounts less than NT\$600 million shall be submitted to supervisors for approval in order of their increasing authority in accordance with the "internal decision authorization limits."</p> <p>3.2 Acquisitions or disposals of assets that are not intended for use in business operations shall be submitted to and approved by the board of directors prior to their execution.</p> <p>4. The board of directors authorizes the Chairman of the board to approve and execute each individual transaction for acquisition or disposal of membership certificates, who shall then report the board of directors of the status of execution afterwards.</p> <p>5. Acquisition or disposal of intangible assets and other material assets:</p> <p>5.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>5.2 For any individual transaction amount that is less than NT\$1.5 billion, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be</p>	

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	<p>submitted to the board of directors after its execution.</p> <p>6.In acquisition or disposal of assets by means of lawful mergers, demergers, acquisitions, or share transfers, the unit executing the transaction shall first conduct an appraisal and thereafter carry out the transaction in accordance with relevant laws and regulations and Chapter 4 of these Procedures.</p> <p>(2)When the Company acquires or disposes of assets with related parties, the unit handling the transaction shall compile information on each asset to be transacted, including the reasons for the proposed acquisition or disposal, the target asset, the trading counterparty, the transfer price, the terms of payment, and the price reference criteria, and submit them to the unit with overall authority for a decision on the transaction.</p> <p>1.Chapter 3 of this Procedure shall apply to acquisition or disposal of real estate from or to related parties. Relevant documents shall be submitted to the board of directors for approval and the supervisors for recognition before execution of agreements and make payments.</p> <p>2.To acquire or dispose of assets other than real estate from or to related parties:</p> <p>2.1 The transaction including in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds shall only be executed after it is submitted for approval by responsible officers as determined based</p>	<p>submitted to the board of directors after its execution.</p> <p>6.In acquisition or disposal of assets by means of lawful mergers, demergers, acquisitions, or share transfers, the unit executing the transaction shall first conduct an appraisal and thereafter carry out the transaction in accordance with relevant laws and regulations and Chapter 4 of these Procedures.</p> <p>(2)When the Company acquires or disposes of assets with related parties, the unit handling the transaction shall compile information on each asset to be transacted, including the reasons for the proposed acquisition or disposal, the target asset, the trading counterparty, the transfer price, the terms of payment, and the price reference criteria, and submit them to the unit with overall authority for a decision on the transaction.</p> <p>1.Chapter 3 of this Procedure shall apply to acquisition or disposal of real estate from or to related parties. Relevant documents shall be submitted to the board of directors for approval and the supervisors for recognition before execution of agreements and make payments.</p> <p>2.To acquire or dispose of assets other than real estate from or to related parties:</p> <p>2.1 The transaction including in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds <u>issued by ecurities</u> <u>investment trust enterprise</u> shall only be executed after it is submitted for approval</p>	

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	<p>of the amount and procedures for its approval prescribed by "Financial Investment Approval Matrix" submitted by the financial unit and approved by the chairman.</p> <p>2.2 For the transactions between the Company and its subsidiaries for the equipment for the operation needs with the transaction price less than NT\$600 million, the board of directors authorizes the Chairman of the board to approve and execute the transaction, who shall then report to the next meeting of the board of directors for ratification.</p> <p>2.3 All transactions other than those described in sections 2.1 and 2.2 shall proceed in accordance with the followings:</p> <p>2.3.1 To acquire or dispose of assets with the transaction price reaching 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, relevant documents shall be submitted to the board of directors for approval and the supervisors for recognition before execution of agreements and make payments.</p> <p>2.3.2 To acquire or dispose of assets with the transaction price less than 20% of the Company's paid-in</p>	<p>by responsible officers as determined based of the amount and procedures for its approval prescribed by "Financial Investment Approval Matrix" submitted by the financial unit and approved by the chairman.</p> <p>2.2 For the transactions between the Company and its subsidiaries for the equipment for the operation needs with the transaction price less than NT\$600 million, the board of directors authorizes the Chairman of the board to approve and execute the transaction, who shall then report to the next meeting of the board of directors for ratification.</p> <p>2.3 All transactions other than those described in sections 2.1 and 2.2 shall proceed in accordance with the followings:</p> <p>2.3.1 To acquire or dispose of assets with the transaction price reaching 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, relevant documents shall be submitted to the board of directors for approval and the supervisors for recognition before execution of agreements and make payments.</p> <p>2.3.2 To acquire or dispose of assets with the transaction price less than 20% of the Company's paid-in</p>	

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	<p>capital, 10% of the Company's total assets or NT\$300 million, if transactions is between the Company and its subsidiaries, the board of directors authorizes the Chairman of the board to approve and execute such transaction and Chairman shall report to board of directors of the status of execution afterwards; if transactions is not between the Company and its subsidiaries, relevant document shall be submitted to two uninterested directors for approval and the supervisors for recognition before execution of agreements and make payments. The status of execution shall be reported to the board of directors afterwards.</p> <p>(3)In any acquisition or disposal of assets by the Company that requires the approval of the board of directors pursuant to the articles of in Company or other provisions of law, when a director expresses dissent and such dissent is on record or in a written statement, the Company shall distribute the materials expressing the director's dissenting opinion to each supervisor.</p> <p>After the Company has created independent director position(s), in accordance with the Securities and Exchange Act, when asset acquisition or disposal transactions are reported for deliberation by the board of</p>	<p>capital, 10% of the Company's total assets or NT\$300 million, if transactions is between the Company and its subsidiaries, the board of directors authorizes the Chairman of the board to approve and execute such transaction and Chairman shall report to board of directors of the status of execution afterwards; if transactions is not between the Company and its subsidiaries, relevant document shall be submitted to two uninterested directors for approval and the supervisors for recognition before execution of agreements and make payments. The status of execution shall be reported to the board of directors afterwards.</p> <p>(3)In any acquisition or disposal of assets by the Company that requires the approval of the board of directors pursuant to the articles of in Company or other provisions of law, when a director expresses dissent and such dissent is on record or in a written statement, the Company shall distribute the materials expressing the director's dissenting opinion to each supervisor.</p> <p>After the Company has created independent director position(s), in accordance with the Securities and Exchange Act, when asset acquisition or disposal transactions are reported for deliberation by the board of</p>	

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	<p>directors in accordance with the preceding paragraph, adequate consideration shall be given to the opinions of each independent director, and where an independent director has dissenting or qualified opinion, such opinion shall be entered into the minutes of the board of directors meeting.</p> <p>Subsequent to the Company's establishment of an audit committee pursuant to the Securities and Exchange Act, material asset transactions shall be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the board of directors. If the transaction has not received approval from one-half of the total number of audit committee members, it may be carried out with the approval of two-thirds or more of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The "total number of audit committee members" and "total number of directors" shall be calculated only with respect to those actually currently serving in those positions.</p> <p>2. Amount limits</p> <p>(1)The total amount of any real property purchased by the Company not for use in business operations may not exceed 20 percent of the Company's net worth; the total amount of any real property purchased by a subsidiary of the Company not for use in business operations may not exceed 20 percent of the Company's net worth, and may not exceed the subsidiary's net</p>	<p>directors in accordance with the preceding paragraph, adequate consideration shall be given to the opinions of each independent director, and where an independent director has dissenting or qualified opinion, such opinion shall be entered into the minutes of the board of directors meeting.</p> <p>Subsequent to the Company's establishment of an audit committee pursuant to the Securities and Exchange Act, material asset transactions shall be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the board of directors. If the transaction has not received approval from one-half of the total number of audit committee members, it may be carried out with the approval of two-thirds or more of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The "total number of audit committee members" and "total number of directors" shall be calculated only with respect to those actually currently serving in those positions.</p> <p>2. Amount limits</p> <p>(1)The total amount of any real property purchased by the Company not for use in business operations may not exceed 20 percent of the Company's net worth; the total amount of any real property purchased by a subsidiary of the Company not for use in business operations may not exceed 20 percent of the Company's net worth, and may not exceed the subsidiary's net worth.</p>	

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	<p>worth.</p> <p>(2)Unless with the approval of a shareholders meeting, the total amount of investment by the Company in securities may not exceed its net worth; the total amount of investment in securities by a subsidiary of the Company may not exceed the subsidiary's net worth.</p> <p>(3)Unless with the approval of a shareholders meeting, the amount of the Company's investment in any single security may not exceed 50 percent of its net worth; the amount of investment by a subsidiary of the Company in any single security may not exceed 50 percent of the Company's net worth and may not exceed the subsidiary's net worth.</p> <p>(4)Securities acquired by the Company or a subsidiary for the purpose of short-term allocation of funds, or acquired through the conduct of M&A activities such as mergers, demergers, acquisitions, or share transfers carried out in accordance with relevant domestic or foreign laws, shall not be subject to the restrictions on amounts in (2) and (3) above.</p> <p>3. Units executing transactions</p> <p>(1)For acquisition or disposal of securities: the financial unit or related unit.</p> <p>(2)For acquisition or disposal of real property and other fixed assets: the general affairs unit, financial unit, or other related unit.</p> <p>4. Transaction procedures</p> <p>Procedures and operations in relation to the acquisition or disposal of assets shall be carried out in accordance with relevant provisions of laws and regulations and the internal rules of the Company.</p>	<p>(2)Unless with the approval of a shareholders meeting, the total amount of investment by the Company in securities may not exceed its net worth; the total amount of investment in securities by a subsidiary of the Company may not exceed the subsidiary's net worth.</p> <p>(3)Unless with the approval of a shareholders meeting, the amount of the Company's investment in any single security may not exceed 50 percent of its net worth; the amount of investment by a subsidiary of the Company in any single security may not exceed 50 percent of the Company's net worth and may not exceed the subsidiary's net worth.</p> <p>(4)Securities acquired by the Company or a subsidiary for the purpose of short-term allocation of funds, or acquired through the conduct of M&A activities such as mergers, demergers, acquisitions, or share transfers carried out in accordance with relevant domestic or foreign laws, shall not be subject to the restrictions on amounts in (2) and (3) above.</p> <p>3. Units executing transactions</p> <p>(1)For acquisition or disposal of securities: the financial unit or related unit.</p> <p>(2)For acquisition or disposal of real property and other fixed assets: the general affairs unit, financial unit, or other related unit.</p> <p>4. Transaction procedures</p> <p>Procedures and operations in relation to the acquisition or disposal of assets shall be carried out in accordance with relevant provisions of laws and regulations and the internal rules of the Company.</p>	
Article 7	Resolution procedures When the Company acquires real	Resolution procedures When the Company acquires real	Amended in accordance

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	<p>property from or disposes of real estate to a related party, or acquires other assets from or dispose of other assets to a related party at the transaction price reaching 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, it shall submit the following materials for passage by the board of directors and recognition by the supervisors before executing agreements or making payments:</p> <ol style="list-style-type: none"> 1. The purpose, necessity, and anticipated benefit of the real property acquisition or disposal. 2. The reason for choosing the related party as a trading counterparty. 3. To acquire real estate from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Articles 8 through 10. 4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party. 5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract and an evaluation of the necessity of the transaction and the reasonableness of funds utilization. 6. The appraisal report issued by an appraiser according to the preceding article or CPA's opinion. 7. Any restrictive covenants or other material stipulations associated with the transaction. <p>The transaction price specified in the preceding article shall be calculated according to Paragraph 2, Article 17.</p>	<p>property from or disposes of real estate to a related party, or acquires other assets from or dispose of other assets to a related party at the transaction price reaching 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds <u>issued by securities investment trust enterprise</u>, it shall submit the following materials for passage by the board of directors and recognition by the supervisors before executing agreements or making payments:</p> <ol style="list-style-type: none"> 1. The purpose, necessity, and anticipated benefit of the real property acquisition or disposal. 2. The reason for choosing the related party as a trading counterparty. 3. To acquire real estate from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Articles 8 through 10. 4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party. 5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract and an evaluation of the necessity of the transaction and the reasonableness of funds utilization. 6. The appraisal report issued by an appraiser according to the preceding article or CPA's opinion. 7. Any restrictive covenants or other material stipulations associated with the transaction. <p>The transaction price specified in the preceding article shall be calculated according to Paragraph 2, Article 17.</p>	<p>with a revised order of the Article.</p>

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	<p>The term "within one year" shall refer to one year prior to the actual date of transaction. The transactions that have been approved by the board of directors and recognized by the supervisors according to this Procedure may be excluded.</p> <p>For the acquisition or disposal of the business-use equipment between the Company and its subsidiaries, the Chairman of board may approve and execute the transactions according to Article 4.1.2.2.2 and then report to the next meeting of the board of directors for ratification.</p> <p>Subsequent to the creation of independent director(s) by this Company in accordance with the Securities and Exchange Act, when asset acquisition or disposal transactions are reported for deliberation by the board of directors in accordance with the first paragraph, adequate consideration shall be given to the opinions of each independent director, and their dissenting or qualified opinions, if any, and the reasons for them shall be entered into the minutes of the board of directors meeting.</p> <p>Subsequent to this Company's establishment of an audit committee pursuant to the Securities and Exchange Act, matters that shall be subject to recognition by the supervisors pursuant to paragraph 1 shall first be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the board of directors. If the transaction has not received approval from one-half of the total number of audit committee members, it may be carried out with the approval of two-thirds or more of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board</p>	<p>The term "within one year" shall refer to one year prior to the actual date of transaction. The transactions that have been approved by the board of directors and recognized by the supervisors according to this Procedure may be excluded.</p> <p>For the acquisition or disposal of the business-use equipment between the Company and its subsidiaries, the Chairman of board may approve and execute the transactions according to Article 4.1.2.2.2 and then report to the next meeting of the board of directors for ratification.</p> <p>Subsequent to the creation of independent director(s) by this Company in accordance with the Securities and Exchange Act, when asset acquisition or disposal transactions are reported for deliberation by the board of directors in accordance with the first paragraph, adequate consideration shall be given to the opinions of each independent director, and their dissenting or qualified opinions, if any, and the reasons for them shall be entered into the minutes of the board of directors meeting.</p> <p>Subsequent to this Company's establishment of an audit committee pursuant to the Securities and Exchange Act, matters that shall be subject to recognition by the supervisors pursuant to paragraph 1 shall first be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the board of directors. If the transaction has not received approval from one-half of the total number of audit committee members, it may be carried out with the approval of two-thirds or more of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board</p>	

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	of directors meeting. The "total number of audit committee members" and "total number of directors" shall be calculated only with respect to those actually currently serving in those positions.	of directors meeting. The "total number of audit committee members" and "total number of directors" shall be calculated only with respect to those actually currently serving in those positions.	
Article 11	<p>Resolution procedures</p> <p>1. When the Company conducts a merger, demerger, acquisition, or share transfer, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to issue an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and report the opinion to the board of directors for deliberation and passage.</p> <p>2. When the Company participates in a merger, demerger, or acquisition, then prior to the shareholders meeting it shall prepare a public report to shareholders detailing material contractual content and matters relevant to the merger, demerger, or acquisition and include it, along with the expert opinion referred to in paragraph 1 of the preceding paragraph, in the notification of the shareholders meeting for reference by shareholders in deciding whether to approve the merger, demerger, or acquisition. This restriction shall not apply, however, where there are other provisions of law that exempt a company from convening a shareholders meeting to approve the</p>	<p>Resolution procedures</p> <p>1. When the Company conducts a merger, demerger, acquisition, or share transfer, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to issue an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and report the opinion to the board of directors for deliberation and passage. <u>This requirement shall not apply, however, where the Company merges its subsidiary which the Company directly or indirectly owns 100 percent of the subsidiary's outstanding shares or paid in capital, or merger between the Company's subsidiaries that the Company directly or indirectly owns 100 percent of their outstanding shares or paid in capital.</u></p> <p>2. When the Company participates in a merger, demerger, or acquisition, then prior to the shareholders meeting it shall prepare a public report to shareholders detailing material contractual content and matters relevant to the merger, demerger, or acquisition and include it, along with the expert opinion referred to in paragraph 1 of the preceding paragraph, in the notification of the shareholders meeting for reference by shareholders in deciding whether to approve the merger, demerger, or acquisition. This restriction shall not apply, however, where there are other provisions of law that exempt a company from convening a shareholders meeting to approve the</p>	Amended in accordance with a revised order of the Article.

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	<p>merger, demerger, or acquisition. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p> <p>3. When the companies participating in a merger, demerger, or acquisition convene board of directors meetings or shareholders meetings to resolve matters concerning the merger, demerger, or acquisition, they shall do so on the same day, unless another law provides otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.</p> <p>The companies participating in a share transfer shall convene their board of directors meetings on the same day, unless another law provides otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.</p> <p>An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall make a comprehensive written record of the following information, to be retained for five years for reference:</p> <p>1. Basic personnel information: including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or share</p>	<p>merger, demerger, or acquisition. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p> <p>3. When the companies participating in a merger, demerger, or acquisition convene board of directors meetings or shareholders meetings to resolve matters concerning the merger, demerger, or acquisition, they shall do so on the same day, unless another law provides otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.</p> <p>The companies participating in a share transfer shall convene their board of directors meetings on the same day, unless another law provides otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.</p> <p>An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall make a comprehensive written record of the following information, to be retained for five years for reference:</p> <p>1. Basic personnel information: including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or share</p>	

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	<p>transfer prior to public disclosure of the plan.</p> <p>2. Dates of material events: including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>3. Important documents and minutes: Including merger, demerger, acquisition, or share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall, within two days from the date of passage of the board of directors resolution, report the information under subparagraphs 1 and 2 of the preceding paragraph for reference by the FSC, in the prescribed format, through its Internet information reporting system.</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(ies) so listed or traded shall sign an agreement with such company, and the provisions of paragraphs 3 and 4 shall be complied with.</p>	<p>transfer prior to public disclosure of the plan.</p> <p>2. Dates of material events: including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.</p> <p>3. Important documents and minutes: Including merger, demerger, acquisition, or share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.</p> <p>An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall, within two days from the date of passage of the board of directors resolution, report the information under subparagraphs 1 and 2 of the preceding paragraph for reference by the FSC, in the prescribed format, through its Internet information reporting system.</p> <p>Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(ies) so listed or traded shall sign an agreement with such company, and the provisions of paragraphs 3 and 4 shall be complied with.</p>	
Article 17	<p>Procedures for public announcement and reporting</p> <p>When the Company acquires or disposes of assets under any of the following circumstances, it shall publicly announce and report the relevant information, in accordance with the type of disposal or acquisition, on the FSC's designated website in the appropriate format as prescribed by regulations within two days from the</p>	<p>Procedures for public announcement and reporting</p> <p>When the Company acquires or disposes of assets under any of the following circumstances, it shall publicly announce and report the relevant information, in accordance with the type of disposal or acquisition, on the FSC's designated website in the appropriate format as prescribed by regulations within two days from the</p>	Amended in accordance with a revised order of the Article.

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Procedures for the Acquisition or Disposal of Assets
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Article no.	Original article	Amended article	Notes
	<p>date of occurrence:</p> <ol style="list-style-type: none"> 1. An acquisition of real property from or a disposal of real estate to a related party, a transaction with a related parties for the assets other than real estate with the transaction price reaching 20% of the Company's paid-in capital, 10% of the total assets, and NT\$300 million, excluding the transactions of treasury bonds or repurchase or reverse sell of bonds, or subscription or redemption of domestic money market funds. 2. A merger, demerger, acquisition, or share transfer. 3. Losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company. 4. Where the amount of an asset transaction other than any of those referred to in the preceding <u>three</u> subparagraphs, a disposal of receivables by a financial institution, or investments in China reaches 20 percent or more of paid-in capital or NT\$300 million. This restriction shall not apply, however, under the following circumstances: <ol style="list-style-type: none"> (1) Trades in government bonds. (2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities <u>by a securities firm, either in the primary market or in accordance with relevant regulations.</u> (3) Trades of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds. (4) The type of asset acquired or disposed is equipment for use in business operations, the trading counterparty is not a related party, and the transaction amount is <u>less</u> than NT\$500 million. 	<p>date of occurrence:</p> <ol style="list-style-type: none"> 1. An acquisition of real property from or a disposal of real estate to a related party, a transaction with a related parties for the assets other than real estate with the transaction price reaching 20% of the Company's paid-in capital, 10% of the total assets, and NT\$300 million, excluding the transactions of treasury bonds or repurchase or reverse sell of bonds, or subscription or redemption <u>of issued by securities investment trust enterprise,</u> domestic money market funds. 2. A merger, demerger, acquisition, or share transfer. 3. Losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company. 4. The type of asset acquired or disposed is equipment for use in business operations, the trading counterparty is not a related party, and the transaction amount is <u>more</u> than NT\$500 million. 5. The Company operates construction business and acquires or disposes of real property for use in construction, where the trading counterparty is not a related party, and the transaction amount is <u>more</u> than NT\$500 million. 6. Real property is acquired under an arrangement for commissioned construction on self-owned land or leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is <u>more</u> than NT\$500 million. 7. Where the amount of an asset transaction other than any of those referred to in the preceding <u>six</u> subparagraphs, a disposal of 	

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	<p>(5) The Company operates construction business and acquires or disposes of real property for use in construction, where the trading counterparty is not a related party, and the transaction amount is <u>less</u> than NT\$500 million.</p> <p>(6) Real property is acquired under an arrangement for commissioned construction on self-owned land or leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is <u>less</u> than NT\$500 million.</p>	<p>receivables by a financial institution, or investments in China reaches 20 percent or more of paid-in capital or NT\$300 million. This restriction shall not apply, however, under the following circumstances:</p> <p>(1) Trades in government bonds.</p> <p>(2) Securities trading by investment professionals on foreign or domestic securities exchanges or <u>domestic over-the-counter markets, or subscription of ordinary corporate bonds and securities that do not involve shareholding rights in the primary market, or security firms, for the purpose of underwriting services, becomes an advisory recommending securities firm and purchases securities according to the regulations of Taipei Exchange.</u></p> <p>(3) Trades of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds <u>issued by securities investment trust enterprise.</u></p>	
	<p>The amounts of the transactions in the preceding paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. As the amount of any individual transaction. 2. As the cumulative transaction amount of acquisitions and disposals of the same type of asset with the same trading counterparty within one year. 3. As the cumulative transaction amount of real property acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) in the same development project within one year. 4. As the cumulative transaction amount of acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) of the same security within one year. 	<p>The amounts of the transactions in the preceding paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> 1. As the amount of any individual transaction. 2. As the cumulative transaction amount of acquisitions and disposals of the same type of asset with the same trading counterparty within one year. 3. As the cumulative transaction amount of real property acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) in the same development project within one year. 4. As the cumulative transaction amount of acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) of the same security within one year. 	

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	<p>"Within one year," as used in the preceding paragraph, refers to a preceding period of one-year calculated from the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be entered.</p> <p>The Company shall compile monthly reports, covering the period up to the end of the preceding month, on the status of derivatives trades made by it or by any subsidiaries that are not public companies, and enter the information in the prescribed format into the information reporting website designated by the SFC by the tenth day of each month.</p> <p>When an item that the Company is required by regulation to publicly announce is found at the time of announcement to contain an error or omission and correction is required, all announced items shall be again publicly announced and reported in their entirety.</p> <p>When the Company acquires or disposes of assets, it shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and opinions from CPAs, attorneys, and securities underwriters at the headquarters of the Company, where, unless otherwise provided in another law, they shall be retained for at least five years.</p>	<p>"Within one year," as used in the preceding paragraph, refers to a preceding period of one-year calculated from the date of occurrence of the current transaction. Items duly announced in accordance with the Procedures need not be entered.</p> <p>The Company shall compile monthly reports, covering the period up to the end of the preceding month, on the status of derivatives trades made by it or by any subsidiaries that are not public companies, and enter the information in the prescribed format into the information reporting website designated by the SFC by the tenth day of each month.</p> <p>When an item that the Company is required by regulation to publicly announce is found at the time of announcement to contain an error or omission and correction is required, <u>within two days after finding the error or omission</u>, all announced items shall be again publicly announced and reported in their entirety.</p> <p>When the Company acquires or disposes of assets, it shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and opinions from CPAs, attorneys, and securities underwriters at the headquarters of the Company, where, unless otherwise provided in another law, they shall be retained for at least five years.</p>	