



## HTC Corporation 2013 AGM AGENDA

June 21, 2013 at 9 a.m.  
Chuto Hotel in Taoyuan, Jin Long Room

# Translation

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

# HTC CORPORATION

## 2013 Annual General Shareholders' Meeting Agenda Book

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**HTC CORPORATION**  
**Procedure for 2013 Annual General Shareholders' Meeting**

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

**HTC CORPORATION**  
**Agenda for the 2013 Annual General Shareholders' Meeting**

**Time and Date:** June 21, 2013 (Friday) at 9 a.m.

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

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

**Chair:** Cher Wang, Chairperson

1. Opening Remarks by the Chair

2. Matters to Report:

Item 1: Fiscal 2012 Business Report

Item 2: Supervisors Audit Report

Item 3: Report on the amendments to the Company's Rules of Procedure for Board of Directors Meetings

3. Adoption, Discussion and Election Matters:

Item 1: Adoption of the Fiscal 2012 Business Report and Financial Statements

Item 2: Adoption of the Fiscal 2012 Earnings Distribution Proposal

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

Item 4: Discussion on the proposal to amend the Company's Operational Procedures for Lending Funds to Others

Item 5: Discussion on the proposal to amend the Company's Rules for Endorsements and Guarantees

Item 6: Proposal for the Company's re-election of Directors and Supervisors

Item 7: Proposal to release the newly-elected Directors from non-competition restrictions

4. Extraordinary Motions

5. Closure of the Meeting

## **Matters to Report:**

### **Item 1**

Title: Fiscal 2012 Business Report, submitted for review.

Introduction:

(1) Please refer to Supplement 1 of this handbook (page 8) for the Fiscal 2012 Business Report.

(2) Please review.

### **Item 2**

Title: Supervisors Audit Report, submitted for review.

Introduction:

(1) Please refer to Supplement 2 of this handbook (page 11) for the Supervisors Audit Report.

(2) Please review.

### **Item 3**

Title: Report on the amendments to the Company's Rules of Procedure for Board of Directors Meetings, submitted for review.

Introduction:

(1) Amendment to the Company's Rules of Procedure for Board of Directors Meetings is proposed according to the partial amendment to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies issued by the Financial Supervisory Commission as per Letter No. 1010034136 on Aug. 22, 2012. Please refer to Supplement 3 of this handbook (page 12) for the revision of the company's Rules of Procedure for Board of Directors Meetings adopted by the board of directors.

(2) Please review.

## **Adoption, Discussion and Election Matters**

### **Item 1**

Title: Adoption of the Fiscal 2012 Business Report and Financial Statements. (Proposed by the Board of Directors)

Introduction:

- (1) The compilation of the Company's Fiscal 2012 Business Report and Financial Statements are completed and has been approved by the Board of Directors. The Financial Statements have been audited and certified by Yang, Min-Hsien, CPA, and Wang Tze-Chun, CPA, of Deloitte & Touche. The Business Report and Financial Statements have been audited by the Supervisors, and are hereby submitted for adoption by this Annual General Shareholders' Meeting.
- (2) Please refer to Supplement 1 (page 8), Supplement 4 (page 18) and Supplement 5 (page 28) of this handbook for the Fiscal 2012 Business Report, the CPA Audit Report issued by Deloitte & Touche and the Financial Statements, respectively.
- (3) Adoption requested.

Resolution:

### **Item 2**

Title: Adoption of the Fiscal 2012 Earnings Distribution Proposal. (Proposed by the Board of Directors)

Introduction:

- (1) The Company's net earnings for Fiscal 2012 were NT\$16,780,967,891. Please refer to Supplement 6 of this handbook (page 37) for the 2012 Earnings Appropriation Chart. As to the dividends for the shareholders, it is proposed to distribute NT\$ 2 per share of cash dividends. The Board of Directors may make the required adjustments to the actual earnings distribution ratio on the basis of the number of issued and outstanding stocks registered in the Common Stockholders' Roster as of the date of record.
- (2) Company's 2012 employee bonuses payable amounted to NT\$ 976,327,079 which shall be distributed as cash.
- (3) Following the passage of this proposal at the 2013 Annual General Shareholders' Meeting, the Board of Directors will be authorized to adopt a date of record for the distribution of dividends and carry out the relevant cash dividend distribution matters.
- (4) The Company was first-time adoption of IFRSs in 2013, the IFRS adjustment resulted in a

decrease in accumulated balances of cumulative translation adjustments and an increase in retained earnings by NT\$32,133,291. Considering other IFRS adjustment, the Company had a decrease in retained earnings by NT\$74,837,184 that resulted from all IFRSs adjustments. Under Rule No. 1010012865 issued by the Financial Supervisor Commission on April 6, 2012, no special reserve was appropriated. Additionally, because of the Company was first-time adoption of IFRSs the accumulated earnings at beginning of 2013 will be decreased by NT\$46,697,450.

(5) Adoption requested.

Resolution:

### **Item 3**

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

Introduction:

- (1) A partial amendment to the Articles of Incorporation is proposed in response to the business needs of the Company.
- (2) Please refer to Supplement 7 of this handbook (page 38) for the Pre- and Post-Amendment Comparison Chart for the Articles of Incorporation.
- (3) Resolution requested.

Resolution:

### **Item 4**

Title: Discussion on the proposal to amend the Company's Operational Procedures for Lending Funds to Others, submitted for discussion. (Proposed by the Board of Directors)

- (1) Amendment to the Company's Operational Procedures for Lending Funds to Others is proposed according to the partial amendment to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and Letter No. 1010029874, issued on July 6, 2012, by the Financial Supervisory Commission.
- (2) Please refer to Supplement 8 of this handbook (page 40) for the Pre- and Post-Amendment Comparison Chart for the Operational Procedures for Lending Funds to Others.
- (3) Resolution requested.

Resolution:



## **Item 5**

Title: Discussion on the proposal to amend the Company's Rules for Endorsements and Guarantees, submitted for discussion. (Proposed by the Board of Directors)

- (1) Amendment to the Company's Rules for Endorsements and Guarantees is proposed according to the partial amendment to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and Letter No. 1010029874, issued on July 6, 2012, by the Financial Supervisory Commission.
- (2) Please refer to Supplement 9 of this handbook (page 46) for the Pre- and Post-Amendment Comparison Chart for the Rules for Endorsements and Guarantees.
- (3) Resolution requested.

Resolution:

## **Item 6**

Title: Proposal for the Company's re-election of Directors and Supervisors according to the Article 13 of the amended Articles of Incorporation. (Proposed by the Board of Directors)

- (1) Members of the 6<sup>th</sup> Board of Directors were elected in the AGM on June 18, 2010 for a 3 year term of office which will expire on June 17, 2013.
- (2) It is proposed that the directors and supervisors of the 6<sup>th</sup> board serve until the 2013 annual general shareholders' meeting, at which time the directors and supervisors of the 7<sup>th</sup> Board of Directors will be elected.
- (3) According to the Article 13 of the amended Articles of Incorporation, Company shall elect 5 to 7 directors. It is proposed to elect 7 directors to the 7<sup>th</sup> Board of Directors including 2 independent directors using the candidate nomination system, and elect 2 supervisors, for a 3 year term of office, which term shall commence from June 21<sup>st</sup>, 2013 and continue until June 20<sup>th</sup>, 2016.
- (4) Please refer to Supplement 10 of this handbook (page 51) for the independent director nominee list.

Election Results:

## **Item 7**

Title: Proposal to release the newly-elected Directors from non-competition restrictions, submitted for discussion. (Proposed by the Board of Directors)

- (1) According to Article 209 of the Company Act, a director who acts for himself or herself or on behalf of another person on an opportunity that is within the scope of the company's business, shall first secure approval at a meeting of the shareholders.
- (2) It is proposed to request at the 2013 annual general shareholders' meeting to release the directors of the 7<sup>th</sup> Board of Directors from the non-competition restrictions imposed by Article 209 of the Company Act.
- (3) Please discuss for resolution.

Resolution:

### **Extraordinary Motions**

### **Closure of the Meeting**

## Supplement 1

### HTC CORPORATION Fiscal 2013 Business Report

Faced with increasingly intense competitive pressure in the global smartphone market, HTC Corporation (HTC), has, in the past year, continued to allocate resources to product development, technological innovation, and marketing, in order to satisfy consumer needs and at the same time solidify HTC's core developmental ability.

2012 saw HTC reach its 15th anniversary, marking an important milestone. In February, at Mobile World Congress (MWC) held in Barcelona, HTC started a camera and audio revolution with the announcement of its One series of smartphones. These smartphones introduce new technological advances such as "amazing camera" and "authentic sound," bringing consumers a brand new user experience. In addition, in order to meet the needs of different consumers, HTC has successfully rolled out a variety of smartphones such as the DROID DNA, HTC J, and HTC Butterfly that deliver superior performance and eye-catching, user-focused designs. These smartphones were positively received by the market. In addition, HTC jointly launched with Microsoft the Windows Phone 8X by HTC and the Windows Phone 8S by HTC, which won the "red dot award: product design 2013®". HTC have worked closely with global telecom carriers to provide the same great experience across various mobile device platforms.

HTC celebrated its 15th anniversary in mid-June with the grand opening of its new Taipei headquarters with a broad range of global technology and telecom industry leaders in attendance. The new headquarters achieved LEED (Leadership in Energy and Environmental Design) Gold certification. With the implementation of an all-weather carbon reduction program and provision of a quality workplace, colleagues can maximize their creative enthusiasm and lofty dreams. In July, our CEO was invited to pass the Olympic torch in London, promoting the symbols of friendship, honor, peace, and the Olympic spirit of fair competition. On top of that, he was also able to publicize the concept of technological innovation at HTC, garnering international attention. In November, HTC reached a settlement with Apple, as both sides agreed to drop all patent litigation and signed a 10-year patent licensing contract. Both companies can now focus on product and research development.

At the end 2012, HTC released a corporate image advertisement. From a human perspective, employees were invited to perform in a film in order to convey HTC's positive attitudes and share with the masses the power which comes from the commitment to our dreams. HTC fully demonstrates the determination of our continued investment in research, innovation, and marketing. Facing stern competition in the 2013 smartphone market, HTC will utilize its substantial resources and strengths to exhibit stronger momentum.

#### Financial Performance

Even with the competition and challenges of the smartphone industry in 2012, HTC was still able to maintain profitability. Full year consolidated revenues came in at NT\$289 billion, with consolidated operating margins at 25.23%, combined operating margins at 6.51%, consolidated (attributable to parent company) after-tax net profit of NT\$16.8 billion, and full year Earnings per share (EPS) at NT\$20.17. HTC focused on its core operations, working diligently to achieve positive performance.

#### Product Development

As a smartphone innovation leader, HTC in 2012 created a new wave of mobile life experiences. In February 2012, the introduction of the HTC One™ series of smartphones brought a combination of "amazing camera" and "authentic sound" equipped with an exclusive imaging

feature, ImageSense™, which further defined the camera user experience. This series of smartphones have stood out since their debut on the market.

In order to further satisfy the different needs of the market, HTC in 2012 released multiple smartphones that combine performance and ergonomic design. For instance, the release of the first 4G LTE Windows Phone named TITAN II, and the critically acclaimed entry-level Desire series smartphones. In the high-end space, HTC released 5-inch Full HD smartphones such as the DROID DNA, a partnership with US carrier Verizon, HTC J Butterfly in cooperation with Japanese carrier KDDI, and the Butterfly in China and Taiwan. In addition, HTC worked with Microsoft to release the Windows 8X and Windows 8S by HTC, which won the Red Dot Award for design. HTC gives consumers more choices by partnering with global technology leaders.

In events held in both London and New York in February of 2013, HTC launched its new flagship smartphone HTC One. This smartphone upturns prior experiences with mobile usage, and encompasses a seamless metal uni-body design. The new HTC One comes with the latest HTC Sense® that includes BlinkFeed™, which gives the user a real time dynamic homepage to access global and personal social network news. HTC Zoe™ shooting mode uses HTC's UltraPixel powered camera to bring image galleries to life. It redefines how people take pictures, play and share precious moments. In addition, HTC BoomSound™ provides the industry's best mobile audio experience, utilizing front-facing speakers and dedicated microphones. Add to that a Full HD screen, and users can immerse themselves in their music, movies, and games. In addition, the HTC Sense TV™ feature allows for the control of most TVs, box units, and receivers by transforming the smartphone into a remote control. By utilizing cloud services, users can watch TV shows now playing or their favorites.

After its announcement in London and New York, the new HTC One has been much discussed by the media and consumers. As it has been successfully launched in different markets, the smartphone has also garnered praise and support. The new HTC One will bring a new concept and unique experience to the smartphone space.

#### Honor and Awards

HTC upholds a consumer-focused design philosophy, committed to working hard in the smartphone industry. Over the years, HTC has been recognized with many international awards. In 2011, not only did HTC receive the “Device Manufacturer of the Year” award at the Mobile World Congress (MWC), but placed in Interbrand's "BrandZ Top 100 Most Valuable Global Brands”. Furthermore, a multitude of outstanding smartphones were given honors for state-of-the-art technology, product design and innovation.

In 2012, HTC One X was honored as Best Android Smartphone by Men's Journal, Best Smartphone of MWC by Laptop Magazine, and Best in Show by Tom's Hardware. In addition, numerous awards were given by technology websites such as CNET, PC Magazine, Gizmodo, and Engadget. HTC One S also has won the Gold of Taiwan Excellence Award 2013 while the HTC One X received the Silver prize.

The subsequent launch of Windows 8X by HTC and DROID DNA by HTC also saw these smartphones being included in LAPTOP Magazine's 2012 Top 10 Best Smartphones. Windows 8X by HTC was also honored as Best Windows Phone by ZDNet. DROID DNA by HTC, the first smartphone with a 1080p Full HD screen, was recognized by ZDNet as 2012 Best Device Screen, and Top 5 Best Smartphones by CNET.

In February of 2013, HTC One was awarded The Best Mobile Handset, Device, or Tablet by GSMA (Global System for Mobile Communications Association). The GSMA award reaffirms

HTC's design and innovation capability. Also, Tech Radar honored HTC One as MWC's Best Phone, and Best in Show. Mobile Geeks awarded it Best Smartphone.

In addition, Windows Phone 8X and Windows Phone 8S by HTC received the "red dot award: product design 2013®". The red dot award is the world's most influential industrial design award. Winning this award means that HTC's design innovation and excellence stands out from that of its competitors.'

These awards are the best affirmation for HTC, but also showcase HTC's bold breakthroughs in terms of enhancing user experience and product innovation. HTC's commitment to innovation never stops.

#### Social Responsibility

HTC has always cared for the community, promoting public service as a duty and hoping to make a contribution. HTC Social Welfare Foundation has been a long-term sponsor for the welfare of disadvantaged groups, supporting educational programs at home and abroad, and providing scholarships to impoverished students globally. In addition, HTC Education Foundation is committed to promoting moral character and civic education programs. Apart from the donation of books, the foundation works with local and global educational institutions to plan educational projects, as well as actively initiating educational incentive programs. HTC Foundation and Taitung County Government signed a 30-year memorandum of cooperation in 2012 for the establishment of Taitung Character English Language Institute, and invited the University of Missouri - St. Louis Campus Character Education Chair Professor to come teach character leadership courses. These courses will hopefully encourage and assist participants to become active proponents of character education in the school leadership team. This will continue to deepen moral character and civic education in the country.

#### Vision for the Future

With global development and an increasing headcount, HTC's Taipei headquarters opened in June 2012. In response to market demand, the new plant, TY5, in Taoyuan will officially begin production in April. From past development cycles, HTC will be stronger and will strengthen its competitiveness. Looking to the future, HTC will maintain its people-oriented principles, and continue to strengthen its brand value. By meticulously observing consumer's needs, HTC will release trend-setting, ergonomic products that will allow users whether at home, work, or on the move, a seamless audio and visual experience. In 2013, HTC will focus on its core corporate development, as well as a global marketing strategy in order to continue to create value for our shareholders, customers and employees.

#### HTC CORPORATION

Chairperson : Cher Wang

President : Peter Chou

Chief Accountant : James.CY Chen

## **Supplement 2**

### **HTC CORPORATION Supervisors Audit Report**

The Board of Directors has prepared the Company's 2012 Business Report, Financial Statements and Earnings Distribution Proposal. HTC Corporation's Financial Statements have been audited and certified by Yang, Ming-Hsien, CPA, and Wang Tze-Chun, CPA, of Deloitte & Touche and an audit report relating to the Financial Statements has been issued. The Business Report, Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of HTC Corporation. According to Article 219 of the Company Law, I hereby submit this report.

**HTC CORPORATION**

**Supervisor:**

**Huang-Chieh Chu**

**Way-Chih Investment Co., Ltd.**

**Representative: Shao-Lun Lee**

May 3, 2013

## Supplement 3

### HTC Corporation Rules of Procedure for Board of Directors Meetings

#### Article 1 Basis for the adoption of these rules

To establish a strong governance system and sound supervisory capabilities for the directors meetings of this corporation and strengthen management functions, these rules are adopted pursuant to the provisions of Article 26-3, paragraph 8 of the Securities and Exchange Act and Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies issued by the Financial Supervisory Commission.

#### Article 2 Scope of these rules

The procedural rules for this corporation's board of directors meeting, its main agenda items, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements, shall be handled in accordance with the provisions in these rules.

#### Article 3 Convening of a board of directors meeting and meeting notification

The board of directors shall meet at least quarterly.

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

With the prior consent of the recipients, the meeting notice of the preceding paragraph may be given by electronic means.

All matters set forth in Article 7, paragraph 1, subparagraphs 1 through 8 shall be specified in the notice of the reasons for convening a board of directors meeting; none of those matters may be raised by an extraordinary motion except in the case of an emergency or for legitimate reason.

#### Article 4 Meeting place and time

A board of directors meeting shall be held at the location and during the business hours of the corporation, or at a place and time convenient for all directors to attend and suitable for holding such a meeting.

#### Article 5 Meeting notification and pre-meeting materials

The agenda working group of this Corporation shall be the Finance and Accounting Department.

The agenda working group shall prepare agenda items for board of directors meetings and fully provide sufficient pre-meeting materials, to be sent together with the notice of the meeting.

A director of the opinion that the pre-meeting materials provided are insufficient may request the agenda working group to supplement them. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.

#### Article 6 Reports

Agenda items for regular board of directors meetings shall include at least the following:

1. Matters to be reported:

- (1) Minutes of the last meeting and action taken.
- (2) Report on important financial and business matters.

- (3) Report on internal audit activities.
- (4) Other important matters to be reported.
- 2. Matters for discussion:
  - (1) Items for continued discussion from the last meeting.
  - (2) Items for discussion at this meeting.
- 3. Extraordinary motions.

#### Article 7 Matters for discussion

The matters listed below as they relate to this corporation shall be raised for discussion at the board of directors meeting:

- 1. Corporate business plan.
- 2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under laws and regulations, need not be audited and attested by a certified public accountant.
- 3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- 4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any procedure for handling financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
- 5. The offering, issuance, or private placement of any equity-type securities.
- 6. The appointment or discharge of a financial, accounting, or internal audit officer.
- 7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
- 8. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be resolved by to a meeting of the board of directors, or any material matter as may be prescribed by the competent authority.
- 9. Long-term corporate business strategy.
- 10. Screening and approval of the corporate budget.
- 11. Screening and approval of major capital expenditures of the corporation.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the certified public accountant-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

With respect to a matter required by Article 14-3 of the Securities and Exchange Act to be resolved by a meeting of the board of directors, any and all independent directors of the corporation shall attend the meeting in person, or shall authorize other independent directors to attend by proxy, and may not give a proxy to a non-independent director. If an independent director objects to or expresses reservations about such matter, it shall be recorded in the board meeting minutes; an independent director intending to express objection or reservations but



unable to attend the meeting in person shall, unless there is some legitimate reason to do otherwise, issue a written opinion in advance, which shall be recorded in the board meeting minutes.

#### Article 8 Board of directors authorization principles

Apart from matters referred to in paragraph 1 of the preceding article, which are required to be submitted for discussion by the board of directors, when the board of directors delegates any exercise of its powers pursuant to laws or regulations or the company's articles of incorporation, matters such as the level and substance of the delegation shall be concretely and specifically set out.

#### Article 9 Preparation of documents such as the attendance book, and attendance by proxy of a director

When a board of directors meeting is held, an attendance book shall be provided for the directors who attend to sign-in, and be available for future reference.

Directors shall attend board meetings in person. If a director is unable to attend in person, the director may, in accordance with the company's articles of incorporation, appoint another director to attend in their place. Attendance via telecommunications is deemed as attendance in person.

A director who appoints another director to attend a board meeting in their place shall in each instance give the appointed director a written proxy stating the scope of authorization with respect to the reasons for convening the meeting.

A person appointed under the second paragraph of this Article may accept a proxy from one person only.

#### Article 10 Meeting chair and acting chair

Meetings of the board of directors shall be convened and chaired by the chairman of the board. However, the first meeting of each newly elected board of directors shall be called and chaired by the director who received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected; if there are two or more directors so entitled to convene the meeting, they shall choose one person by and from among themselves to do so.

When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the vice chairman shall act in place of the chairman; if there is no vice chairman or the vice chairman is also on leave or for any reason unable to exercise those powers, the chairman shall designate one of the directors to do so. Where the chairman does not make such a designation, a director shall be elected by and from among the directors to serve as chair.

#### Article 11 Non-voting participants

When the corporation convenes a board of directors meeting, the agenda working group shall provide relevant materials to the directors attending the meeting for their reference as necessary.

As merited by the content of a proposal to be put forward at the meeting, the convener of the board of directors meeting may notify relevant personnel of subsidiaries to attend, and when necessary, may also invite certified public accountants, attorneys, or other professionals to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place..

#### Article 12 Convening of board of directors meetings

If one-half of all the directors are not in attendance at the appointed meeting time, the meeting chair may announce postponement of the meeting time, provided that the meeting may be postponed two times only. If the quorum is still not met after two postponements, the chair may reconvene the meeting following the procedures provided in Article 3, paragraph 2.

The term "all directors" as used in the preceding paragraph and in Article 18, paragraph 2, subparagraph 2 shall be calculated as the number of directors then actually in office.

#### Article 13 Discussion of proposals

A board of directors meeting shall be conducted according to the order of the agenda procedure as stated in the meeting notice. However, that order may be changed with the approval of a majority of directors in attendance at the meeting.

The meeting chair may not declare the meeting closed without the approval of a majority of directors in attendance at the meeting.

If at any time during the course of a board of directors meeting the number of directors sitting at the meeting does not constitute a majority of the directors in attendance at the meeting, then upon a motion by the directors sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Section 1 of the preceding article shall apply mutatis mutandis.

#### Article 14 Voting-I

When the chair at a board of directors meeting is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call a vote.

When a proposal comes to a vote at a board of directors meeting, if upon inquiry by the chair all directors in attendance voices no objection, that proposal is deemed approved. If upon inquiry by the chair there is an objection, the proposal shall be brought to a vote.

One voting method for proposals at a board of directors meeting shall be selected by the chair from among the provisions below, provided that when one of those in attendance has an objection, the chair shall solicit multiple opinions upon which to make a decision:

- 1.Show of hands.
- 2.Roll call vote.
- 3.Vote by ballot.
- 4.Vote by a method selected at the corporation's discretion.

The previous two sections concerning the full body of directors do not apply to the directors who are precluded from the use of voting rights according to Article 17.

#### Article 15 Voting-II and vote monitoring and counting methods

When there is any amendment or alternative to a proposal, the chair shall place such amended proposal or alternative proposal together with the original proposal and determine their voting order. If any one among them is passed, the other proposals shall thereupon be deemed rejected, and no further voting on them shall be required.

If a vote on a proposal requires monitoring and counting personnel, the chair shall appoint such personnel, however, all monitoring personnel shall be directors.

Voting results shall be made known immediately and recorded in writing.

If matters put to a resolution constitute material information under law or regulation or the provisions of the Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, this corporation shall input the content of such resolution into the Market Observation Post System (MOPS) within the prescribed time period.

#### Article 16 Voting-III

Except as otherwise provided in the Securities and Exchange Act, the Company Act, or the Article of Incorporation, a resolution on a proposal at a board of directors meeting requires the approval of a majority of the directors in attendance at a meeting attended by a majority of all directors.

#### Article 17 Recusal system for directors

If an interested party relationship exists for a director, or the juristic person he/she represents, regarding an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the corporation, that director may not participate in the discussion and voting on that item, and shall recuse himself/herself during the discussion and voting on the resolution, and also may not exercise voting rights as proxy on behalf of another director.

With respect to a resolution at a board of directors meeting, the provisions of Article 180, paragraph 2, of the Company Act, as applied mutatis mutandis under Article 206, paragraph 3, of that Act, shall apply in cases where a director is prohibited by the preceding paragraph from exercising voting rights.

#### Article 18 Meeting minutes and sign-in matters

Minutes shall be prepared of the discussions at a board of directors meeting, and the minutes shall record the matters listed below in a detailed and accurate manner:

1. Session (or year), time, and place of meeting.
2. Name of the meeting chair.
3. Attendance of directors at the meeting, specifying the names and number of directors in attendance, excused, and absent.
4. Names and titles of those attending the meeting as nonvoting participants.
5. Name of minutes taker.
6. Matters reported on.
7. Discussion items: the method of resolution and the result for each proposal; a summary of the comments made by directors, supervisors, experts, and other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director under Article 7, paragraph 4.
8. Extraordinary motions: the name of the mover; the method of resolution and the result for each motion; a summary of the comments made by directors, supervisors, experts, and other persons; the name of any director that is an interested party as referred to in paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and opinions expressing objections or reservations at the meeting that were included in records or stated in writing.
9. Other matters required to be recorded.

Any of the following matters in relation to a resolution passed at a meeting of the board of

directors shall be stated in the meeting minutes, and within two days from the date of the meeting be published on an information reporting website designated by the competent authority:

1. Any matter about which an independent director expresses an objection or reservation of which there is a record or written statement.
2. If the corporation has established an audit committee, what is adopted with the approval of two-thirds or more of all directors without having been passed by the audit committee.

The attendance book forms a part of the minutes for each board of directors meeting and shall be kept appropriately within the corporation during the existence of company.

The minutes of a board of directors meeting shall bear the signature or seal of both the meeting chair and the minutes taker; a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting and kept appropriately as important company records during the existence of the company.

The production and distribution of the meeting minutes referred to in paragraph 1 may be done in electronic form.

#### Article 19 Documentation by audio or video tape

The Corporation shall document proceedings of a board of directors meeting in their entirety via audio or video and keep such documentation for a minimum of 5 years; such documentation may be kept in electronic form.

If before the end of the period for keeping documentation under the preceding paragraph any litigation arises with respect to a resolution of a board of directors meeting, the relevant audio or video documentation shall continue to be kept until the litigation has concluded.

Where a board of directors meeting is held via telecommunications, the video-conferencing of the meeting forms a part of the meeting minutes and shall be retained during the existence of the company.

#### Article 20 Supplementary provisions

These rules of procedure, and any amendments hereto, shall be adopted by approval of a board of directors meeting, and shall be reported to the shareholders meeting.

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
HTC Corporation

We have audited the accompanying balance sheets of HTC Corporation (the "Company") as of December 31, 2011 and 2012, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, all expressed in New Taiwan dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HTC Corporation as of December 31, 2011 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of the Company and subsidiaries as of and for the years ended December 31, 2011 and 2012, and expressed an unqualified opinion on those statements in our report dated March 18, 2013..

Our audits also comprehended the translation of the 2012 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers.

March 18, 2013

Notice to Readers

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

*For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.*

## HTC CORPORATION

### BALANCE SHEETS DECEMBER 31, 2011 AND 2012 (In Thousands, Except Par Value)

ASSETS	2011	2012	
	NT\$	NT\$	US\$ (Note 3)
CURRENT ASSETS			
Cash and cash equivalents (Notes 2 and 5)	\$ 78,872,320	\$ 44,506,829	\$ 1,527,922
Financial assets at fair value through profit or loss (Notes 2, 6 and 25)	256,868	6,950	238
Available-for-sale financial assets - current (Notes 2 and 7)	736,031	-	-
Held-to-maturity financial assets - current (Notes 2 and 13)	-	101,459	3,483
Hedging derivative assets - current (Notes 2, 8 and 25)	-	204,519	7,021
Notes and accounts receivable, net (Notes 2 and 9)	32,039,776	19,743,763	677,804
Accounts receivable from related parties, net (Notes 2 and 26)	32,977,269	19,468,130	668,342
Other receivables - related parties (Note 26)	79,077	6,633,724	227,736
Other current financial assets (Note 10)	1,304,850	1,124,470	38,603
Inventories (Notes 2 and 11)	25,389,320	20,521,967	704,520
Prepayments (Notes 12 and 26)	6,473,372	4,154,949	142,640
Deferred income tax assets - current (Notes 2 and 23)	1,517,302	1,948,496	66,892
Restricted assets - current (Note 27)	-	3,645,820	125,161
Other current assets	558,279	210,066	7,212
Total current assets	180,204,464	122,271,142	4,197,574
LONG-TERM INVESTMENTS			
Available-for-sale financial assets - non-current (Notes 2 and 7)	279	197	7
Held-to-maturity financial assets - non-current (Notes 2 and 13)	204,597	-	-
Financial assets carried at cost - non-current (Notes 2 and 14)	515,861	515,861	17,710
Investments accounted for by the equity method (Notes 2 and 15)	36,477,563	41,786,408	1,434,529
Prepayments for long-term investments (Notes 2 and 15)	579,485	349,688	12,005
Total long-term investments	37,777,785	42,652,154	1,464,251
PROPERTIES (Notes 2, 16 and 26)			
Cost			
Land	7,462,281	7,462,489	256,188
Buildings and structures	3,680,608	9,520,993	326,856
Machinery and equipment	7,100,072	8,732,565	299,789
Molding equipment	172,632	-	-
Computer equipment	398,289	500,978	17,199
Transportation equipment	6,570	6,570	226
Furniture and fixtures	204,185	240,906	8,270
Leased assets	4,712	-	-
Leasehold improvements	215,437	220,726	7,577
Total cost	19,244,786	26,685,227	916,105
Less: Accumulated depreciation	(5,850,061)	(6,958,391)	(238,882)
Prepayments for construction-in-progress and equipment in transit	2,027,620	208,750	7,166
Properties, net	15,422,345	19,935,586	684,389
INTANGIBLE ASSETS			
Patents (Note 2)	2,120,948	1,625,340	55,798
OTHER ASSETS			
Refundable deposits	78,894	84,947	2,916
Deferred charges (Note 2)	120,593	91,810	3,152
Deferred income tax assets - non-current (Notes 2 and 23)	3,596,520	4,362,785	149,775
Restricted assets - non-current (Note 27)	63,900	-	-
Other (Notes 2, 12 and 19)	8,725,474	8,162,974	280,235
Total other assets	12,585,381	12,702,516	436,078
TOTAL	\$ 248,110,923	\$ 199,186,738	\$ 6,838,090

LIABILITIES AND STOCKHOLDERS' EQUITY	2011	2012	
	NT\$	NT\$	US\$ (Note 3)
CURRENT LIABILITIES			
Notes and accounts payable	\$ 72,855,374	\$ 71,227,584	\$ 2,445,246
Accounts payable to related parties (Note 26)	3,639,231	2,902,985	99,660
Income tax payable (Notes 2 and 23)	9,653,090	1,424,006	48,886
Accrued expenses (Notes 17 and 26)	42,364,231	30,537,236	1,048,345
Payable for purchase of equipment (Note 26)	348,772	1,119,058	38,417
Other current liabilities (Notes 2, 18 and 26)	17,823,001	11,606,654	398,457
Total current liabilities	146,683,699	118,817,523	4,079,011
OTHER LIABILITIES			
Guarantee deposits received	628	-	-
Total liabilities	146,684,327	118,817,523	4,079,011
STOCKHOLDERS' EQUITY (Note 20)			
Capital stock - NT\$10.00 par value			
Authorized: 1,000,000 thousand shares			
Issued and outstanding: 852,052 thousand shares in 2011 and 2012			
Common stock	8,520,521	8,520,521	292,510
Capital surplus			
Additional paid-in capital - issuance of shares in excess of par	14,809,608	14,809,608	508,415
Treasury stock transactions	1,730,458	1,730,458	59,407
Long-term equity investments	18,037	18,037	619
Merger	24,423	24,423	838
Expired stock options	37,068	37,068	1,273
Retained earnings			
Legal reserve	10,273,674	16,471,254	565,459
Special reserve	580,856	-	-
Accumulated earnings	75,762,315	53,677,474	1,842,750
Other equity			
Cumulative translation adjustments (Note 2)	32,134	(1,057,559)	(36,306)
Net losses not recognized as pension cost	(293)	(347)	(12)
Unrealized valuation gains on financial instruments (Notes 2, 8 and 25)	2,939	203,768	6,995
Treasury stock (Notes 2 and 21)	(10,365,144)	(14,065,490)	(482,869)
Total stockholders' equity	101,426,596	80,369,215	2,759,079
TOTAL	\$ 248,110,923	\$ 199,186,738	\$ 6,838,090

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

# HTC CORPORATION

## STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands, Except Earnings Per Share)

	2011	2012	
	NT\$	NT\$	US\$ (Note 3)
REVENUES (Notes 2 and 26)			
Sales	\$ 456,791,548	\$ 272,021,523	\$ 9,338,512
Sales returns and allowances	<u>(2,533,270)</u>	<u>(2,942,284)</u>	<u>(101,009)</u>
Net sales	454,258,278	269,079,239	9,237,503
Other operating revenues	<u>820,908</u>	<u>1,622,448</u>	<u>55,699</u>
Total revenue	455,079,186	270,701,687	9,293,202
COST OF REVENUES (Notes 11, 22 and 26)	<u>335,325,140</u>	<u>213,712,615</u>	<u>7,336,764</u>
GROSS PROFIT	119,754,046	56,989,072	1,956,438
UNREALIZED INTERCOMPANY GAINS	(1,151,531)	(2,354,363)	(80,826)
REALIZED INTERCOMPANY GAINS	<u>345,455</u>	<u>1,151,531</u>	<u>39,532</u>
REALIZED GROSS PROFIT	<u>118,947,970</u>	<u>55,786,240</u>	<u>1,915,144</u>
OPERATING EXPENSES (Notes 22 and 26)			
Selling and marketing	31,266,424	21,721,715	745,707
General and administrative	5,860,841	5,521,252	189,545
Research and development	<u>16,960,163</u>	<u>13,780,378</u>	<u>473,081</u>
Total operating expenses	<u>54,087,428</u>	<u>41,023,345</u>	<u>1,408,333</u>
OPERATING INCOME	<u>64,860,542</u>	<u>14,762,895</u>	<u>506,811</u>
NON-OPERATING INCOME AND GAINS			
Interest income (Note 26)	622,365	504,794	17,330
Gains on equity-method investments (Notes 2 and 15)	2,718,362	617,608	21,203
Gains on sale of investments, net	29	7,695	264
Exchange gains, net (Note 2)	1,212,432	710,312	24,385
Valuation gains on financial instruments, net (Notes 2 and 6)	256,868	17,417	597
Other (Note 26)	<u>250,237</u>	<u>459,705</u>	<u>15,782</u>
Total non-operating income and gains	<u>5,060,293</u>	<u>2,317,531</u>	<u>79,561</u>

(Continued)



# HTC CORPORATION

## STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands, Except Earnings Per Share)

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$ (Note 3)
NON-OPERATING EXPENSES AND LOSSES			
Interest expense	\$ 10,265	\$ 320	\$ 10
Impairment loss (Notes 2 and 15)	-	45,017	1,546
Other	<u>60,899</u>	<u>109,986</u>	<u>3,776</u>
Total non-operating expenses and losses	<u>71,164</u>	<u>155,323</u>	<u>5,332</u>
INCOME BEFORE INCOME TAX	69,849,671	16,925,103	581,040
INCOME TAX (Notes 2 and 23)	<u>(7,873,875)</u>	<u>(144,135)</u>	<u>(4,948)</u>
NET INCOME	<u>\$ 61,975,796</u>	<u>\$ 16,780,968</u>	<u>\$ 576,092</u>

	<u>2011</u>	<u>2012</u>				
	<u>Before Income Tax</u>	<u>After Income Tax</u>	<u>Before Income Tax</u>	<u>After Income Tax</u>		
	NT\$	NT\$	NT\$	US\$ (Note 3)	NT\$	US\$ (Note 3)
BASIC EARNINGS PER SHARE (Note 24)	<u>\$ 82.63</u>	<u>\$ 73.32</u>	<u>\$ 20.34</u>	<u>\$ 0.70</u>	<u>\$ 20.17</u>	<u>\$ 0.69</u>
DILUTED EARNINGS PER SHARE (Note 24)	<u>\$ 81.05</u>	<u>\$ 71.91</u>	<u>\$ 20.25</u>	<u>\$ 0.70</u>	<u>\$ 20.08</u>	<u>\$ 0.69</u>

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

(Concluded)

# HTC CORPORATION

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands of New Taiwan Dollars)

	Capital Stock Issued and Outstanding Common Stock	Issuance of Shares in Excess of Par	Treasury Stock Transactions	Capital Surplus			Retained Earnings			Other Equity				
				Long-term Equity Investments	Merger	Expired Stock Options	Legal Reserve	Special Reserve	Accumulated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gain (Loss) on Financial Instruments	Treasury Stock	Total
BALANCE, JANUARY 1, 2011	\$ 8,176,532	\$ 10,777,623	\$ -	\$ 18,411	\$ 24,710	\$ -	\$ 10,273,674	\$ -	\$ 52,876,892	\$ (579,849)	\$ (121)	\$ (885)	\$ (6,852,493)	\$ 74,714,494
Appropriation of the 2010 net earnings														
Special reserve	-	-	-	-	-	-	-	580,856	(580,856)	-	-	-	-	-
Stock dividends	403,934	-	-	-	-	-	-	-	(403,934)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(29,891,089)	-	-	-	-	(29,891,089)
Transfer of employee bonuses to common stock	40,055	4,205,796	-	-	-	-	-	-	-	-	-	-	-	4,245,851
Net income in 2011	-	-	-	-	-	-	-	-	61,975,796	-	-	-	-	61,975,796
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	-	-	3,824	-	3,824
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	611,983	-	-	-	611,983
Adjustment due to the movement of investees' other equity under the equity method	-	-	-	-	-	-	-	-	-	-	(172)	-	-	(172)
Adjustment due to changes in ownership percentage in investees	-	-	-	(374)	-	-	-	-	-	-	-	-	-	(374)
Transfer of treasury stock to employees	-	-	1,750,767	-	-	37,503	-	-	-	-	-	-	4,113,821	5,902,091
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(16,135,808)	(16,135,808)
Retirement of treasury stock	(100,000)	(173,811)	(20,309)	-	(287)	(435)	-	-	(8,214,494)	-	-	-	8,509,336	-
BALANCE, DECEMBER 31, 2011	8,520,521	14,809,608	1,730,458	18,037	24,423	37,068	10,273,674	580,856	75,762,315	32,134	(293)	2,939	(10,365,144)	101,426,596
Appropriation of the 2011 net earnings														
Legal reserve	-	-	-	-	-	-	6,197,580	-	(6,197,580)	-	-	-	-	-
Special reserve reversed	-	-	-	-	-	-	-	(580,856)	580,856	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(33,249,085)	-	-	-	-	(33,249,085)
Net income in 2012	-	-	-	-	-	-	-	-	16,780,968	-	-	-	-	16,780,968
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	-	-	(4,713)	-	(4,713)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(1,089,693)	-	-	-	(1,089,693)
Change in unrealized gain on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	194,052	-	194,052
Adjustment due to the movement of investees' other equity under equity method	-	-	-	-	-	-	-	-	-	-	(54)	11,490	-	11,436
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(3,700,346)	(3,700,346)
BALANCE, DECEMBER 31, 2012	<u>\$ 8,520,521</u>	<u>\$ 14,809,608</u>	<u>\$ 1,730,458</u>	<u>\$ 18,037</u>	<u>\$ 24,423</u>	<u>\$ 37,068</u>	<u>\$ 16,471,254</u>	<u>\$ -</u>	<u>\$ 53,677,474</u>	<u>\$ (1,057,559)</u>	<u>\$ (347)</u>	<u>\$ 203,768</u>	<u>\$ (14,065,490)</u>	<u>\$ 80,369,215</u>

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

# HTC CORPORATION

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2012 (In Thousands of U.S. Dollars)

	Capital Stock Issued and Outstanding Common Stock	Capital Surplus					Retained Earnings			Other Equity				Total
		Issuance of Shares in Excess of Par	Treasury Stock Transactions	Long-term Equity Investments	Merger	Expired Stock Options	Legal Reserve	Special Reserve	Accumulated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gain (Loss) on Financial Instruments	Treasury Stock	
BALANCE, JANUARY 1, 2012	\$ 292,510	\$ 508,415	\$ 59,407	\$ 619	\$ 838	\$ 1,273	\$ 352,696	\$ 19,941	\$ 2,600,923	\$ 1,103	\$ (10)	\$ 101	\$ (355,836)	\$ 3,481,980
Appropriation of the 2011 net earnings														
Legal reserve	-	-	-	-	-	-	212,763	-	(212,763)	-	-	-	-	-
Special reserve reversed	-	-	-	-	-	-	-	(19,941)	19,941	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(1,141,443)	-	-	-	-	(1,141,443)
Net income in 2012	-	-	-	-	-	-	-	-	576,092	-	-	-	-	576,092
Unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	-	-	(162)	-	(162)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(37,409)	-	-	-	(37,409)
Change in unrealized gain on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	6,662	-	6,662
Adjustment due to the movement of investees' other equity under equity method	-	-	-	-	-	-	-	-	-	-	(2)	394	-	392
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(127,033)	(127,033)
BALANCE, DECEMBER 31, 2012	<u>\$ 292,510</u>	<u>\$ 508,415</u>	<u>\$ 59,407</u>	<u>\$ 619</u>	<u>\$ 838</u>	<u>\$ 1,273</u>	<u>\$ 565,459</u>	<u>\$ -</u>	<u>\$ 1,842,750</u>	<u>\$ (36,306)</u>	<u>\$ (12)</u>	<u>\$ 6,995</u>	<u>\$ (482,869)</u>	<u>\$ 2,759,079</u>

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

# HTC CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands)

	2011	2012	
	NT\$	NT\$	US\$ (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 61,975,796	\$ 16,780,968	\$ 576,092
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	928,774	1,292,949	44,387
Amortization	397,022	524,391	18,002
Compensation cost recognized for the transfer of treasury stock to employees	1,788,270	-	-
Distribution of bonuses to employees of subsidiaries	(599,510)	-	-
Amortization of premium on financial assets	3,349	3,138	108
Prepaid pension costs	(24,882)	(22,184)	(762)
Gains on equity-method investments	(2,718,362)	(617,608)	(21,203)
Cash dividends received from equity-method investees	1,786	1,744	60
Transfer of properties to expenses	59	17,411	598
Gains on sale of investments, net	(29)	(7,695)	(264)
Unrealized gain on financial assets	-	(10,467)	(359)
Impairment loss	-	45,017	1,546
Deferred income tax assets	(1,768,812)	(1,197,459)	(41,109)
Net changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	193,408	249,918	8,580
Notes and accounts receivable	3,139,262	12,296,013	422,123
Accounts receivable from related parties	(4,790,878)	13,509,139	463,769
Other current financial assets	(623,399)	180,380	6,192
Other receivables - related parties	(42,892)	45,446	1,560
Inventories	(3,468,828)	4,867,353	167,096
Prepayments	(3,669,657)	(585,542)	(20,102)
Other current assets	(101,225)	348,213	11,954
Other assets - other	(5,289,930)	584,684	20,072
Notes and accounts payable	15,152,938	1,276,175	43,811
Accounts payable to related parties	2,292,250	(736,246)	(25,275)
Income tax payable	3,236,423	(8,229,084)	(282,505)
Accrued expenses	14,946,453	(11,608,359)	(398,516)
Other current liabilities	4,753,191	(6,216,347)	(213,407)
Net cash provided by operating activities	85,710,577	22,791,948	782,448

(Continued)

# HTC CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands)

	2011	2012	
	NT\$	NT\$	US\$ (Note 3)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of available-for-sale financial assets	\$ (490,000)	\$ -	\$ -
Proceeds of the sale of available-for-sale financial assets	200,029	739,095	25,373
Repayment of held-to-maturity financial assets	-	100,000	3,433
Increase in investments accounted for by the equity method	(23,186,330)	(5,586,458)	(191,783)
Purchase of properties	(5,328,935)	(5,271,951)	(180,986)
Decrease (increase) in refundable deposits	303	(6,053)	(208)
Increase in deferred charges	(122,413)	-	-
Loan to related parties	-	(6,600,093)	(226,582)
Increase in restricted assets	-	(3,581,920)	(122,967)
Purchase of intangible assets	<u>(2,279,911)</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(31,207,257)</u>	<u>(20,207,380)</u>	<u>(693,720)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in guarantee deposits received	-	(628)	(21)
Cash dividends	(29,891,089)	(33,249,085)	(1,141,443)
Purchase of treasury stock	(16,135,808)	(3,700,346)	(127,033)
Transfer treasury stock to employees	<u>4,113,821</u>	<u>-</u>	<u>-</u>
Net cash used in financing activities	<u>(41,913,076)</u>	<u>(36,950,059)</u>	<u>(1,268,497)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	12,590,244	(34,365,491)	(1,179,769)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>66,282,076</u>	<u>78,872,320</u>	<u>2,707,691</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 78,872,320</u>	<u>\$ 44,506,829</u>	<u>\$ 1,527,922</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>			
Cash paid during the year			
Interest	<u>\$ 10,265</u>	<u>\$ 320</u>	<u>\$ 11</u>
Income tax	<u>\$ 6,406,264</u>	<u>\$ 9,570,679</u>	<u>\$ 328,562</u>

(Continued)

# HTC CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands)

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$ (Note 3)
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Transfer of retained earnings to stock dividends for distribution	\$ 403,934	\$ -	\$ -
Transfer of assets leased to others to properties	\$ 50,828	\$ -	\$ -
Retirement of treasury stock	\$ 8,509,336	\$ -	\$ -
Transfer of accrued bonus to employees to stock dividends for distribution and other capital surplus	\$ 4,245,851	\$ -	\$ -
INCREASE IN LONG-TERM INVESTMENTS - EQUITY METHOD			
Increase in investments accounted for by the equity method	\$ 23,145,450	\$ 5,586,458	\$ 191,783
Decrease in payable for purchase of investments	40,880	-	-
Cash paid for increase in long-term investments	<u>\$ 23,186,330</u>	<u>\$ 5,586,458</u>	<u>\$ 191,783</u>
PURCHASE OF PROPERTIES			
Cost of properties purchased	\$ 5,359,120	\$ 6,042,237	\$ 207,430
Increase in payable for purchase of equipment	(30,185)	(770,286)	(26,444)
Cash paid for the purchase of properties	<u>\$ 5,328,935</u>	<u>\$ 5,271,951</u>	<u>\$ 180,986</u>

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

(Concluded)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
HTC Corporation

We have audited the accompanying consolidated balance sheets of HTC Corporation and subsidiaries (collectively, the "Company") as of December 31, 2011 and 2012, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, all expressed in New Taiwan dollars. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2011 and 2012, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

Our audits also comprehended the translation of the 2012 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers.

March 18, 2013

### Notice to Readers

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

*For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.*

## HTC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2011 AND 2012 (In Thousands, Except Par Value)

ASSETS	2011	2012		LIABILITIES AND STOCKHOLDERS' EQUITY	2011	2012	
	NT\$	NT\$	US\$ (Note 3)		NT\$	NT\$	US\$ (Note 3)
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents (Notes 2 and 5)	\$ 87,501,508	\$ 53,878,067	\$ 1,849,637	Notes and accounts payable (Note 27)	\$ 78,473,130	\$ 73,618,197	\$ 2,527,316
Financial assets at fair value through profit or loss (Notes 2, 6 and 26)	256,868	6,950	238	Income tax payable (Notes 2 and 24)	10,570,682	2,713,373	93,150
Available-for-sale financial assets - current (Notes 2, 7 and 26)	736,031	37,902	1,301	Accrued expenses (Notes 18 and 27)	46,171,290	37,376,493	1,283,137
Held-to-maturity financial assets - current (Notes 2, 13 and 26)	-	101,459	3,483	Payable for purchase of equipment	812,240	1,471,529	50,518
Hedging derivative assets - current (Notes 2, 8 and 26)	-	204,519	7,021	Other current liabilities (Notes 2 and 19)	<u>17,307,355</u>	<u>10,995,320</u>	<u>377,470</u>
Notes and accounts receivable, net (Notes 2, 9 and 27)	64,719,791	41,253,826	1,416,246				
Other receivables - related parties (Note 27)	966	6,600,093	226,582	Total current liabilities	<u>153,334,697</u>	<u>126,174,912</u>	<u>4,331,591</u>
Other current financial assets (Note 10)	1,404,945	1,172,090	40,238	OTHER LIABILITIES			
Inventories (Notes 2 and 11)	28,430,590	23,809,377	817,377	Guarantee deposits received	<u>42,946</u>	<u>59,999</u>	<u>2,060</u>
Prepayments (Note 12)	6,507,516	4,965,814	170,477				
Deferred income tax assets - current (Notes 2 and 24)	2,246,196	3,530,215	121,193	Total liabilities	<u>153,377,643</u>	<u>126,234,911</u>	<u>4,333,651</u>
Restricted assets - current (Note 28)	-	3,645,860	125,162				
Other current assets	<u>1,055,480</u>	<u>452,808</u>	<u>15,545</u>	STOCKHOLDERS' EQUITY (Note 21)			
Total current assets	<u>192,859,891</u>	<u>139,658,980</u>	<u>4,794,500</u>	Capital stock - NT\$10.00 par value			
LONG-TERM INVESTMENTS				Authorized: 1,000,000 thousand shares			
Available-for-sale financial assets - non-current (Notes 2, 7 and 26)	279	197	7	Issued and outstanding: 852,052 thousand shares in 2011 and 2012			
Held-to-maturity financial assets - non-current (Notes 2, 13 and 26)	204,597	-	-	Common stock	8,520,521	8,520,521	292,510
Financial assets carried at cost - non-current (Notes 2, 14 and 26)	3,408,654	4,304,907	147,788	Capital surplus			
Investments accounted for by the equity method (Notes 2 and 15)	<u>71,732</u>	<u>5,892,168</u>	<u>202,278</u>	Additional paid-in capital - issuance of shares in excess of par	14,809,608	14,809,608	508,415
Total long-term investments	<u>3,685,262</u>	<u>10,197,272</u>	<u>350,073</u>	Treasury stock transactions	1,730,458	1,730,458	59,407
PROPERTIES (Notes 2, 16 and 27)				Long-term equity investments	18,037	18,037	619
Cost				Merger	24,423	24,423	838
Land	7,614,167	7,615,546	261,442	Expired stock options	37,068	37,068	1,273
Buildings and structures	5,999,807	11,817,745	405,704	Retained earnings			
Machinery and equipment	11,298,070	13,308,358	456,876	Legal reserve	10,273,674	16,471,254	565,459
Molding equipment	172,632	-	-	Special reserve	580,856	-	-
Computer equipment	765,177	943,107	32,377	Accumulated earnings	75,762,315	53,677,474	1,842,750
Transportation equipment	7,710	7,038	242	Other equity			
Furniture and fixtures	368,025	452,511	15,535	Cumulative translation adjustments (Note 2)	32,134	(1,057,559)	(36,306)
Leased assets	6,730	2,765	95	Net losses not recognized as pension cost	(293)	(347)	(12)
Leasehold improvements	<u>463,581</u>	<u>545,705</u>	<u>18,734</u>	Unrealized valuation gains on financial instruments (Notes 2 and 26)	2,939	203,768	6,995
Total cost	26,695,899	34,692,775	1,191,005	Treasury stock (Note 22)	<u>(10,365,144)</u>	<u>(14,065,490)</u>	<u>(482,869)</u>
Less: Accumulated depreciation	(7,314,359)	(9,273,494)	(318,360)				
Prepayments for construction-in-progress and equipment in transit	<u>2,130,938</u>	<u>232,011</u>	<u>7,965</u>	Equity attributable to stockholders of the parent	101,426,596	80,369,215	2,759,079
Properties, net	<u>21,512,478</u>	<u>25,651,292</u>	<u>880,610</u>	MINORITY INTEREST	<u>992,724</u>	-	-
INTANGIBLE ASSETS (Notes 2 and 17)							
Patents	11,152,098	9,180,674	315,173	Total stockholders' equity	<u>102,419,320</u>	<u>80,369,215</u>	<u>2,759,079</u>
Goodwill	10,812,564	1,534,366	52,675				
Deferred pension cost	342	269	9				
Other intangible assets	<u>595,784</u>	<u>805,365</u>	<u>27,648</u>				
Total intangible assets	<u>22,560,788</u>	<u>11,520,674</u>	<u>395,505</u>				
OTHER ASSETS							
Refundable deposits	185,306	190,142	6,528				
Deferred charges (Note 2)	763,516	897,164	30,800				
Long-term receivable (Note 15)	-	4,369,350	150,000				
Deferred income tax assets - non-current (Notes 2 and 24)	3,675,521	4,427,776	152,005				
Restricted assets - non-current (Note 28)	68,700	3,660	126				
Other (Notes 2, 12 and 20)	<u>10,485,501</u>	<u>9,687,816</u>	<u>332,583</u>				
Total other assets	<u>15,178,544</u>	<u>19,575,908</u>	<u>672,042</u>				
TOTAL	<u>\$ 255,796,963</u>	<u>\$ 206,604,126</u>	<u>\$ 7,092,730</u>	TOTAL	<u>\$ 255,796,963</u>	<u>\$ 206,604,126</u>	<u>\$ 7,092,730</u>

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



# HTC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands, Except Earnings Per Share)

	2011	2012	
	NT\$	NT\$	US\$ (Note 3)
REVENUES (Notes 2 and 27)			
Sales	\$ 466,488,311	\$ 287,063,137	\$ 9,854,892
Sales returns and allowances	<u>(2,609,461)</u>	<u>(4,148,451)</u>	<u>(142,417)</u>
Net sales	463,878,850	282,914,686	9,712,475
Other operating revenues	<u>1,915,923</u>	<u>6,105,489</u>	<u>209,602</u>
Total revenues	465,794,773	289,020,175	9,922,077
COST OF REVENUES (Notes 2, 11, 23 and 27)	<u>333,997,246</u>	<u>216,095,098</u>	<u>7,418,555</u>
GROSS PROFIT	<u>131,797,527</u>	<u>72,925,077</u>	<u>2,503,522</u>
OPERATING EXPENSES (Notes 23 and 27)			
Selling and marketing	40,088,802	32,387,932	1,111,879
General and administrative	6,626,010	6,227,469	213,789
Research and development	<u>16,294,948</u>	<u>15,489,969</u>	<u>531,772</u>
Total operating expenses	<u>63,009,760</u>	<u>54,105,370</u>	<u>1,857,440</u>
OPERATING INCOME	<u>68,787,767</u>	<u>18,819,707</u>	<u>646,082</u>
NON-OPERATING INCOME AND GAINS			
Interest income (Note 27)	701,724	617,635	21,204
Gain on equity-method investments (Notes 2 and 15)	-	387,478	13,302
Gain on sale of investments, net	29	-	-
Exchange gains, net (Note 2)	1,520,643	666,883	22,894
Valuation gains on financial instruments, net (Notes 2 and 6)	256,868	17,417	597
Other (Note 27)	<u>304,000</u>	<u>550,897</u>	<u>18,913</u>
Total non-operating income and gains	<u>2,783,264</u>	<u>2,240,310</u>	<u>76,910</u>
NON-OPERATING EXPENSES AND LOSSES			
Interest expense	30,979	1,715	59
Loss on equity-method investments (Notes 2 and 15)	3,961	-	-
Losses on disposal of properties	465	6,395	220
Loss on sale of investments, net (Notes 2 and 15)	-	165,184	5,671
Impairment losses (Notes 2, 14, 15 and 17)	18,608	1,313,353	45,087
Other	<u>93,331</u>	<u>122,912</u>	<u>4,219</u>
Total non-operating expenses and losses	<u>147,344</u>	<u>1,609,559</u>	<u>55,256</u>

(Continued)

# HTC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands, Except Earnings Per Share)

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$ (Note 3)
INCOME BEFORE INCOME TAX	\$ 71,423,687	\$ 19,450,458	\$ 667,736
INCOME TAX (Notes 2 and 24)	<u>(9,124,639)</u>	<u>(1,861,272)</u>	<u>(63,898)</u>
NET INCOME	<u>\$ 62,299,048</u>	<u>\$ 17,589,186</u>	<u>\$ 603,838</u>
ATTRIBUTABLE TO			
Stockholders of the parent	\$ 61,975,796	\$ 16,780,968	\$ 576,092
Minority interest	<u>323,252</u>	<u>808,218</u>	<u>27,746</u>
	<u>\$ 62,299,048</u>	<u>\$ 17,589,186</u>	<u>\$ 603,838</u>

	<u>2011</u>		<u>2012</u>		
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax	
	NT\$	NT\$	NT\$	US\$ (Note 3)	NT\$ US\$ (Note 3)
BASIC EARNINGS PER SHARE (Note 25)	<u>\$ 82.63</u>	<u>\$ 73.32</u>	<u>\$ 20.34</u>	<u>\$ 0.70</u>	<u>\$ 20.17</u> <u>\$ 0.69</u>
DILUTED EARNINGS PER SHARE (Note 25)	<u>\$ 81.05</u>	<u>\$ 71.91</u>	<u>\$ 20.25</u>	<u>\$ 0.70</u>	<u>\$ 20.08</u> <u>\$ 0.69</u>

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

(Concluded)

## HTC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands of New Taiwan Dollars)

	Capital Surplus						Retained Earnings			Other Equity					Total
	Capital Stock Issued and Outstanding Common Stock	Issuance of Shares in Excess of Par	Treasury Stock Transaction	Long-term Equity Investments	Merger	Expired Stock Options	Legal Reserve	Special Reserve	Accumulated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gain (Loss) on Financial Instruments	Treasury Stock	Minority Interest	
BALANCE, JANUARY 1, 2011	\$ 8,176,532	\$ 10,777,623	\$ -	\$ 18,411	\$ 24,710	\$ -	\$ 10,273,674	\$ -	\$ 52,876,892	\$ (579,849)	\$ (121)	\$ (885)	\$ (6,852,493)	\$ -	\$ 74,714,494
Appropriation of the 2010 net earnings															
Special reserve	-	-	-	-	-	-	-	580,856	(580,856)	-	-	-	-	-	-
Stock dividends	403,934	-	-	-	-	-	-	-	(403,934)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(29,891,089)	-	-	-	-	-	(29,891,089)
Transfer of employee bonuses to common stock	40,055	4,205,796	-	-	-	-	-	-	-	-	-	-	-	-	4,245,851
Net income in 2011	-	-	-	-	-	-	-	-	61,975,796	-	-	-	-	323,252	62,299,048
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	-	-	3,824	-	-	3,824
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	611,983	-	-	-	-	611,983
Net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	(172)	-	-	-	(172)
Adjustment due to changes in ownership percentage in investees	-	-	-	(374)	-	-	-	-	-	-	-	-	-	-	(374)
Transfer of treasury stock to employees	-	-	1,750,767	-	-	37,503	-	-	-	-	-	-	4,113,821	-	5,902,091
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(16,135,808)	-	(16,135,808)
Retirement of treasury stock	(100,000)	(173,811)	(20,309)	-	(287)	(435)	-	-	(8,214,494)	-	-	-	8,509,336	-	-
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	669,472	669,472
BALANCE, DECEMBER 31, 2011	8,520,521	14,809,608	1,730,458	18,037	24,423	37,068	10,273,674	580,856	75,762,315	32,134	(293)	2,939	(10,365,144)	992,724	102,419,320
Appropriation of the 2011 net earnings															
Legal reserve	-	-	-	-	-	-	6,197,580	-	(6,197,580)	-	-	-	-	-	-
Special reserve reversed	-	-	-	-	-	-	-	(580,856)	580,856	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(33,249,085)	-	-	-	-	-	(33,249,085)
Net income in 2012	-	-	-	-	-	-	-	-	16,780,968	-	-	-	-	808,218	17,589,186
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	-	-	6,777	-	-	6,777
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(1,089,693)	-	-	-	-	(1,089,693)
Change in unrealized gain on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	194,052	-	-	194,052
Net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	(54)	-	-	-	(54)
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(3,700,346)	-	(3,700,346)
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,800,942)	(1,800,942)
BALANCE, DECEMBER 31, 2012	<u>\$ 8,520,521</u>	<u>\$ 14,809,608</u>	<u>\$ 1,730,458</u>	<u>\$ 18,037</u>	<u>\$ 24,423</u>	<u>\$ 37,068</u>	<u>\$ 16,471,254</u>	<u>\$ -</u>	<u>\$ 53,677,474</u>	<u>\$ (1,057,559)</u>	<u>\$ (347)</u>	<u>\$ 203,768</u>	<u>\$ (14,065,490)</u>	<u>\$ -</u>	<u>\$ 80,369,215</u>

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2012  
(In Thousands of U.S. Dollars)

											Other Equity					
	Capital Stock Issued and Outstanding Common Stock	Issuance of Shares in Excess of Par	Treasury Stock Transactions	Capital Surplus Long-term Equity Investments	Merger	Expired Stock Options	Retained Earnings			Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gain on Financial Instruments	Treasury Stock	Minority Interest	Total	
							Legal Reserve	Special Reserve	Accumulated Earnings							
BALANCE, JANUARY 1, 2012	\$ 292,510	\$ 508,415	\$ 59,407	\$ 619	\$ 838	\$ 1,273	\$ 352,696	\$ 19,941	\$ 2,600,923	\$ 1,103	\$ (10)	\$ 101	\$ (355,836)	\$ 34,080	\$ 3,516,060	
Appropriation of the 2011 net earnings																
Legal reserve	-	-	-	-	-	-	212,763	-	(212,763)	-	-	-	-	-	-	
Special reserve reversed	-	-	-	-	-	-	-	(19,941)	19,941	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	-	-	-	(1,141,443)	-	-	-	-	-	(1,141,443)	
Net income in 2012	-	-	-	-	-	-	-	-	576,092	-	-	-	-	27,746	603,838	
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	-	-	232	-	-	232	
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(37,409)	-	-	-	-	(37,409)	
Change in unrealized gain on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	6,662	-	-	6,662	
Net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	(2)	-	-	-	(2)	
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(127,033)	-	(127,033)	
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(61,826)	(61,826)	
BALANCE, DECEMBER 31, 2012	\$ 292,510	\$ 508,415	\$ 59,407	\$ 619	\$ 838	\$ 1,273	\$ 565,459	\$ -	\$ 1,842,750	\$ (36,306)	\$ (12)	\$ 6,995	\$ (482,869)	\$ -	\$ 2,759,079	

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

# HTC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands)

	2011	2012	
	NT\$	NT\$	US\$ (Note 3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 62,299,048	\$ 17,589,186	\$ 603,838
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	1,564,225	2,222,517	76,299
Amortization	836,611	2,037,722	69,955
Compensation cost recognized for the transfer of treasury stock to employees	1,788,270	-	-
Amortization of premium on financial assets	3,349	3,138	108
Prepaid pension cost	(24,878)	(22,267)	(764)
Loss (gain) on equity-method investments	3,961	(387,478)	(13,302)
Losses on disposal of properties, net	465	6,395	220
Transfer of properties to expenses	324	30,501	1,047
(Gain) loss on sale of investments, net	(29)	165,184	5,671
Unrealized gain on financial assets	-	(10,467)	(359)
Impairment losses	18,608	1,313,353	45,087
Deferred income tax assets	(2,504,033)	(2,036,274)	(69,905)
Net changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	229,037	249,918	8,580
Notes and accounts receivable	(2,124,055)	19,885,018	682,654
Other receivables- related parties	-	966	33
Inventories	(1,995,952)	2,707,400	92,945
Prepayments	(3,834,892)	(1,412,046)	(48,476)
Other current assets	(287,655)	195,668	6,717
Other current financial assets	(622,371)	215,036	7,382
Other assets - others	(7,784,602)	819,971	28,149
Notes and accounts payable	16,372,303	68,467	2,350
Income tax payable	3,751,382	(7,857,294)	(269,741)
Accrued expenses	16,823,509	(6,481,923)	(222,525)
Other current liabilities	3,994,726	(6,006,993)	(206,221)
Net cash provided by operating activities	<u>88,507,351</u>	<u>23,295,698</u>	<u>799,742</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of available-for-sale financial assets	(490,000)	-	-
Proceeds of the sale of available-for-sale financial assets	200,029	829,071	28,462
Repayment of held-to-maturity financial assets	-	100,000	3,433
Increase in financial assets carried at cost	(2,300,272)	(2,292,573)	(78,704)
Acquisition of investments accounted for by the equity method	(76,214)	-	-
Acquisition of subsidiaries	(20,210,729)	(173,926)	(5,970)

(Continued)

# HTC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands)

	2011	2012	
	NT\$	NT\$	US\$ (Note 3)
Purchase of properties	\$ (8,411,182)	\$ (6,262,558)	\$ (214,993)
Proceeds of the sale of properties	580	38,683	1,328
Increase in refundable deposits	(34,309)	(13,718)	(471)
Increase in deferred charges	(574,267)	(228,537)	(7,846)
Loan to related parties	-	(6,600,093)	(226,582)
Decrease (increase) in restricted assets	26,988	(3,580,820)	(122,930)
Increase in intangible assets	(2,294,360)	(509,338)	(17,486)
Loss of a subsidiary	-	(499,389)	(17,144)
Net cash used in investing activities	<u>(34,163,736)</u>	<u>(19,193,198)</u>	<u>(658,903)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in long-term bank loans	(24,376)	-	-
Increase in guarantee deposits received	28,987	17,053	585
Cash dividends	(29,891,089)	(33,249,085)	(1,141,443)
Purchase of treasury stock	(16,135,808)	(3,700,346)	(127,033)
Transfer of treasury stock to employees	4,113,821	-	-
Increase (decrease) in minority interest	<u>669,472</u>	<u>(1,459,370)</u>	<u>(50,100)</u>
Net cash used in financing activities	<u>(41,238,993)</u>	<u>(38,391,748)</u>	<u>(1,317,991)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(65,975)</u>	<u>665,807</u>	<u>22,857</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,038,647	(33,623,441)	(1,154,295)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>74,462,861</u>	<u>87,501,508</u>	<u>3,003,932</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 87,501,508</u>	<u>\$ 53,878,067</u>	<u>\$ 1,849,637</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year			
Interest	<u>\$ 32,197</u>	<u>\$ 1,715</u>	<u>\$ 59</u>
Income tax	<u>\$ 7,877,290</u>	<u>\$ 11,754,892</u>	<u>\$ 403,546</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Transfer of retained earnings to stock dividends for distribution	<u>\$ 403,934</u>	<u>\$ -</u>	<u>\$ -</u>
Transfer of assets leased to others to properties	<u>\$ 50,828</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

# HTC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands)

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$ (Note 3)
Retirement of treasury stock	\$ 8,509,336	\$ -	\$ -
Transfer of accrued bonus to employees to stock dividends for distribution and other capital surplus	\$ 4,245,851	\$ -	\$ -
<b>PURCHASE OF PROPERTIES</b>			
Cost of properties purchased	\$ 8,781,446	\$ 6,921,847	\$ 237,627
Increase in payables for the purchase of equipment	(370,264)	(659,289)	(22,634)
Cash paid for the purchase of properties	<u>\$ 8,411,182</u>	<u>\$ 6,262,558</u>	<u>\$ 214,993</u>
<b>ACQUISITION OF SUBSIDIARIES</b>			
Net cash outflow on the acquisition of a subsidiary	\$ 20,303,485	\$ 45,021	\$ 1,546
(Increase) decrease in other payable	(92,756)	128,905	4,424
Cash paid for acquisition of subsidiaries	<u>\$ 20,210,729</u>	<u>\$ 173,926</u>	<u>\$ 5,970</u>
<b>CASH RECEIVED FROM THE DISPOSAL OF A SUBSIDIARY</b>			
Proceeds of the sale of subsidiary	\$ -	\$ 4,369,350	\$ 150,000
Increase in long-term receivable	-	(4,369,350)	(150,000)
Cash received from the disposal of a subsidiary	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

(Concluded)

## Supplement 6

### HTC CORPORATION The Chart of 2012 Earnings Distribution

UNIT : NT\$

Item	Amount	
	Subtotal	Total
Accumulated earnings at beginning of 2012		36,896,505,951
Plus : Net income of 2012	16,780,967,891	
Less : Legal reserve (10% of 2012 NPAT)	(1,678,096,789)	
Less : To appropriate Special reserve (Note 1)	(854,138,232)	
Appropriation of earnings for 2012	14,248,732,870	
Appropriation of earnings as of Dec 31, 2012		51,145,238,821
Items of appropriation and distribution of 2012 earnings :		
Cash dividend (NT\$2 per share) (Note 2)	(1,662,454,250)	
Total appropriation and distribution of 2012		(1,662,454,250)
Accumulated earnings at end of 2012		49,482,784,571

[NOTE]: Employee Cash Bonus Distribution: NT\$976,327,079.

Directors and Supervisors' remuneration : NT\$ 0

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

Other adjustments of Stockholders' Equity:

As of Dec 31, 2012 :

Unrealized losses on financial instruments	203,768,843
Net loss not recognized as pension cost	(346,991)
Cumulative transaction adjustments	(1,057,560,084)
Other adjustments of Stockholders' Equity as of Dec 31, 2012	(854,138,232)

Accumulated Special reserve for debit of Stockholders' Equity as of Dec 31, 2012 :	(854,138,232)
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Less : Accumulated Special reserve for debit of Stockholders' Equity per book as of Dec 31, 2011	0
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To reverse the Special reserve for debit of Stockholders' Equity	(854,138,232)
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**(Note 2) :** The Board of Directors may make the required adjustments to the actual earnings distribution ratio on the basis of the number of issued and outstanding stocks registered in the Common Stockholders' Roster as at the record date.

HTC CORPORATION

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



## Supplement 7

### HTC Corporation Articles of Incorporation Before and After Revision

Article no.	Original article	Amended article	Notes
Article 11	Each shareholder of the Company is entitled to one vote per share, except under circumstances in which shares have no voting power as set out in Article 179 of the Company Act.	Each shareholder of the Company is entitled to one vote per share, except under circumstances in which shares have no voting power as set out in <u>the applicable regulations</u> .	Amended in accordance with the applicable regulations.
Article 13	The Company shall have five to seven directors and <u>three</u> supervisors, to be elected by the shareholders meeting from among candidates with legal capacity. The term of office is three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors and supervisors shall comply with the regulations prescribed by the securities supervisory authorities.	The Company shall have five to seven directors and <u>two</u> supervisors, to be elected by the shareholders meeting from among candidates with legal capacity. The term of office is three years, and they may continue in office if re-elected. The aggregate shareholding percentages of the entire bodies of directors and supervisors shall comply with the regulations prescribed by the securities supervisory authorities.	Amended in accordance with the practical operational needs.
Article 20	If the Company has earnings after the annual final accounting, it shall be allocated in the following order: 1.To pay taxes. 2.To cover accumulated losses, if any. 3.To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital. 4.To pay remuneration to directors and supervisors at 0.3% maximum of the balance after withholding the amounts under subparagraphs 1 to <u>3</u> . 5.To pay bonus to employees at 5% minimum of the balance after withholding the amounts under subparagraphs 1 to <u>3</u> , or such balance plus the unappropriated retained earnings of previous years. However, the bonus may not exceed the limits on employee bonus distributions as set out in the Regulations Governing the Offering and Issuance of Securities by Issuers. Where bonus to employees is allocated by means of new share issuance, the employees to receive	If the Company has earnings after the annual final accounting, it shall be allocated in the following order: 1.To pay taxes. 2.To cover accumulated losses, if any. 3.To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital. 4. <u>To recognize or reverse special reserve return earnings</u> . 5.To pay remuneration to directors and supervisors at 0.3% maximum of the balance after withholding the amounts under subparagraphs 1 to <u>4</u> . 6.To pay bonus to employees at 5% minimum of the balance after withholding the amounts under subparagraphs 1 to <u>4</u> , or such balance plus the unappropriated retained earnings of previous years. However, the bonus may not exceed the limits on employee bonus distributions as set out in the Regulations Governing the Offering and Issuance of Securities by Issuers. Where bonus to employees is allocated by means of new share issuance, the employees to receive	Amended in accordance with the applicable regulations.

**HTC Corporation**  
**Articles of Incorporation**  
**Before and After Revision**

Article no.	Original article	Amended article	Notes
	<p>bonus may include employees serving with affiliates who meet specific requirements. Such specific requirements shall be prescribed by the board of directors.</p> <p>6. For any remainder, the board of directors shall propose allocation ratios based on the dividend policy set forth in paragraph 2 of this Article and propose them at the shareholders' meeting.</p> <p>Because the Company is a technology and capital-intensive enterprise in its growing phase, the Company sets a policy to allocate dividends with consideration to factors such as the Company's current and future investment climate, demand for working capital, competitive environment at home and globally, capital budget, as well as the interests of the shareholders, balanced dividends, and long-term financial planning of the Company. Every year, the board of directors shall propose the allocation ratio and propose it at the shareholders' meeting. The earnings may be allocated in cash dividends or stock dividends, provided that the ratio of cash dividends may not be less than 50% of the total dividends.</p>	<p>bonus may include employees serving with affiliates who meet specific requirements. Such specific requirements shall be prescribed by the board of directors.</p> <p>7. For any remainder, the board of directors shall propose allocation ratios based on the dividend policy set forth in paragraph 2 of this Article and propose them at the shareholders' meeting.</p> <p>Because the Company is a technology and capital-intensive enterprise in its growing phase, the Company sets a policy to allocate dividends with consideration to factors such as the Company's current and future investment climate, demand for working capital, competitive environment at home and globally, capital budget, as well as the interests of the shareholders, balanced dividends, and long-term financial planning of the Company. Every year, the board of directors shall propose the allocation ratio and propose it at the shareholders' meeting. The earnings may be allocated in cash dividends or stock dividends, provided that the ratio of cash dividends may not be less than 50% of the total dividends.</p>	

## Supplement 8

### HTC Corporation Operational Procedures for Lending Funds to Others Before and After Revision

Article no.	Original article	Amended article	Notes
Article 1	<p>Purpose and basis</p> <p>These Operational Procedures are adopted pursuant to the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by <u>the Securities and Futures Bureau under the Financial Supervisory Commission</u>, to ensure the Company's sound management of funds and to minimize operational risks.</p>	<p>Purpose and basis</p> <p>These Operational Procedures are adopted pursuant to the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by <u>the Financial Supervisory Commission</u>, to ensure the Company's sound management of funds and to minimize operational risks.</p>	Amended in accordance with the regulations of the Financial Supervisory Commission.
Article 3	<p>Total amount of funds lending and limits for individual recipients</p> <p>The total amount of the Company's loans of funds to others may not exceed 40 percent of the Company's net worth.</p> <p>When lending funds to other companies or firms with which the Company has business relations, the amount lent to a single recipient may not exceed the amount of the business transacted between the two parties in the most recent year, and may not exceed 40 percent of the Company's net worth. The "amount of the business transacted between the two parties" means the operating revenue and service revenue for goods sold or services provided, or the amount spent on purchases of goods and expenditures for services, whichever is higher, in the course of regular business activities between the two companies.</p> <p>The cumulative amount lent to a single company or firm in need of short-term financing may not exceed 20 percent of the Company's net worth.</p> <p>In the lending of funds between overseas companies in which the Company directly and/or indirectly holds 100 percent of the voting shares,</p>	<p>Total amount of funds lending and limits for individual recipients</p> <p>The total amount of the Company's loans of funds to others may not exceed 40 percent of the Company's net worth.</p> <p>When lending funds to other companies or firms with which the Company has business relations, the amount lent to a single recipient may not exceed the amount of the business transacted between the two parties in the most recent year, and may not exceed 40 percent of the Company's net worth. The "amount of the business transacted between the two parties" means the operating revenue and service revenue for goods sold or services provided, or the amount spent on purchases of goods and expenditures for services, whichever is higher, in the course of regular business activities between the two companies.</p> <p>The cumulative amount lent to a single company or firm in need of short-term financing may not exceed 20 percent of the Company's net worth.</p> <p>In the lending of funds between overseas companies in which the Company directly and/or indirectly holds 100 percent of the voting shares,</p>	Amended in accordance with the regulations of the Financial Supervisory Commission.

**HTC Corporation**  
**Operational Procedures for Lending Funds to Others**  
**Before and After Revision**

Article no.	Original article	Amended article	Notes
	the amount of financing is not subject to the restriction that it may not exceed 40 percent of the net value of the lender's net worth, unless the law of the place where such an overseas company is located provides otherwise.	the amount of financing is not subject to the restriction that it may not exceed 40 percent of the net value of the lender's net worth, unless the law of the place where such an overseas company is located provides otherwise. <u>However, the Operational Procedures concerning the setting of the loan limits shall apply to such overseas companies.</u>	
Article 4	<p>Duration of loans of funds and calculation of interest</p> <p>Loans of funds in principle shall take the form of short-term financing. The maximum duration may not exceed one year or one operating cycle (whichever is longer). Interest shall be calculated at the stipulated interest rate for the loan period. However, the interest rate may not be lower than the short-term bank lending rate or the money market interest rate on the loan date.</p> <p>The lending of funds between overseas companies in which the Company directly and/or indirectly holds 100 percent of the voting shares is not subject to the restrictions on lending period set out in this Article, unless the law of the place where such an overseas company is located provides otherwise.</p>	<p>Duration of loans of funds and calculation of interest</p> <p>Loans of funds in principle shall take the form of short-term financing. The maximum duration may not exceed one year or one operating cycle (whichever is longer). Interest shall be calculated at the stipulated interest rate for the loan period. However, the interest rate may not be lower than the short-term bank lending rate or the money market interest rate on the loan date.</p> <p>The lending of funds between overseas companies in which the Company directly and/or indirectly holds 100 percent of the voting shares is not subject to the restrictions on lending period set out in this Article, unless the law of the place where such an overseas company is located provides otherwise.</p> <p><u>However, the Operational Procedures concerning the loan terms shall apply to such overseas companies.</u></p>	Amended in accordance with the regulations of the Financial Supervisory Commission.
Article 10	<p>Follow-up control measures for funds lent and procedures for handling non-performing loans</p> <p>After a loan has been disbursed, the financial, business, and credit condition of the borrower and the guarantor shall be monitored on a regular ongoing basis. If collateral has been provided, it shall be monitored for any changes in</p>	<p>Follow-up control measures for funds lent and procedures for handling non-performing loans</p> <p>After a loan has been disbursed, the financial, business, and credit condition of the borrower and the guarantor shall be monitored on a regular ongoing basis. If collateral has been provided, it shall be monitored for any changes in</p>	Amended in accordance with the regulations of the Financial Supervisory Commission.

**HTC Corporation**  
**Operational Procedures for Lending Funds to Others**  
**Before and After Revision**

Article no.	Original article	Amended article	Notes
	<p>the collateral value. In the event of any material change, it shall immediately be reported to the chairman of the board of directors, and appropriate measures shall be taken in accordance with the chairman's instructions.</p> <p>If the borrower repays the loan when or before it becomes due, the interest payable shall first be calculated, and shall be paid together with the principal, before the promissory note may be cancelled and returned to the borrower or the mortgage cancelled. When a loan becomes due, the borrower shall promptly repay the principal and interest in full. If the borrower is unable to make repayment on the due date and deferral is required, the application for deferral shall be made in advance, and submitted to the board of directors for approval before implementation. For any given repayment, deferral shall not exceed six months, and no more than two deferrals may be given. In the event of breach, the Company may duly dispose of, or pursue recovery from, the borrower's collateral or guarantor.</p>	<p>the collateral value. In the event of any material change, it shall immediately be reported to the chairman of the board of directors, and appropriate measures shall be taken in accordance with the chairman's instructions.</p> <p>If the borrower repays the loan when or before it becomes due, the interest payable shall first be calculated, and shall be paid together with the principal, before the promissory note may be cancelled and returned to the borrower or the mortgage cancelled. When a loan becomes due, the borrower shall promptly repay the principal and interest in full. In the event of breach, the Company may duly dispose of, or pursue recovery from, the borrower's collateral or guarantor.</p>	
Article 11	<p>Procedures for Controlling Lending of Funds by Subsidiaries</p> <p>1. If a subsidiary of the Company intends to lend funds to others, the Company shall order the subsidiary to adopt operational procedures for lending funds to others pursuant to the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by <u>the Securities and Futures Bureau under the Financial Supervisory Commission</u>, and any lending shall be done in compliance with those operational procedures.</p> <p>2. When lending funds to others, a subsidiary shall provide relevant</p>	<p>Procedures for Controlling Lending of Funds by Subsidiaries</p> <p>1. If a subsidiary of the Company intends to lend funds to others, the Company shall order the subsidiary to adopt operational procedures for lending funds to others pursuant to the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by <u>the Financial Supervisory Commission</u>, and any lending shall be done in compliance with those operational procedures.</p> <p>2. When lending funds to others, a subsidiary shall provide relevant</p>	Amended in accordance with the regulations of the Financial Supervisory Commission.

**HTC Corporation**  
**Operational Procedures for Lending Funds to Others**  
**Before and After Revision**

Article no.	Original article	Amended article	Notes
	<p>materials to the parent Company, and shall give consideration to the opinions of the related personnel in the parent Company before proceeding with the loan of funds.</p> <p>3. After disbursing loans of funds, the subsidiary shall regularly submit follow-up reports to the parent Company on the status of outstanding loans.</p> <p>4. The subsidiary shall self-inspect whether the procedures adopted by it comply with the applicable regulations and whether its funds lending transactions are handled in accordance with the procedures adopted by it.</p>	<p>materials to the parent Company, and shall give consideration to the opinions of the related personnel in the parent Company before proceeding with the loan of funds.</p> <p>3. After disbursing loans of funds, the subsidiary shall regularly submit follow-up reports to the parent Company on the status of outstanding loans.</p> <p>4. The subsidiary shall self-inspect whether the procedures adopted by it comply with the applicable regulations and whether its funds lending transactions are handled in accordance with the procedures adopted by it.</p>	
Article 14	<p>Information disclosures</p> <p>1. The Company shall announce and report the previous month's balance of loans of funds made by itself and its subsidiaries by the 10th day of each month.</p> <p>2. If the Company's loans of funds reach one of the following levels, the Company shall announce and report such fact <u>within two days from its occurrence</u>:</p> <p>(1) The balance of loans of funds by the Company and the Company's subsidiaries to others reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(2) The balance of loans of funds by the Company and the Company's subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The amount of new loans of funds by the Company or any of the</p>	<p>Information disclosures</p> <p>1. The Company shall announce and report the previous month's balance of loans of funds made by itself and its subsidiaries by the 10th day of each month.</p> <p>2. If the Company's loans of funds reach one of the following levels, the Company shall announce and report such fact <u>within two days of the Date of Occurrence with the Date of Occurrence counted as one day</u>:</p> <p>(1) The balance of loans of funds by the Company and the Company's subsidiaries to others reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(2) The balance of loans of funds by the Company and the Company's subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The amount of new loans of funds by the Company or any of the</p>	<p>Amended in accordance with the regulations of the Financial Supervisory Commission.</p>

**HTC Corporation**  
**Operational Procedures for Lending Funds to Others**  
**Before and After Revision**

Article no.	Original article	Amended article	Notes
	<p>Company's subsidiaries reaches NT\$10 million or more and also reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>The Company shall announce and report on behalf of any of its subsidiaries that is not a domestic public company any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.</p> <p>3. <u>The Company shall evaluate the status of loans of funds according to generally accepted accounting principles</u>, and shall set aside sufficient allowance for bad debts. It shall also adequately disclose relevant information in its financial reports and provide the certifying CPAs with relevant materials for the performance of necessary audit procedures.</p>	<p>Company's subsidiaries reaches NT\$10 million or more and also reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p><u>“Date of Occurrence” means the earliest of the date of contract signing, date of payment, date of board of directors resolution, or the date that the counterparty and monetary amount of the transaction can be confirmed.</u></p> <p>The Company shall announce and report on behalf of any of its subsidiaries that is not a domestic public company any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.</p> <p>3. <u>The Company shall evaluate the status of loans of funds</u>, and shall set aside sufficient allowance for bad debts. It shall also adequately disclose relevant information in its financial reports and provide the certifying CPAs with relevant materials for the performance of necessary audit procedures.</p>	
Article 16	<p>Penalties</p> <p>When a managerial officer or in-charge personnel of the Company violate the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by <u>the Securities and Futures Bureau under the Financial Supervisory Commission, Executive Yuan or these Procedures</u>, the auditors or the</p>	<p>Penalties</p> <p>When a managerial officer or in-charge personnel of the Company violate the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by <u>the Financial Supervisory Commission or these Procedures</u>, the auditors or the supervisory personnel with authority thereover shall</p>	<p>Amended in accordance with the regulations of the Financial Supervisory Commission.</p>

**HTC Corporation**  
**Operational Procedures for Lending Funds to Others**  
**Before and After Revision**

Article no.	Original article	Amended article	Notes
	supervisory personnel with authority thereover shall immediately report the circumstances of the violation to the president or the board of directors. The president or the board of directors shall, depending on the materiality of the circumstances, impose appropriate penalties on the personnel involved.	immediately report the circumstances of the violation to the president or the board of directors. The president or the board of directors shall, depending on the materiality of the circumstances, impose appropriate penalties on the personnel involved.	



## Supplement 9

### HTC Corporation Rules for Endorsements and Guarantees Before and After Revision

Article no.	Original article	Amended article	Notes
Article 1	<p>Purpose and basis</p> <p>These Rules are adopted pursuant to the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by <u>the Securities and Futures Bureau under the Financial Supervisory Commission</u>, to protect the rights and interests of shareholders, ensure sound financial management, and minimize operational risk.</p>	<p>Purpose and basis</p> <p>These Rules are adopted pursuant to the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by <u>the Financial Supervisory Commission</u>, to protect the rights and interests of shareholders, ensure sound financial management, and minimize operational risk.</p>	Amended in accordance with the regulations of the Financial Supervisory Commission.
Article 5	<p>Handling procedures</p> <p>An application for an endorsement or guarantee shall be submitted to the finance unit of the Company, specifying the company in whose favor the endorsement or guarantee is made, and the recipient, type, reason, and amount of the endorsement or guarantee. After the application has passed review, it shall be submitted to the board of directors for final approval and handled in accordance with the board of directors resolution.</p> <p>If the party in whose favor an endorsement or guarantee is made by the Company or its subsidiary is a subsidiary whose net worth is lower than half of its paid-in capital, the applicant shall also specify the measures and plans for risk management and control related to such endorsement or guarantee, for review by the Company's finance unit under Article 6 of these Rules, and the Company's finance unit shall regularly track and monitor the implementation of the measures and plans for risk management and control.</p>	<p>Handling procedures</p> <p>An application for an endorsement or guarantee shall be submitted to the finance unit of the Company, specifying the company in whose favor the endorsement or guarantee is made, and the recipient, type, reason, and amount of the endorsement or guarantee. After the application has passed review, it shall be submitted to the board of directors for final approval and handled in accordance with the board of directors resolution.</p> <p>If the party in whose favor an endorsement or guarantee is made by the Company or its subsidiary is a subsidiary whose net worth is lower than half of its paid-in capital, the applicant shall also specify the measures and plans for risk management and control related to such endorsement or guarantee, for review by the Company's finance unit under Article 6 of these Rules, and the Company's finance unit shall regularly track and monitor the implementation of the measures and plans for risk management and control.</p> <p><u>In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under the preceding paragraph, the sum of the share capital</u></p>	Amended in accordance with the regulations of the Financial Supervisory Commission.

**HTC Corporation**  
**Rules for Endorsements and Guarantees**  
**Before and After Revision**

Article no.	Original article	Amended article	Notes
		<u>and paid-in capital in excess of par shall be substituted.</u>	
Article 12	<p>Information disclosure</p> <p>1. The Company shall announce and report the previous month's balance of endorsements and guarantees made by itself and its subsidiaries by the 10th day of each month.</p> <p>2. If the Company's endorsements and guarantees reach one of the following levels, the Company shall announce and report such fact <u>within two days from its occurrence</u>:</p> <p>(1) The balance of endorsements and guarantees by the Company and the Company's subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(2) The balance of endorsements and guarantees by the Company and the Company's subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The balance of endorsements and guarantees by the Company and the Company's subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements and guarantees for, <u>long-term investment in</u>, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(4) The amount of new endorsements and guarantees by the Company or any of the Company's subsidiaries reaches NT\$30</p>	<p>Information disclosure</p> <p>1. The Company shall announce and report the previous month's balance of endorsements and guarantees made by itself and its subsidiaries by the 10th day of each month.</p> <p>2. If the Company's endorsements and guarantees reach one of the following levels, the Company shall announce and report such fact <u>within two days of the Date of Occurrence with the Date of Occurrence counted as one day</u>:</p> <p>(1) The balance of endorsements and guarantees by the Company and the Company's subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(2) The balance of endorsements and guarantees by the Company and the Company's subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(3) The balance of endorsements and guarantees by the Company and the Company's subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements and guarantees for, <u>investment of a long-term nature in</u>, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>(4) The amount of new endorsements and guarantees by the Company or any of the Company's subsidiaries reaches NT\$30</p>	Amended in accordance with the regulations of the Financial Supervisory Commission.

**HTC Corporation**  
**Rules for Endorsements and Guarantees**  
**Before and After Revision**

Article no.	Original article	Amended article	Notes
	<p>million or more and also reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p>The Company shall announce and report on behalf of any of its subsidiaries that is not a domestic public company any matters that such subsidiary is required to announce and report under subparagraph 4 of the preceding paragraph.</p> <p>3. <u>The Company shall evaluate or recognize contingent losses for endorsements and guarantees according to the Statement of Financial Accounting Standards No. 9,</u> and shall adequately disclose relevant information in its financial reports and provide the certifying CPAs with relevant materials for the performance of necessary audit procedures.</p>	<p>million or more and also reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.</p> <p><u>“Date of Occurrence” means the earliest of the date of contract signing, date of payment, date of board of directors resolution, or the date that the counterparty and monetary amount of the transaction can be confirmed.</u></p> <p>The Company shall announce and report on behalf of any of its subsidiaries that is not a domestic public company any matters that such subsidiary is required to announce and report under subparagraph 4 of the preceding paragraph.</p> <p>3. <u>The Company shall evaluate or recognize contingent losses for endorsements and guarantees,</u> and shall adequately disclose relevant information in its financial reports and provide the certifying CPAs with relevant materials for the performance of necessary audit procedures.</p>	
Article 13	<p>Procedures for Controlling Endorsements and Guarantees Made by Subsidiaries</p> <p>1. If a subsidiary of the Company intends to provide endorsements or guarantees for others, the Company shall order that subsidiary to adopt rules for endorsements and guarantees pursuant to the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by <u>the Securities and Futures Bureau under the Financial Supervisory Commission, Executive</u></p>	<p>Procedures for Controlling Endorsements and Guarantees Made by Subsidiaries</p> <p>1. If a subsidiary of the Company intends to provide endorsements or guarantees for others, the Company shall order that subsidiary to adopt rules for endorsements and guarantees pursuant to the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by <u>the Financial Supervisory Commission,</u> and any making of endorsements or guarantees shall be</p>	<p>Amended in accordance with the regulations of the Financial Supervisory Commission.</p>

**HTC Corporation**  
**Rules for Endorsements and Guarantees**  
**Before and After Revision**

Article no.	Original article	Amended article	Notes
	<p><u>Yuan</u>, and any making of endorsements or guarantees shall be done in compliance with those rules.</p> <p>2. When making any endorsement or guarantee, a subsidiary shall provide relevant materials to the Company, and shall give consideration to the opinions of the related personnel in the Company before proceeding with the endorsement or guarantee procedures.</p> <p>3. The subsidiary shall each month submit a statement to the Company itemizing relevant information for the preceding month, to facilitate control by the Company.</p> <p>4. The subsidiary shall self-inspect whether the rules adopted comply with applicable regulations and whether its endorsement and guarantee transactions are handled in accordance with the rules adopted.</p> <p>5. A subsidiary in which the Company directly and/or indirectly holds 90 percent or more of the voting shares shall report to the board of directors meeting of the Company for a resolution before making any endorsement or guarantee, provided that this restriction shall not apply to endorsements or guarantees made between companies in which the Company directly and/or indirectly holds 100 percent of the voting shares.</p>	<p>done in compliance with those rules.</p> <p>2. When making any endorsement or guarantee, a subsidiary shall provide relevant materials to the Company, and shall give consideration to the opinions of the related personnel in the Company before proceeding with the endorsement or guarantee procedures.</p> <p>3. The subsidiary shall each month submit a statement to the Company itemizing relevant information for the preceding month, to facilitate control by the Company.</p> <p>4. The subsidiary shall self-inspect whether the rules adopted comply with applicable regulations and whether its endorsement and guarantee transactions are handled in accordance with the rules adopted.</p> <p>5. A subsidiary in which the Company directly and/or indirectly holds 90 percent or more of the voting shares shall report to the board of directors meeting of the Company for a resolution before making any endorsement or guarantee, provided that this restriction shall not apply to endorsements or guarantees made between companies in which the Company directly and/or indirectly holds 100 percent of the voting shares.</p>	
Article 15	<p><b>Penalties</b></p> <p>When a managerial officer or in-charge personnel of the Company violate the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by the <u>Securities and Futures Bureau</u> under the <u>Financial Supervisory Commission</u>, <u>Executive Yuan</u> or these Rules, the auditors or the supervisory personnel with authority thereover shall</p>	<p><b>Penalties</b></p> <p>When a managerial officer or in-charge personnel of the Company violate the Regulations Governing Lending of Funds and Making of Endorsements and Guarantees by Public Companies issued by the <u>Financial Supervisory Commission</u> or these Rules, the auditors or the supervisory personnel with authority thereover shall immediately report the circumstances of the violation</p>	<p>Amended in accordance with the regulations of the Financial Supervisory Commission.</p>

**HTC Corporation**  
**Rules for Endorsements and Guarantees**  
**Before and After Revision**

Article no.	Original article	Amended article	Notes
	immediately report the circumstances of the violation to the president or the board of directors. The president or the board of directors shall, depending on the materiality of the circumstances, impose appropriate penalties on the personnel involved.	to the president or the board of directors. The president or the board of directors shall, depending on the materiality of the circumstances, impose appropriate penalties on the personnel involved.	

## Supplement 10

### Independent Director Nominee List

Name	Chen-Kuo Lin	Josef Felder
Academic Qualifications	Bachelor degree in Economics, National Taiwan University. Advanced study at the Department of Economics, Oklahoma State University. Advanced study at the Department of Economics, Harvard University.	Graduate of Advanced Management Program (AMP), Harvard Business School, Boston
Work Experience	Chairman, Board of Tunghai University. Minister, Ministry of Finance, Executive Yuan. Chairman, Taiwan External Trade Development Council. (TAITRA) Chairman, Taiwan Asset Management Corporation. Professor, Department of Economics in National Taiwan University.	Deputy Director, Crossair Chief Executive Officer, FIG (Flughafen Immobilien Gesellschaft) Chief Executive Officer, Unique (Flughafen Zurich AG)
Positions held concurrently in the company and/or in any other company	Independent director, Taiwan High Speed Rail Corporation. Independent director, HTC Corporation. Chairman, Angel Hearts Family Social Welfare Foundation.	Independent director, Cereal Holding AG, Zurich. Independent director, AMAG, Zürich. Independent director, Zingg-Lamprecht AG, Zurich. Independent director, Edelweiss Air AG, Zurich. Chairman, Gutsbetrieb Oetlishausen AG, Hohentannen. Chairman, Pro Juventute, Zurich. Independent director, Luzerner Kantonalbank AG, Lucerne. Independent director, Victoria Jungfrau Collection, Interlaken. Chairman, Flaschenpost AG, Zürich. Chairman, The Nuance Group. Independent director of the Board, HTC Corporation. Independent Director, Zino Davidoff SA, Fribourg.
Current Shareholding	0	133,985

## **Appendix 1**

### **HTC CORPORATION Rules of Procedure for Shareholders Meetings**

#### **Article 1**

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

#### **Article 2**

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

#### **Article 3**

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

#### **Article 4**

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

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

#### **Article 5**

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

#### **Article 6**

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

#### **Article 7**

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

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

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

#### Article 8

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

#### Article 9

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

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

#### Article 10

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

#### Article 11

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

#### Article 12

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

#### Article 13

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

#### Article 14

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



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

#### Article 15

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

#### Article 16

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

#### Article 17

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

#### Article 18

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

## **Appendix 2**

### **HTC Corporation Bylaws for the Election of Directors and Supervisors**

#### **Article 1**

Unless otherwise provided by the Company Act or the Articles of Incorporation of the Corporation, the election of the directors and supervisors of the Corporation shall be conducted in accordance with these Bylaws.

#### **Article 2**

The election of the directors and supervisors of the Corporation may be carried out separately or simultaneously at a shareholders meeting. Separate election ballots shall be prepared by the Corporation for directors and supervisors; the ballots shall note the number of election voting rights.

#### **Article 3**

In the election of the directors and supervisors of the Corporation, in recording the names of the voters, the shareholder attendance identification numbers may be used instead.

#### **Article 4**

The election of the directors and supervisors of the Corporation shall adopt the open-ballot, cumulative voting method; the candidate nomination system shall be adopted for the nomination of candidates for independent director. Each share confers election voting rights equal in number to the directors and supervisors to be elected; the votes may be cast for a single candidate or distributed among multiple candidates.

#### **Article 5**

In the election for the directors and supervisors of the Corporation, the candidates receiving ballots representing the highest number of voting rights sequentially shall be elected. A candidate simultaneously elected as a director and supervisor shall, at the candidate's own discretion, decide to serve as either director or supervisor. The position left vacant by such decision shall be filled by the candidate with the next most votes in the original election; the same shall apply to any vacancy arising upon review and confirmation that the personal data for an elected director or supervisor is inaccurate, or that such a person's election is invalid under the provisions of any applicable law or regulation. When two or more persons receive the same number of votes and the specified number of positions is exceeded, the two persons receiving the same number of votes shall draw lots to decide who shall serve; the chair shall draw lots on behalf of a non-attendee.

#### **Article 6**

When voting commences, the chair shall appoint a certain number of scrutineers and ballot counters to carry out related duties. The scrutineers may be appointed from among the shareholders in attendance.

#### **Article 7**

The ballot box used for voting shall be prepared by the Corporation, and shall be publicly opened and inspected by a scrutineer before the casting of ballots

#### Article 8

If a candidate is a shareholder, a voter must fill in the candidate's account name and shareholder account number in the "Candidate" box of the ballot; for a non-shareholder, the voter shall fill in the candidate's full name and identification card number. However, when the candidate is a governmental organization or juristic person shareholder, the name of the governmental organization or juristic person shareholder shall be filled in the box for the candidate's account name on the ballot; or both the name of the governmental organization or juristic person shareholder and the name of their representative may also be filled in; when there are multiple representatives, the names of the representatives shall additionally be filled in separately.

#### Article 9

A ballot is invalid under any of the circumstances listed below, and the number of voting rights conferred therein may not be credited to that candidate:

1. The ballot was not cast in the ballot box.
2. A ballot prepared by the Corporation was not used.
3. A blank ballot that was not filled in by the voter.
4. Other words or marks are written in addition to the candidate name, shareholder account number, or ID card or government uniform invoice (GUI) number.
5. The handwriting is unclear and indecipherable.
6. Any element of the name, shareholder account number, or ID card or GUI number of the candidate that was already filled in has been altered.
7. The ballot has not been filled out in accordance with Article 8 of these Bylaws.
8. The candidate filled in on the ballot is a shareholder, but their identity and shareholder account number do not conform with the shareholders register; or where the candidate filled in on the ballot is not a shareholder, and a cross-check shows that their name and identity card number do not match.
9. Two or more candidates are filled in on the same ballot.

#### Article 10

After the casting of ballots is completed, the ballots shall be counted on the spot under the supervision of the scrutineer(s), and the results announced on the spot by the chair.

#### Article 11

Matters on which these Bylaws are silent shall be handled in accordance with the Articles of Incorporation of the Corporation, the Company Act, and applicable laws and regulations.

#### Article 12

These Bylaws, and any amendments hereto, shall be implemented after being approved by a shareholders meeting.

## **Appendix 3**

### **HTC CORPORATION Articles of Incorporation**

#### Chapter I General Provisions

##### Article 1

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

##### Article 2

The scope of business of the Company is as follows:

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

##### Article 2~1

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

##### Article 3

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

Article 4  
Deleted.

## Chapter II Shares

### Article 5

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

### Article 5~1

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

Article 6  
Deleted.

### Article 7

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

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

### Article 8

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

## Chapter III Shareholders Meeting

### Article 9

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

### Article 10

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

### Article 11

Each shareholder of the Company is entitled to one vote per share, except under circumstances in which shares have no voting power as set out in Article 179 of the Company Act.

#### Article 12

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

#### Chapter IV Directors and Supervisors

#### Article 13

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

#### Article 13-1

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

#### Article 14

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

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

#### Article 14-1

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

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

#### Article 15

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

#### Article 16

When the Company's directors and supervisors perform Company duties, the Company may pay remuneration regardless of whether the Company operates at a profit or loss. The board of directors is authorized with powers to resolve the rates of such remuneration based on the extent of their participation in the Company's business operations or value of their contribution, at a level consistent with general practices in the industry. If the Company operates at a profit, they also may allocate remuneration in accordance with Article 20.

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

## Chapter V Managerial Officers

### Article 17

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

## Chapter VI Accounting

### Article 18

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

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

### Article 19

Deleted.

### Article 20

If the Company has earnings after the annual final accounting, it shall be allocated in the following order:

1. To pay taxes.
2. To cover accumulated losses, if any.
3. To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital.
4. To pay remuneration to directors and supervisors at 0.3% maximum of the balance after withholding the amounts under subparagraphs 1 to 3.
5. To pay bonus to employees at 5% minimum of the balance after withholding the amounts under subparagraphs 1 to 3, or such balance plus the unappropriated retained earnings of previous years. However, the bonus may not exceed the limits on employee bonus distributions as set out in the Regulations Governing the Offering and Issuance of Securities by Issuers. Where bonus to employees is allocated by means of new share issuance, the employees to receive bonus may include employees serving with affiliates who meet specific requirements. Such specific requirements shall be prescribed by the board of directors.
6. For any remainder, the board of directors shall propose allocation ratios based on the dividend policy set forth in paragraph 2 of this Article and propose them at the shareholders' meeting.

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

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

## Chapter Seven Bylaws

### Article 21

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

### Article 22

These Articles of Incorporation were adopted on 10 May 1997.

The first amendment was made on 1 July 1997.

The second amendment was made on 26 February 1998.

The third amendment was made on 8 May 1998.

The fourth amendment was made on 22 October 1998.

The fifth amendment was made on 24 April 2000.

The sixth amendment was made on 23 April 2001.

The seventh amendment was made on 13 July 2001.

The eighth amendment was made on 14 March 2002.

The ninth amendment was made on 26 June 2003.

The 10th amendment was made on 16 June 2004.

The 11th amendment was made on 13 June 2005.

The 12th amendment was made on 2 May 2006.

The 13th amendment was made on 20 June 2007.

The 14th amendment was made on 13 June 2008.

The 15th amendment was made on 19 June 2009.

The 16th amendment was made on 18 June 2010.

The 17th amendment was made on 15 June 2011.

HTC CORPORATION

Chairperson: Cher Wang



## Appendix 4

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

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

## Appendix 5

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

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

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

- (1) To pay taxes.
- (2) To cover accumulated losses, if any.
- (3) To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital.
- (4) To pay remuneration to directors and supervisors at 0.3% maximum of the balance after withholding the amounts under subparagraphs 1 to 3.
- (5) To pay bonus to employees at 5% minimum of the balance after withholding the amounts under subparagraphs 1 to 3, or such balance plus the unappropriated retained earnings of previous years.

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

Unit: NT\$ 1,000

Distributions of Earnings in 2012	Accrued Expenses for Employee Bonus	Resolution Approved by The Board of Directors	
Employee Bonus	976,327	May 1, 2013	
		Employee Cash Bonus	976,327
Directors' and Supervisors' Remunerations	0	0	
Note: The value of employee cash bonuses and director/supervisor remunerations proposals approved by the board of directors is the same as the Company's accrued expenses in the financial reporting period.			

3. Distributions of earnings in 2011 as employees' bonus and remunerations for directors and supervisors:

Unit: NT\$ 1,000; shares		
Distributions of earnings in 2011		
Date of passage of annual dividends of the Board of Directors' Meeting resolution		April 24, 2012
Date of Regular Shareholders' Meeting		June 12, 2012
Employee Stock Bonus	Total Number of Shares	0
	Total Amount	0
Employee Cash Bonus		7,238,637
Total Amount of Employee Bonus		7,238,637
Directors' and Supervisors' Remunerations		0

## Appendix 6

### HTC CORPORATION

#### Shareholding of all Directors and Supervisors and Minimum Required Shareholding

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

Total common shares outstanding	852,052,170 shares
Minimum Required Shareholding by all Directors	27,265,669 shares
Minimum Required Shareholding by all Supervisors	2,726,566 shares

2.

Record Date: April 23, 2013

Title	Name	Current Shareholding	Percentage
Chairperson	Cher Wang	32,272,427	3.79%
Director	Wen-Chi Chen	22,391,389	2.63%
Director	HT Cho	145,530	0.02%
Director	Tan Ho-Chen	0	0.00%
Director	David Bruce Yoffie	0	0.00%
Independent Director	Chen-Kuo Lin	0	0.00%
Independent Director	Josef Felder	133,985	0.02%
Supervisor	Way-Chih Investment Co., Ltd.	43,819,290	5.14%
Supervisor	Huang-Chieh Chu	0	0.00%
Total Directors (excluding Independent Directors)		54,809,346	6.44%
Total Supervisors		43,819,290	5.14%

