

TWSE:2498



htc

# HTC 2015

HTC Corporation  
2015 AGM AGENDA

June 2, 2015 at 9 a.m.  
Chuto Hotel in Taoyuan, Jin Long Room

**HTC CORPORATION**  
**2015 Annual General Shareholders' Meeting Agenda Book**  
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# 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**  
**Procedure for 2015 Annual General Shareholders' Meeting**

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

**HTC CORPORATION**  
**Agenda for the 2015 Annual General Shareholders' Meeting**

**Time and Date:** June 2, 2015 (Tuesday) 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, Chairwoman

1. Opening Remarks by the Chair
2. Matters to Report:
  - Item 1: Fiscal 2014 Business Report
  - Item 2: Supervisors Audit Report
3. Adoption and Discussion Matters:
  - Item 1: Adoption of the Fiscal 2014 Business Report and Financial Statements
  - Item 2: Adoption of the Fiscal 2014 Earnings Distribution Proposal
  - Item 3: Discussion on the proposal to partially amend the Articles of Incorporation
  - Item 4: Discussion on the proposal to partially amend the Procedures for the Acquisition or Disposal of Assets
  - Item 5: Discussion on the proposal to partially amend the Procedures for the Handling of Derivatives Trading
  - Item 6: Discussion on the proposal to partially amend the Bylaws for the Election of Directors and Supervisors
  - Item 7: Discussion on the proposal on the issuance of 7,500,000 New Restricted Employee Shares
4. Extraordinary Motions
5. Closure of the Meeting

## **Matters to Report:**

### **Item 1**

Title: Fiscal 2014 Business Report, submitted for review.

Introduction:

- (1) Please refer to Supplement 1 of this handbook (page 10) for the Fiscal 2014 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 14) for the Supervisors Audit Report.
- (2) Please review.

## **Adoption and Discussion Matters**

### **Item 1**

Title: Adoption of the Fiscal 2014 Business Report and Financial Statements. (Proposed by the Board of Directors)

Introduction:

- (1) The compilation of the Company's Fiscal 2014 Business Report and Financial Statements are completed and has been approved by the Board of Directors. The Financial Statements have been audited and certified by Hsu, Wen-Ya, CPA, and Casey Lai, CPA, of Deloitte & Touche. The Business Report and Financial Statements have been audited by the Supervisors, and are hereby submitted for adoption by this Annual General Shareholders' Meeting.
- (2) Please refer to Supplement 1 (page 10), Supplement 3 (page 15) and Supplement 4 (page 22) of this handbook for the Fiscal 2014 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 2014 Earnings Distribution Proposal. (Proposed by the Board of Directors)

Introduction:

- (1) The Company's net earnings for Fiscal 2014 were NT\$ 1,483,045,928. Please refer to the 2014 Earnings Appropriation Chart in Supplement 5 (page 29). As to the dividends for the shareholders, it is proposed to distribute NT\$ 0.38 per share of cash dividends until fully distributed to last integer (precluding fraction of a dollar), and remainder of undistributed net earnings will be recorded as other income in the applicable financial reporting. 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 2014 employee bonuses payable amounted to NT\$ 88,333,545 which shall be distributed as cash.
- (3) Following the passage of this proposal at the 2015 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) Adoption requested.

Resolution:

### **Item 3**

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

Introduction:

- (1) A partial amendment to the Articles of Incorporation is proposed in response to regulatory requirements and business operation needs of the Company.
- (2) Please refer to Supplement 6 of this handbook (page 30) for the Before and After Revision of the Articles of Incorporation
- (3) Resolution requested.

Resolution:

### **Item 4**

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

Introduction:

- (1) Partial amendment to the Company's Procedures for the Acquisition or Disposal of Assets is proposed to adopt updates made to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies by the Financial Supervisory Commission on December 30, 2013.
- (2) For the Before and After Revision of the Procedures for the Acquisition or Disposal of Asset, please refer to Supplement 7 of this handbook (page 33).
- (3) Resolution requested.

Resolution:

### **Item 5**

Title: Discussion on the proposal to partially amend the Company's Procedures for the Handling of Derivatives Trading is submitted for discussion. (Proposed by the Board of Directors)

Introduction:

- (1) Partial amendment to the Company's Procedures for the Handling of Derivatives Trading is proposed to adopt updates made to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies by the Financial Supervisory Commission on December 30, 2013.



(2) For the Before and After Revision of the Procedures for the Handling of Derivatives Trading, please refer to Supplement 8 of this handbook (page 52).

(3) Resolution requested.

Resolution:

## **Item 6**

Title: Discussion on the proposal to partially amend the Company's Bylaws for the Election of Directors and Supervisors is submitted for discussion. (Proposed by the Board of Directors)

Introduction:

(1) Partial amendment to the Company's Bylaws for the Election of Directors and Supervisors is proposed so the bylaws will be in line with Company's Articles of Incorporation and regulatory requirements.

(2) For the Before and After Revision of the Bylaws for the Election of Directors and Supervisors, please refer to Supplement 9 of this handbook (page 53).

(3) Resolution requested.

Resolution:

## **Item 7**

Title: Discussion on the proposal to issue 7,500,000 New Restricted Employee Shares is submitted for discussion. (Proposed by the Board of Directors)

Introduction:

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

(2) Total amount to be issued: a total of 7,500,000 common shares, each share having a par value of NT\$ 10, for a total amount of NT\$ 75,000,000.

(3) Issue terms:

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

2. Vesting conditions:

Category A: executive level managers of HTC who achieve below-mentioned years of continuous employment and meet company's financial performance evaluation index, shall be entitled to vesting of shares in ratio described below. Board of Directors shall be authorized to determine the applicable the index of Company's financial performance.

(I) An employee who remains employed at HTC after 1 year has elapsed from the time of the award of the new restricted employee shares will be eligible for vesting of an installment of 25% of the shares.

- (II) An employee who remains employed at HTC after 2 years have elapsed from the time of the award of the new shall be entitled to vesting of shares in ratio described below restricted employee shares will be eligible for vesting of an installment of 25% of the shares.
- (III) An employee who remains employed at HTC after 3 year has elapsed from the time of the award of the new restricted employee shares will be eligible for vesting of an installment of 25% of the shares.
- (IV) An employee who remains employed at HTC after 4 year has elapsed from the time of the award of the new restricted employee shares will be eligible for vesting of an installment of 25% of the shares.

Category B: full-time regular employees of HTC who achieve below-mentioned years of continuous employment and required individual performance rating shall be entitled to vesting of shares in ratio described below.

- (I) An employee who remains employed at HTC after 1 year has elapsed from the time of the award of the new restricted employee shares, and who in the then-current fiscal year has a performance rating equal to or higher than “Satisfactory”, will be eligible for vesting of an installment of 30% of the shares.
  - (II) An employee who remains employed at HTC after 2 years have elapsed from the time of the award of the new restricted employee shares, and who in the then-current fiscal year has a performance rating equal to or higher than “Satisfactory”, will be eligible for vesting of an installment of 30% of the shares.
  - (III) An employee who remains employed at HTC after 3 year has elapsed from the time of the award of the new restricted employee shares, and who in the then-current fiscal year has a performance rating equal to or higher than “Satisfactory”, will be eligible for vesting of an installment of 40% of the shares. After issuance, the new restricted employee shares must immediately be deposited in trust.
3. Handling of an employee's failure to meet the vesting conditions: HTC will withdraw issuance without compensation and cancel the full number of the shares.
4. Restrictions on the rights associated with shares that have not yet vested:
- (I) During the vesting period, an employee may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, new restricted employee shares.
  - (II) During the vesting period, the new restricted employee shares can still participate in stock and cash dividends and subscription to cash rights issues and such cash dividends and subscription is not required to be deposited in trust and will not be subject to restrictions.

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

(4) Conditions of Eligibility for Award and the number of shares to be awarded or subscribed:

1. Restricted to full-time regular employees of HTC who are already employed on the date that the new restricted employee shares are awarded.

2. The employees who will be awarded new restricted employee shares and the numbers of such shares awarded will be decided by the chairperson and then approved by the board of directors, with consideration given to factors such as seniority, job rank, work performance, overall contribution, special merit, or other administrative conditions requiring consideration. However, for employees who are officers or hold management positions, the award of such shares is subject to approval by the Compensation Committee.

3. The sum of the cumulative number of shares subscribable under any new restricted employee shares issued by HTC to a single employee shall be in accordance with the relevant restrictions in the Offering Regulations.

(5) Necessary reason to issue the new restricted employee shares: To attract and retain professional talents needed by HTC, and to provide incentive to employees and enhance employee commitment, so as to jointly create benefit to the company and its shareholders.

(6) Potential expenses, dilution to the earnings per share and other effects towards shareholders' equity:

The number of current outstanding shares is 827,988,925 shares, and the estimated restricted employee shares to be issued constitute 0.91% of the current outstanding shares. The estimated total possible expenses for the issuance of the restricted employee shares is approximately NT\$ 1,001,250,000 calculated based on the closing share price on April 10, 2015 (one trading day prior to the date of notice for Board meeting) being NT\$ 133.5 per share. Factoring the vesting period and the current outstanding shares, it is estimated that the expenses generated (after tax) can dilute the earnings per share by approximately NT\$ 0.97 per share. Therefore, these expenses should not have a critical impact on shareholder's equity.

(7) Unless otherwise provided in the applicable governmental regulations, the Board of Directors is authorized to amend or execute any matter which is not specifically prescribed in this proposal after it is approved.

(8) Resolution requested.

Resolution:

## **Extraordinary Motions**

## **Closure of the Meeting**

## Supplement 1

### HTC CORPORATION Fiscal 2014 Business Report

The mobile arena has changed considerably over the last two years, with many competitors both old and new fighting for territory. Yet despite all the challenges, we are happy to report that HTC turned in a robust performance in 2014, ending the year in profit and with the Company in good shape. We continue to cut no corners on design and create beautiful products without compromising on quality or functionality. Our phones won major awards and gained critical acclaim on every continent, and our brand continues to gain awareness and consumer preference.

#### Product Summary

HTC sustained momentum in most markets over the year, with the flagship HTC One and HTC Desire lines of smart phones holding their own or expanding their markets despite stiff competition. The HTC One (M8) was launched concurrently in New York and London in March 2014, and was well received around the world, acquiring a customer review score upon launch of 4.8 out of 5 across the regions\* and providing a clear halo effect for the HTC brand and other product groups. The HTC One (M8) utilizes our unique zero-gap manufacturing process to create a phone made almost entirely out of metal, raising the bar in the industry for quality and finish. Introduced at the same time was the award-winning HTC Dot View™ smart case, which enables users to answer calls, check the time and read notifications without opening the cover or turning on the phone.

The “Double Exposure” launch event held in New York in October staged several firsts for HTC in the creation and distribution of services as well as software, including HTC Eye™ Experience, Zoe™ and HTC RE™. The Eye Experience integrates a set of enhanced imaging applications such as face tracking to improve video chats and an array of tools that enable users to combine, merge or crop images in creative new ways, while Zoe is a collaborative social video editing application that we made freely available on Google Play, enabling HTC to reach out directly to both current and potential users.

The launch of the HTC RE™, a remarkable little camera marked HTC’s move into new areas.. Designed for everyday use, the HTC RE camera embodies our vision to expand the connected lifestyle ecosystem beyond the smart phone through the creation of complementary devices that address specific market needs.

The HTC Desire™ range performed well throughout the year and made a solid contribution to extending the HTC brand in emerging markets. The widely acclaimed Desire 816 sold well in key Asian and Middle Eastern markets as an excellent value mid-tier phone, while the Desire 610 and 510 fared well in the US and European markets. The Desire 820, featuring the world’s first 64-bit octa-core processor, received wide distribution support from the major carriers in China. The HTC Desire EYE, launched in late November and ranged in key Asian markets, incorporates all the exciting imaging technology that forms the HTC Eye™ Experience. We look forward to continued progress in building this product family and making the benefits of smartphones accessible to more people around the world.

Finally, we have had an exciting start to 2015 with the launch of the new flagship, the HTC One M9, at Mobile World Congress, as well as a further step into new connected lifestyle fields with the launch of the HTC Grip™, a high-performance, smart fitness tracker. HTC Grip is the first product from our partnership with Under Armour, a leading fitness retailer, and will empower

athletes in their pursuit of performance. In addition, we announced a strategic partnership with Valve in the development of the advanced virtual reality platform, HTC Vive™, which received an overwhelming response at Mobile World Congress and earned several best-in-show awards. This diversification strategy, working with strong partners in each field, will broaden our reach, connecting us to new consumers around the world and enabling us to deliver on our promise of fostering human connectiveness.

\*Social review benchmark: Confirmit

## Corporate Governance

In recognition of the strategic importance of connected smart devices to HTC's future, we undertook a review of the organization leadership toward the latter part of 2014, with a view to enabling Peter Chou to focus fully on identifying and developing new product opportunities in the connected lifestyle space. Accordingly, the Board of Directors agreed on a strategic change at the top, with Cher Wang assuming the role of CEO in March 2015. Peter Chou has been increasingly focused on product development, a role in which he has demonstrated world-class design and cutting-edge technology expertise. This announcement formalized that progression and lays the foundation for the next stage of HTC's development.

During his time as CEO, Peter Chou oversaw the successful transition of HTC from a handheld device ODM to a global brand. In his new executive role as Head of Future Development, Peter Chou will be instrumental in identifying future growth opportunities for the Company. The Board and management express their profound appreciation for his stewardship over his ten years of leadership, and look forward to his continued contribution in his strategic new role.

## Accolades and Achievements

After a superlative year of awards in 2013, our products again earned significant industry, media, and consumer awards in the year of 2014. Of particular note was the recognition of the HTC One (M7) as the "Best Smartphone" by the GSMA Global Mobile Awards. HTC One(M8) also received the "Phone of the Year" award from T3 Gadget; and garnered the "Gold Product Design" from iF, a tribute to the One (M8)'s superb handcraft achievement among many editorial and reader-selection awards, including Business Insider ("Best Phone on the Market") and Laptop Magazine.

The HTC Desire smart phones also gained their fair share of awards. In particular, the HTC Desire 820 was recognised for its beautiful design and received the "Best mid-range smartphone" award from Android Authority; it also followed in the illustrious footsteps of the Desire 816 in being honoured in Android Central's 2014 "Best of IFA Awards". The Desire 816 continued from strength to strength in its own right, receiving awards at Mobile World Congress as "Best Phone" by Tech Radar, "Best in Show" by Know Your Mobile, and Editor's Choice by PC Mag.

Additionally, HTC RE camera also won a "Gold Product Award" by Spark Awards, At Mobile World Congress in 2015, HTC Vive was awarded "Best in Show" and also received many accolades from media. HTC Vive was named "2015 MWC Top Picks" by Android Central, "Best in Show at MWC 2015" by Tech Radar, "MWC 2015 Best of Show" by Digital Trends, and accolade continued on We are very excited to see the consumer response as the product rolls out in the back half of 2015 and look forward to gaining more recognition as it becomes more widely available.

## Financial Performance

HTC's focus on streamlining operations and enhancing efficiencies across the business over the last two years allowed the Company restore profitability despite the increasingly competitive landscape. Full-year consolidated revenues came in at NT\$187.9 billion, with consolidated gross profit of NT\$40.8 billion. Consolidated gross margins were 21.7%, while operating margins were at 0.4%. Net profit after tax stood at NT\$1.48 billion, which equates to a full-year earnings per share (EPS) of NT\$1.80. We are working hard to build upon this positive financial performance in 2015.

## The Pursuit of Brilliance

In 2014, we undertook a brand refresh to reflect HTC's industry maturity and increase our connection with consumers, while retaining the focus on brilliance that is deeply rooted in our corporate culture. Our vision is to foster human connectiveness, to enable a sense of interconnectedness and belonging, to be part of something larger than ourselves. At HTC, we believe in the power of "One", striving to connect people instead of dividing the world by our differences.

We aim to achieve this vision through the Pursuit of Brilliance, our brand spirit that is at the heart of everything we do. Our pursuit of brilliance inspires best-in-class design and game-changing mobile experiences; it pushes us to reimagine new ways to connecting the world, consumers and their dreams in ways never before thought possible.

As every aspect of our lives is being enhanced by ubiquitous intelligence, it is important for HTC to seize the opportunities that these changes bring. Smart devices increasingly form the cornerstone of our homes, our cars and our cities, and these changes are providing great opportunities for players with the right people, the right attitude, and the right expertise. With our proven records in design, hardware and software integration, and leading technology, HTC is well placed to define the future. With the pursuit of brilliance instilled in our DNA, we can aim higher and expand our vision of the connected lifestyle and celebrate our shared interconnectedness.

## Social Responsibility

HTC's dedication and passion go beyond our products and services -- we continue to demonstrate our care for the community where we can make a difference. HTC takes a broader approach to serving society and making life better through The HTC Social Welfare Foundation and HTC Education Foundation. Both foundations are committed to enhancing the welfare of disadvantaged groups, offering educational scholarship and opportunities for those in need.

2014 marked the ten-year anniversary of the HTC Foundation offering motivational and character education training, with over 70,000 adults joining the 1,200 courses offered over the decade. It has also been five years since the start of the education program for underprivileged children and teenagers, which has seen 23,000 children attending courses; this area of work has expanded greatly over this time, with 7,000 joining in 2014 alone. Video teaching materials and instructor guides have been created and provided to local institutions, and the Foundation continually strives to discover more areas to support the community.

From our people to our products and our social and environmental initiatives, the Pursuit of Brilliance represents the guiding philosophy that has driven and will continue to shape HTC as a global brand.

## HTC CORPORATION

Chairwoman and CEO: Cher Wang

Chief Accountant: James.CY Chen



## Supplement 2

### HTC CORPORATION Supervisors Audit Report

The Board of Directors has prepared the Company's 2014 Business Report, Financial Statements and Earnings Distribution Proposal. HTC Corporation's Financial Statements have been audited and certified by Hsu, Wen-Ya, CPA, and Casey Lai, CPA, of Deloitte & Touche and an audit report relating to the Financial Statements has been issued. The Business Report, Financial Statements and 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

April 15, 2015

## Supplement 3

### 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, 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

February 6, 2015

#### Notice to Readers

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

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

# HTC CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 36,605,790	22	\$ 33,034,504	20
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	262,544	-	162,297	-
Trade receivables, net (Note 11)	12,405,044	8	13,966,622	8
Trade receivables - related parties, net (Notes 11 and 29)	16,250,234	10	13,203,577	8
Other receivables (Note 11)	324,427	-	1,856,396	1
Current tax assets (Note 24)	45,994	-	24,192	-
Inventories (Note 12)	14,430,309	9	18,463,656	11
Prepayments (Notes 13 and 29)	4,630,779	3	3,596,806	2
Other current financial assets (Notes 10 and 30)	-	-	2,359,041	2
Other current assets	95,146	-	125,019	-
Total current assets	<u>85,050,267</u>	<u>52</u>	<u>86,792,110</u>	<u>52</u>
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current (Note 28)	93	-	239	-
Financial assets measured at cost - non-current (Notes 9 and 28)	515,861	-	515,861	-
Investments accounted for using equity method (Notes 14 and 29)	42,495,754	26	42,130,349	25
Property, plant and equipment (Notes 15 and 29)	18,660,108	12	19,773,608	12
Intangible assets (Note 16)	1,222,721	1	1,650,891	1
Deferred tax assets (Note 24)	6,483,671	4	6,475,936	4
Refundable deposits (Note 28)	68,984	-	75,081	-
Prepaid pension cost - non-current (Note 20)	109,292	-	125,894	-
Other non-current assets (Note 13)	8,405,463	5	10,014,225	6
Total non-current assets	<u>77,961,947</u>	<u>48</u>	<u>80,762,084</u>	<u>48</u>
<b>TOTAL</b>	<u>\$ 163,012,214</u>	<u>100</u>	<u>\$ 167,554,194</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 28)	\$ 22,424	-	\$ -	-
Note and trade payables (Note 17)	40,815,810	25	42,788,723	26
Trade payable - related parties (Notes 17 and 29)	6,508,521	4	5,622,019	4
Other payables (Notes 18 and 29)	29,246,053	18	33,562,853	20
Current tax liabilities (Note 24)	11,982	-	303	-
Provisions - current (Note 19)	5,442,380	4	7,224,637	4
Other current liabilities (Note 18)	509,131	-	532,805	-
Total current liabilities	<u>82,556,301</u>	<u>51</u>	<u>89,731,340</u>	<u>54</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Note 24)	121,380	-	114,034	-
Guarantee deposits received (Note 28)	1,160	-	1,160	-
Total non-current liabilities	<u>122,540</u>	<u>-</u>	<u>115,194</u>	<u>-</u>
Total liabilities	<u>82,678,841</u>	<u>51</u>	<u>89,846,534</u>	<u>54</u>
<b>EQUITY (Note 21)</b>				
Share capital - common stock	8,349,521	5	8,423,505	5
Capital surplus	15,140,687	9	15,360,307	9
Retained earnings				
Legal reserve	18,149,350	11	18,149,350	11
Special reserve	-	-	854,138	1
Unappropriated earnings	41,381,753	25	47,282,820	28
Other equity	1,062,118	1	557,698	-
Treasury shares	(3,750,056)	(2)	(12,920,158)	(8)
Total equity	<u>80,333,373</u>	<u>49</u>	<u>77,707,660</u>	<u>46</u>
<b>TOTAL</b>	<u>\$ 163,012,214</u>	<u>100</u>	<u>\$ 167,554,194</u>	<u>100</u>

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

# HTC CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014		2013	
	Amount	%	Amount	%
REVENUES (Notes 8, 22 and 29)	\$ 174,793,564	100	\$ 194,294,044	100
COST OF REVENUES (Notes 12, 20, 23 and 29)	<u>143,529,263</u>	<u>82</u>	<u>160,324,556</u>	<u>82</u>
GROSS PROFIT	31,264,301	18	33,969,488	18
UNREALIZED GAINS	(955,021)	(1)	(1,611,132)	(1)
REALIZED GAINS	<u>1,611,132</u>	<u>1</u>	<u>2,354,363</u>	<u>1</u>
REALIZED GROSS PROFIT	<u>31,920,412</u>	<u>18</u>	<u>34,712,719</u>	<u>18</u>
OPERATING EXPENSES (Notes 20, 23 and 29)				
Selling and marketing	15,587,029	9	18,767,921	10
General and administrative	4,143,950	2	6,149,762	3
Research and development	<u>11,707,948</u>	<u>7</u>	<u>11,431,489</u>	<u>6</u>
Total operating expenses	<u>31,438,927</u>	<u>18</u>	<u>36,349,172</u>	<u>19</u>
OPERATING PROFIT (LOSS)	<u>481,485</u>	<u>-</u>	<u>(1,636,453)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 29)	392,761	-	675,659	-
Other gains and losses (Notes 8 and 23)	85,809	-	758,009	-
Finance costs	(16,485)	-	(6,550)	-
Share of the profit or loss of subsidiaries, associates and joint ventures (Note 14)	<u>587,645</u>	<u>1</u>	<u>(1,075,872)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,049,730</u>	<u>1</u>	<u>351,246</u>	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX	1,531,215	1	(1,285,207)	(1)
INCOME TAX (Note 24)	<u>(48,169)</u>	<u>-</u>	<u>(38,578)</u>	<u>-</u>
PROFIT (LOSS) FOR THE YEAR	<u>1,483,046</u>	<u>1</u>	<u>(1,323,785)</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME AND LOSS				
Exchange differences on translating foreign operations (Note 21)	903,136	-	1,649,412	1
Unrealized (loss) gain on available-for-sale financial assets (Note 21)	(146)	-	42	-
Cash flow hedge (Note 21)	-	-	(194,052)	-

(Continued)

# HTC CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014		2013	
	Amount	%	Amount	%
Actuarial gain and loss arising from defined benefit plans (Note 20)	\$ (33,166)	-	\$ (16,976)	-
Share of the other comprehensive income of subsidiaries, associates and joint ventures	(150)	-	(11,887)	-
Income tax relating to the components of other comprehensive income (Notes 20 and 24)	<u>3,980</u>	<u>-</u>	<u>1,771</u>	<u>-</u>
Other comprehensive income and loss for the year, net of income tax	<u>873,654</u>	<u>-</u>	<u>1,428,310</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,356,700</u>	<u>1</u>	<u>\$ 104,525</u>	<u>-</u>
EARNINGS (LOSS) PER SHARE (Note 25)				
Basic	<u>\$ 1.80</u>		<u>\$ (1.60)</u>	
Diluted	<u>\$ 1.80</u>		<u>\$ (1.60)</u>	

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

(Concluded)

## HTC CORPORATION

### STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	Other Equity							Total Equity			
	Share Capital Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) on Available-for- sale Financial Assets		Cash Flow Hedge	Unearned Employee Benefit	Treasury Shares
BALANCE, JANUARY 1, 2013	\$ 8,520,521	\$ 16,601,557	\$ 16,471,254	\$ -	\$ 53,630,777	\$ (1,089,693)	\$ 9,716	\$ 194,052	\$ -	\$ (14,065,490)	\$ 80,272,694
Appropriation of 2012 earnings	-	-	1,678,096	-	(1,678,096)	-	-	-	-	-	-
Legal reserve	-	-	-	854,138	(854,138)	-	-	-	-	-	-
Special reserve	-	-	-	-	(1,662,455)	-	-	-	-	-	(1,662,455)
Cash dividends	-	-	-	-	-	-	-	-	-	-	-
Loss for the year ended December 31, 2013	-	-	-	-	(1,323,785)	-	-	-	-	-	(1,323,785)
Other comprehensive income and loss for the year ended December 31, 2013	-	-	-	-	(15,313)	1,649,412	(11,737)	(194,052)	-	-	1,428,310
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(1,033,846)	(1,033,846)
Retirement of treasury stock	(97,016)	(1,267,992)	-	-	(814,170)	-	-	-	-	2,179,178	-
Share-based payments	-	26,742	-	-	-	-	-	-	-	-	26,742
BALANCE, DECEMBER 31, 2013	8,423,505	15,360,307	18,149,350	854,138	47,282,820	559,719	(2,021)	-	-	(12,920,158)	77,707,660
The loss off-setting for 2013 Special reserve reversed	-	-	-	(854,138)	854,138	-	-	-	-	-	-
Profit for the year ended December 31, 2014	-	-	-	-	1,483,046	-	-	-	-	-	1,483,046
Other comprehensive income and loss for the year ended December 31, 2014	-	-	-	-	(29,336)	903,136	(146)	-	-	-	873,654
Retirement of treasury shares	(119,984)	(841,203)	-	-	(8,208,915)	-	-	-	-	9,170,102	-
Share-based payments	46,000	621,583	-	-	-	-	-	-	(398,570)	-	269,013
BALANCE, DECEMBER 31, 2014	\$ 8,349,521	\$ 15,140,687	\$ 18,149,350	\$ 41,381,753	\$ 1,462,855	\$ (2,167)	\$ (398,570)	\$ (3,750,056)	\$ (3,750,056)	\$ (3,750,056)	\$ 80,333,373

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

# HTC CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	\$ 1,531,215	\$ (1,285,207)
Adjustments for:		
Depreciation expense	1,774,782	1,602,946
Amortization expense	649,887	651,632
Impairment loss recognized on trade receivables	-	991,821
Finance costs	16,485	6,550
Interest income	(214,092)	(426,679)
Compensation costs of employee share-based payments	244,346	23,443
Share of the profit or loss of subsidiaries, associates and joint ventures	(587,645)	1,075,872
Transfer of property, plant and equipment to expenses	-	1,581
Gain on disposal of intangible assets	-	(110,602)
Impairment losses on non-financial assets	731,833	550,224
Unrealized gains on sales	955,021	1,611,132
Realized gains on sales	(1,611,132)	(2,354,363)
Ineffective portion of cash flow hedges	-	10,467
Changes in operating assets and liabilities		
Increase in financial instruments held for trading	(77,823)	(155,347)
Decrease in trade receivables	1,561,578	4,785,320
(Increase) decrease in trade receivables - related parties	(3,046,657)	6,264,553
Decrease (increase) in other receivables	1,533,217	(521,760)
Decrease in inventories	3,475,767	1,619,172
(Increase) decrease in prepayments	(1,033,973)	48,433
Decrease (increase) in other current assets	29,873	(90,882)
Decrease (increase) in other non-current assets	1,572,293	(1,933,827)
Decrease in note and trade payables	(1,972,913)	(25,938,861)
Increase in trade payable - related parties	886,502	2,719,034
(Decrease) increase in other payables	(4,163,252)	2,129,687
Decrease in provisions	(1,782,257)	(2,879,080)
Decrease in other current liabilities	(23,674)	(654,251)
Cash generated from (used in) operations	449,381	(12,258,992)
Interest received	212,844	473,600
Interest paid	(16,485)	(6,550)
Income tax paid	(54,701)	(1,451,420)
Net cash generated from (used in) operating activities	<u>591,039</u>	<u>(13,243,362)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Recovery of the principal amount of held-to-maturity investments	-	100,000
Net cash inflow on disposal of subsidiaries	-	22
Proceeds from capital reduction of investments accounted for using equity method	2,007,655	-
Payments for property, plant and equipment	(794,925)	(2,367,429)
Decrease in refundable deposits	6,097	9,866

(Continued)

# HTC CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

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	2014	2013
Decrease in other receivables - related parties	\$ -	\$ 6,554,025
Payments for intangible assets	(221,717)	(193,526)
Proceeds from disposal of intangible assets	-	117,380
Decrease in other current financial assets	2,359,041	3,247,679
Dividend received	<u>7,687</u>	<u>7,655</u>
Net cash generated from investing activities	<u>3,363,838</u>	<u>7,475,672</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for treasury shares	-	(1,033,846)
Increase in guarantee deposits received	-	1,160
Net cash outflow on acquisition of subsidiaries	(383,591)	(1,048,594)
Dividends paid to owners of the Company	<u>-</u>	<u>(1,662,455)</u>
Net cash used in financing activities	<u>(383,591)</u>	<u>(3,743,735)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,571,286	(9,511,425)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>33,034,504</u>	<u>42,545,929</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 36,605,790</u>	<u>\$ 33,034,504</u>

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

(Concluded)



## Supplement 4

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
HTC Corporation

We have audited the accompanying consolidated balance sheets of HTC Corporation and its subsidiaries (collectively referred to as the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2014 and 2013, and their consolidated financial performance and their consolidated cash flows for the years ended 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of HTC Corporation as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified report.

February 6, 2015

#### Notice to Readers

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

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

## HTC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

ASSETS	2014		2013	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 55,743,558	34	\$ 53,298,941	31
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	262,544	-	162,297	-
Debt investments with no active market - current (Note 29)	7,918	-	-	-
Trade receivables, net (Notes 11 and 30)	29,140,284	18	23,371,172	14
Other receivables (Note 11)	584,936	-	2,137,653	1
Current tax assets (Note 24)	274,321	-	238,085	-
Inventories (Note 12)	17,213,060	11	23,599,558	14
Prepayments (Note 13)	6,626,106	4	5,803,744	3
Other current financial assets (Notes 10 and 31)	334,954	-	2,771,023	2
Other current assets	99,269	-	124,808	-
Total current assets	110,286,950	67	111,507,281	65
<b>NON-CURRENT ASSETS</b>				
Available-for-sale financial assets - non-current (Note 29)	93	-	239	-
Financial assets measured at cost - non-current (Notes 9 and 29)	2,586,478	2	4,603,061	2
Investments accounted for using equity method (Notes 14 and 30)	234,661	-	227,504	-
Property, plant and equipment (Notes 15 and 30)	23,435,556	14	25,561,399	15
Intangible assets (Note 16)	7,209,291	5	8,664,066	5
Deferred tax assets (Note 24)	8,452,707	5	8,665,235	5
Refundable deposits (Note 29)	262,740	-	352,894	-
Long-term receivables (Notes 11 and 27)	1,342,813	1	1,182,393	1
Prepaid pension cost - non-current (Note 20)	109,138	-	125,715	-
Other non-current assets (Note 13)	9,917,847	6	11,739,400	7
Total non-current assets	53,551,324	33	61,121,906	35
<b>TOTAL</b>	<b>\$ 163,838,274</b>	<b>100</b>	<b>\$ 172,629,187</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - current (Notes 7 and 29)	\$ 22,424	-	\$ -	-
Note and trade payables (Notes 17 and 30)	43,803,343	27	46,275,851	27
Other payables (Notes 18 and 30)	32,237,945	20	38,032,999	22
Current tax liabilities (Note 24)	210,714	-	1,040,128	1
Provisions - current (Note 19)	5,841,179	3	8,208,885	5
Other current liabilities (Note 18)	1,143,134	1	956,127	-
Total current liabilities	83,258,739	51	94,513,990	55
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Note 24)	202,932	-	151,122	-
Guarantee deposits received (Note 29)	43,230	-	256,415	-
Total non-current liabilities	246,162	-	407,537	-
Total liabilities	83,504,901	51	94,921,527	55
<b>EQUITY (Note 21)</b>				
Share capital - common stock	8,349,521	5	8,423,505	5
Capital surplus	15,140,687	9	15,360,307	9
Retained earnings				
Legal reserve	18,149,350	11	18,149,350	11
Special reserve	-	-	854,138	-
Unappropriated earnings	41,381,753	25	47,282,820	27
Other equity	1,062,118	1	557,698	-
Treasury shares	(3,750,056)	(2)	(12,920,158)	(7)
Total equity	80,333,373	49	77,707,660	45
<b>TOTAL</b>	<b>\$ 163,838,274</b>	<b>100</b>	<b>\$ 172,629,187</b>	<b>100</b>

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

# HTC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014		2013	
	Amount	%	Amount	%
REVENUES (Notes 8, 22 and 30)	\$ 187,911,200	100	\$ 203,402,648	100
COST OF REVENUES (Notes 12, 20, 23 and 30)	<u>147,156,105</u>	<u>78</u>	<u>161,131,895</u>	<u>79</u>
GROSS PROFIT	<u>40,755,095</u>	<u>22</u>	<u>42,270,753</u>	<u>21</u>
OPERATING EXPENSES (Notes 20, 23 and 30)				
Selling and marketing	21,834,286	12	26,467,742	13
General and administrative	5,204,788	3	7,230,081	4
Research and development	<u>13,047,251</u>	<u>7</u>	<u>12,543,452</u>	<u>6</u>
Total operating expenses	<u>40,086,325</u>	<u>22</u>	<u>46,241,275</u>	<u>23</u>
OPERATING PROFIT (LOSS)	<u>668,770</u>	<u>-</u>	<u>(3,970,522)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 23)	834,124	1	1,164,948	1
Other gains and losses (Notes 8 and 23)	506,194	-	2,421,266	1
Finance costs	(16,983)	-	(8,405)	-
Share of the profit or loss of associates and joint ventures (Note 14)	<u>(8,679)</u>	<u>-</u>	<u>197,069</u>	<u>-</u>
Total non-operating income and expenses	<u>1,314,656</u>	<u>1</u>	<u>3,774,878</u>	<u>2</u>
PROFIT (LOSS) BEFORE INCOME TAX	1,983,426	1	(195,644)	-
INCOME TAX (Note 24)	<u>500,380</u>	<u>-</u>	<u>1,128,141</u>	<u>1</u>
PROFIT (LOSS) FOR THE YEAR	<u>1,483,046</u>	<u>1</u>	<u>(1,323,785)</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME AND LOSS				
Exchange differences on translating foreign operations (Note 21)	903,136	-	1,649,412	1
Unrealized losses on available-for-sale financial assets (Note 21)	(146)	-	(11,738)	-
Cash flow hedge (Note 21)	-	-	(194,052)	-

(Continued)

## HTC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014		2013	
	Amount	%	Amount	%
Actuarial losses arising from defined benefit plans (Note 20)	\$ (33,346)	-	\$ (17,106)	-
Income tax relating to the components of other comprehensive income (Notes 20 and 24)	<u>4,010</u>	<u>-</u>	<u>1,794</u>	<u>-</u>
Other comprehensive income and loss for the year, net of income tax	<u>873,654</u>	<u>-</u>	<u>1,428,310</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,356,700</u>	<u>1</u>	<u>\$ 104,525</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO Owners of the parent	<u>\$ 1,483,046</u>	<u>1</u>	<u>\$ (1,323,785)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO Owners of the parent	<u>\$ 2,356,700</u>	<u>1</u>	<u>\$ 104,525</u>	<u>-</u>
EARNINGS (LOSS) PER SHARE (Note 25)				
Basic	<u>\$ 1.80</u>		<u>\$ (1.60)</u>	
Diluted	<u>\$ 1.80</u>		<u>\$ (1.60)</u>	

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

(Concluded)

## HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(In Thousands of New Taiwan Dollars)

	Share Capital Common Stock	Capital Surplus	Retained Earnings			Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Other Equity				Total Equity
			Legal Reserve	Special Reserve	Unearned Employee Benefit			Treasury Shares	Unrealized Gains (Losses) on Available-for- sale Financial Assets	Cash Flow Hedge	Unearned Employee Benefit	
BALANCE, JANUARY 1, 2013	\$ 8,520,521	\$ 16,601,557	\$ 16,471,254	\$ -	\$ 53,630,777	\$ (1,089,693)	\$ 9,716	\$ 194,052	\$ -	\$ (14,065,490)	\$ 80,272,694	
Appropriation of 2012 earnings	-	-	1,678,096	-	(1,678,096)	-	-	-	-	-	-	
Legal reserve	-	-	854,138	-	(854,138)	-	-	-	-	-	-	
Special reserve	-	-	-	-	(1,662,455)	-	-	-	-	-	(1,662,455)	
Cash dividends	-	-	-	-	(1,323,785)	-	-	-	-	-	(1,323,785)	
Loss for the year ended December 31, 2013	-	-	-	-	(15,313)	1,649,412	(11,737)	(194,052)	-	-	1,428,310	
Other comprehensive income and loss for the year ended December 31, 2013	-	-	-	-	(814,170)	-	-	-	-	(1,033,846)	(1,033,846)	
Purchase of treasury shares	(97,016)	(1,267,992)	-	-	-	-	-	-	-	2,179,178	-	
Retirement of treasury stock	-	26,742	-	-	-	-	-	-	-	-	26,742	
Share-based payments	-	-	-	-	47,282,820	559,719	(2,021)	-	-	(12,920,158)	77,707,660	
BALANCE, DECEMBER 31, 2013	8,423,505	15,360,307	18,149,350	854,138	854,138	903,136	(146)	-	-	-	873,654	
The loss off-setting for 2013 Special reserve reversed	-	-	(854,138)	-	(29,336)	-	-	-	-	-	-	
Profit for the year ended December 31, 2014	-	-	-	-	(8,208,915)	-	-	-	-	9,170,102	-	
Other comprehensive income and loss for the year ended December 31, 2014	(119,984)	(841,203)	-	-	-	-	-	-	-	-	-	
Retirement of treasury stock	-	621,583	-	-	-	-	-	-	-	-	269,013	
Share-based payments	46,000	-	-	-	-	-	-	-	(398,570)	-	-	
BALANCE, DECEMBER 31, 2014	\$ 8,349,521	\$ 15,140,687	\$ 18,149,350	\$ -	\$ 41,381,753	\$ 1,462,855	\$ (2,167)	\$ -	\$ (398,570)	\$ (3,750,056)	\$ 80,333,373	

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

# HTC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED December 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	\$ 1,983,426	\$ (195,644)
Adjustments for:		
Depreciation expense	2,952,892	2,916,699
Amortization expense	1,868,817	1,968,492
Impairment losses recognized on trade receivables	3,875	1,010,405
Finance costs	16,983	8,405
Interest income	(403,155)	(554,355)
Dividend income	(26,381)	(16,282)
Compensation costs of employee share - based payments	269,013	26,742
Share of the profit or loss of associates and joint ventures	8,679	(197,069)
Losses on disposal of property, plant and equipment	153,493	58
Transfer of property, plant and equipment to expenses	-	2,995
Gain on disposal of intangible assets	-	(108,265)
Gains on sale of investments	(157,995)	(29,735)
Gain on disposal of investments accounted for using equity method	-	(2,637,673)
Impairment loss recognized on financial assets measured at cost	373,257	-
Impairment losses on non-financial assets	695,945	1,281,518
Gain on disposal of subsidiaries/ineffective portion of cash flow hedges	-	(164,969)
Changes in operating assets and liabilities		
Increase in financial instruments held for trading	(77,823)	(155,347)
(Increase) decrease in trade receivables	(5,772,987)	16,845,574
Decrease (increase) in other receivables	1,552,870	(607,949)
Decrease (increase) in inventories	5,864,806	(207,347)
Increase in prepayments	(822,362)	(1,360,194)
Decrease (increase) in other current assets	25,539	(96,724)
Decrease (increase) in other non-current assets	1,779,567	(1,869,090)
Decrease in note and trade payables	(2,472,508)	(27,311,669)
Decrease in other payables	(5,279,307)	(427,233)
Decrease in provisions	(2,367,706)	(672,629)
Increase (decrease) in other current liabilities	187,007	(822,489)
Cash generated from (used in) operations	355,945	(13,373,775)
Interest received	311,262	599,071
Interest paid	(16,983)	(8,405)
Income tax paid	(990,083)	(3,448,352)
Net cash used in operating activities	<u>(339,859)</u>	<u>(16,231,461)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of available-for-sale financial assets	-	56,738
Purchase of debt investments with no active market	(7,918)	-
Recovery of the principal amount of held-to-maturity investments	-	100,000
Payments to acquire financial assets measured at cost	(432,463)	(197,684)
Proceeds from disposal of financial assets measured at cost	2,358,135	-

(Continued)

# HTC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED December 31, 2014 AND 2013 (In Thousands of New Taiwan Dollars)

	2014	2013
Payments to acquire investments accounted for using equity method	\$ (15,836)	\$ -
Disposal of investments accounted for using equity method	-	7,883,326
Net cash inflow on disposal of subsidiaries	-	4,643,189
Payments for property, plant and equipment	(1,372,934)	(2,855,698)
Proceeds from disposal of property, plant and equipment	16,017	2,609
Increase in refundable deposits	-	(166,428)
Decrease in refundable deposits	90,154	-
Decrease in other receivables - related parties	-	6,554,025
Payments for intangible assets	(244,588)	(223,008)
Disposal of intangible assets	-	117,380
Decrease in other current financial assets	2,436,069	3,790,421
Dividend received	<u>26,381</u>	<u>661,896</u>
Net cash generated from investing activities	<u>2,853,017</u>	<u>20,366,766</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in guarantee deposits received	-	196,416
Decrease in guarantee deposits paid	(213,185)	-
Cash dividends	-	(1,662,455)
Payments for treasury shares	<u>-</u>	<u>(1,033,846)</u>
Net cash used in financing activities	<u>(213,185)</u>	<u>(2,499,885)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>144,644</u>	<u>697,378</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,444,617	2,332,798
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<u>53,298,941</u>	<u>50,966,143</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<u>\$ 55,743,558</u>	<u>\$ 53,298,941</u>

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

(Concluded)

## Supplement 5

### HTC CORPORATION The Chart of 2014 Earnings Distribution

UNIT: NT\$

Item	Amount	
		Total
Accumulated earnings at beginning of 2014		47,230,273,163
Plus: Net income of 2012	1,483,045,928	
Less: Legal reserve (10% of 2014 NPAT)	(148,304,593)	
Less: The amounts of actuarial losses recognized in other comprehensive income and loss	(29,186,276)	
Less: The company's investment loss for its subsidiary's amounts of actuarial losses recognized in other comprehensive income and loss based on equity method	(149,568)	
Plus: To appropriate special reserve (Note 1)	0	
Appropriation of earnings for 2014	1,305,405,491	
Appropriation of earnings as of Dec 31, 2014		48,535,678,654
Items of appropriation and distribution of 2014 earnings :		
Cash dividend (NT\$0.38 per share) (Note 2)	(314,635,792)	
Total appropriation and distribution of 2014		(314,635,792)
Less: Because the book value of retired treasury shares is higher than the sum of par value plus original issue premium, the difference is charged to capital reserve generated by treasury shares of the same class. If this capital reserve is insufficient		(10,863,138,650)
Accumulated earnings at end of 2014		37,357,904,212

[NOTE]: Employee Cash Bonus Distribution: NT\$88,333,545  
Directors and Supervisors' remuneration: NT\$ 0

(Note 1): Calculation : UNIT: NT\$	UNIT: NT\$
Other adjustment of Stockholders' Equity:	
As of Dec 31, 2014:	
Unrealized loss on available-for-sale financial assets	(2,167,429)
Exchange differences on translating foreign operations	1,462,855,250
Other adjustments of Stockholder' Equity as of Dec 31, 2014	1,460,687,821
Accumulated Special reserve for debit of Stockholders' Equity as of Dec 31, 2014 :	0
Less : Accumulated Special reserve for debit of Stockholders' Equity per book as of Dec 31, 2013	0
To appropriate Special reserve for debit of Stockholders' Equity	0

(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

Chairwoman and CEO: Cher Wang

Chief Accountant: James.CY Chen



## Supplement 6

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

Article no.	Original article	Amended article	Notes
Article 2	<p>The scope of business of the Company is as follows:</p> <ol style="list-style-type: none"> <li>1. CC01080 Electronic Parts and Components Manufacturing.</li> <li>2. CC01101 Controlled Telecommunications Radio Frequency Equipment and Materials Manufacturing.</li> <li>3. CC01110 Computers and Computing Peripheral Equipment Manufacturing.</li> <li>4. C805050 Industrial Plastic Products Manufacturing.</li> <li>5. CC01120 Data Storage Media Manufacturing and Duplicating.</li> <li>6. E605010 Computing Equipment Installation.</li> <li>7. E701040 Basic Telecommunications Equipment Construction.</li> <li>8. E701020 Satellite Television Equipment and Materials Installation for Channels KU and C.</li> <li>9. E701030 Controlled Telecommunications Radio Frequency Equipment and Materials Installation and Construction</li> <li>10. F113030 Wholesale of Precision Instruments.</li> <li>11. F113050 Wholesale of Computing and Business Machinery Equipment.</li> <li>12. F113070 Wholesale of Telecommunications Equipment.</li> <li>13. F118010 Wholesale of Computer Software.</li> <li>14. F119010 Wholesale of Electronics Materials.</li> <li>15. F213030 Retail sale of Computing and Business Machinery Equipment.</li> <li>16. F213040 Retail Sale of Precision Instruments.</li> <li>17. F213060 Retail Sale of Telecommunications Equipment.</li> <li>18. F218010 Retail Sale of Computer Software.</li> <li>19. F219010 Retail Sale of Electronics Materials.</li> <li>20. F401010 International Trade.</li> <li>21. F401021 Controlled Telecommunications Radio Frequency Equipment and Materials Import.</li> <li>22. G801010 Warehousing and Storage.</li> <li>23. I301010 Software Design Services.</li> <li>24. I301020 Data Processing Services.</li> <li>25. I301030 Digital Information Supply</li> </ol>	<p>The scope of business of the Company is as follows:</p> <ol style="list-style-type: none"> <li>1. CC01080 Electronic Parts and Components Manufacturing.</li> <li>2. CC01101 Controlled Telecommunications Radio Frequency Equipment and Materials Manufacturing.</li> <li>3. CC01110 Computers and Computing Peripheral Equipment Manufacturing.</li> <li>4. C805050 Industrial Plastic Products Manufacturing.</li> <li>5. CC01120 Data Storage Media Manufacturing and Duplicating.</li> <li>6. E605010 Computing Equipment Installation.</li> <li>7. E701040 Basic Telecommunications Equipment Construction.</li> <li>8. E701020 Satellite Television Equipment and Materials Installation for Channels KU and C.</li> <li>9. E701030 Controlled Telecommunications Radio Frequency Equipment and Materials Installation and Construction</li> <li>10. F113030 Wholesale of Precision Instruments.</li> <li>11. F113050 Wholesale of Computing and Business Machinery Equipment.</li> <li>12. F113070 Wholesale of Telecommunications Equipment.</li> <li>13. F118010 Wholesale of Computer Software.</li> <li>14. F119010 Wholesale of Electronics Materials.</li> <li>15. F213030 Retail sale of Computing and Business Machinery Equipment.</li> <li>16. F213040 Retail Sale of Precision Instruments.</li> <li>17. F213060 Retail Sale of Telecommunications Equipment.</li> <li>18. F218010 Retail Sale of Computer Software.</li> <li>19. F219010 Retail Sale of Electronics Materials.</li> <li>20. F401010 International Trade.</li> <li>21. F401021 Controlled Telecommunications Radio Frequency Equipment and Materials Import.</li> <li>22. G801010 Warehousing and Storage.</li> <li>23. I301010 Software Design Services.</li> <li>24. I301020 Data Processing Services.</li> <li>25. I301030 Digital Information Supply</li> </ol>	<p>Business scope expanded in accordance with operational requirement</p>

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

Article no.	Original article	Amended article	Notes
	<p>Services.</p> <p><u>26. ZZ99999All business items that are not prohibited or restricted by law, except those that are subject to special approval.</u></p>	<p>Services.</p> <p><u>26. F399040Retail Business Without Shop</u></p> <p><u>27. CF01011Medical Materials and Equipment Manufacturing</u></p> <p><u>28. F108031Wholesale of Drugs, Medical Goods F208031Retail sale of Medical Equipments</u></p> <p><u>30. ZZ99999All business items that are not prohibited or restricted by law, except those that are subject to special approval.</u></p>	
Article 3	<p>The Company is headquartered in <u>Taoyuan County</u>, Taiwan and when necessary may establish branches at home and abroad as resolved by the board of directors.</p>	<p>The Company is headquartered in <u>Taoyuan City</u>, Taiwan and when necessary may establish branches at home and abroad as resolved by the board of directors.</p>	<p>Company address amended as result of reorganization of Taoyuan county as special municipality on Dec. 25, 2014</p>
Article 5	<p>The authorized capital of the Company is NT\$ 10 billion consisting of 1 billion, shares, all of common stock, with a par value of NT\$10 per share. The Board of directors is authorized to issue the shares in separate installments as required. Among these shares, <u>50 million shares</u> are reserved for the holders of stock warrants, preferred shares with warrants, or corporate bonds with warrants to exercise their stock warrants.</p>	<p>The authorized capital of the Company is NT\$ 10 billion consisting of 1 billion, shares, all of common stock, with a par value of NT\$10 per share. The Board of directors is authorized to issue the shares in separate installments as required. Among these shares, <u>80 million shares</u> are reserved for the holders of stock warrants, preferred shares with warrants, or corporate bonds with warrants to exercise their stock warrants.</p>	<p>Amended in accordance with operational requirements</p>
Article 22	<p>These Articles of Incorporation were adopted on 10 May 1997.</p> <p>The first amendment was made on 1 July 1997.</p> <p>The second amendment was made on 26 February 1998.</p> <p>The third amendment was made on 8 May 1998.</p> <p>The fourth amendment was made on 22 October 1998.</p> <p>The fifth amendment was made on 24 April 2000.</p> <p>The sixth amendment was made on 23 April 2001.</p> <p>The seventh amendment was made on 13 July 2001.</p> <p>The eighth amendment was made on 14 March 2002.</p>	<p>These Articles of Incorporation were adopted on 10 May 1997.</p> <p>The first amendment was made on 1 July 1997.</p> <p>The second amendment was made on 26 February 1998.</p> <p>The third amendment was made on 8 May 1998.</p> <p>The fourth amendment was made on 22 October 1998.</p> <p>The fifth amendment was made on 24 April 2000.</p> <p>The sixth amendment was made on 23 April 2001.</p> <p>The seventh amendment was made on 13 July 2001.</p> <p>The eighth amendment was made on 14 March 2002.</p>	<p>The date of amendment is added.</p>

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

Article no.	Original article	Amended article	Notes
	<p>The ninth amendment was made on 26 June 2003.</p> <p>The 10th amendment was made on 16 June 2004.</p> <p>The 11th amendment was made on 13 June 2005.</p> <p>The 12th amendment was made on 2 May 2006.</p> <p>The 13th amendment was made on 20 June 2007.</p> <p>The 14th amendment was made on 13 June 2008.</p> <p>The 15th amendment was made on 19 June 2009.</p> <p>The 16th amendment was made on 18 June 2010.</p> <p>The 17th amendment was made on 15 June 2011.</p> <p>The 18th amendment was made on 21 June 2013.</p> <p><u>The 19th amendment was made on 19 June 2014.</u></p>	<p>The ninth amendment was made on 26 June 2003.</p> <p>The 10th amendment was made on 16 June 2004.</p> <p>The 11th amendment was made on 13 June 2005.</p> <p>The 12th amendment was made on 2 May 2006.</p> <p>The 13th amendment was made on 20 June 2007.</p> <p>The 14th amendment was made on 13 June 2008.</p> <p>The 15th amendment was made on 19 June 2009.</p> <p>The 16th amendment was made on 18 June 2010.</p> <p>The 17th amendment was made on 15 June 2011.</p> <p>The 18th amendment was made on 21 June 2013.</p> <p>The 19th amendment was made on 19 June 2014.</p> <p><u>The 20<sup>th</sup> amendment was made on 2 June 2015.</u></p>	

## Supplement 7

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

Article no.	Original article	Amended article	Notes
Article 1	<p>Objectives and basis</p> <p>For purposes of enhancing the Company's asset management process and public disclosure of information, these Procedures for the Acquisition or Disposal of Assets ("Procedures") are adopted in accordance with Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition or Disposal of Assets by Public Companies issued by the Securities and Futures Bureau of the <u>Executive Yuan Financial Supervisory Commission</u>.</p>	<p>Objectives and basis</p> <p>For purposes of enhancing the Company's asset management process and public disclosure of information, these Procedures for the Acquisition or Disposal of Assets ("Procedures") are adopted in accordance with Article 36-1 of the Securities and Exchange Act and the Regulations Governing the Acquisition or Disposal of Assets by Public Companies issued by the Securities and Futures Bureau of the <u>Financial Supervisory Commission</u>.</p>	Amended in accordance with the applicable regulations.
Article 2	<p>Scope of assets and definitions</p> <p>1. The term "assets" in these Procedures shall apply to the following:</p> <p>(1) Stocks, bonds, corporate bonds, financial bonds, securities representing funds, domestic beneficial interest certificates, overseas mutual funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>(2) Real property and <u>other fixed assets</u>.</p> <p>(3) Membership certificates.</p> <p>(4) Intangible assets such as patents, copyrights, trademark rights, and franchise rights.</p> <p>(5) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue accounts receivable).</p> <p>(6) Derivatives.</p> <p>(7) Assets acquired or disposed of through lawful mergers, demergers, acquisitions, or share transfers.</p> <p>(8) Other material assets</p> <p>2. The defined terms in these Procedures are as follows:</p> <p>(1) Derivatives: Refers to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts,</p>	<p>Scope of assets and definitions</p> <p>1. The term "assets" in these Procedures shall apply to the following:</p> <p>(1) Stocks, bonds, corporate bonds, financial bonds, securities representing funds, domestic beneficial interest certificates, overseas mutual funds, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</p> <p>(2) Real property and <u>equipment</u>.</p> <p>(3) Membership certificates.</p> <p>(4) Intangible assets such as patents, copyrights, trademark rights, and franchise rights.</p> <p>(5) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue accounts receivable).</p> <p>(6) Derivatives.</p> <p>(7) Assets acquired or disposed of through lawful mergers, demergers, acquisitions, or share transfers.</p> <p>(8) Other material assets.</p> <p>2. The defined terms in these Procedures are as follows:</p> <p>(1) Derivatives: Refers to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts,</p>	Amended in accordance with the applicable regulations.

	<p>after-sales service contracts, long-term leasing contracts, or long-term purchase (or sales) agreements.</p> <p>(2) Assets acquired or disposed of through lawful mergers, demergers, acquisitions, or share transfers: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other laws, or to transfers of shares from another company for which new shares of its own are issued as consideration (below, "share transfer") under <u>Article 156, paragraph 6 of the Company Act.</u></p> <p>(3) <u>Related party: As defined in Statement of Financial Accounting Standards No. 6 published by the ROC Accounting Research and Development Foundation (ARDF).</u></p> <p>(4) <u>Subsidiary: As defined in Statements of Financial Accounting Standards Nos. 5 and 7 published by the ARDF.</u></p> <p>(5) <u>Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or other fixed assets.</u></p> <p>(6) Date of occurrence: Refers to the earliest of the following dates: the date of contract signing, date of payment, date of execution of an order, date of transfer, date of a board of directors resolution, or other date from which the counterparty and monetary amount of a transaction can be determined, provided that for investments requiring the approval of the Competent Authority, the earlier of either an abovementioned date or the date of receipt of approval by the Competent Authority shall apply.</p> <p>(7) Mainland area investment: Refers to investments in China approved by the Ministry of Economic Affairs</p>	<p>after-sales service contracts, long-term leasing contracts, or long-term purchase (or sales) agreements.</p> <p>(2) Assets acquired or disposed of through lawful mergers, demergers, acquisitions, or share transfers: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other laws, or to transfers of shares from another company for which new shares of its own are issued as consideration (below, "share transfer") under <u>Article 156, paragraph 8 of the Company Act.</u></p> <p>(3) <u>Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></p> <p>(4) Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or <u>equipment.</u></p> <p>(5) Date of occurrence: Refers to the earliest of the following dates: the date of contract signing, date of payment, date of execution of an order, date of transfer, date of a board of directors resolution, or other date from which the counterparty and monetary amount of a transaction can be determined, provided that for investments requiring the approval of the Competent Authority, the earlier of either an abovementioned date or the date of receipt of approval by the Competent Authority shall apply.</p> <p>(6) Mainland area investment: Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p>	
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	Investment Commission or conducted in accordance with the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.		
Article 3	<p>Appraisal procedures</p> <p>The methods and reference criteria for determining the price at which the Company acquires or disposes of assets shall comply with the following:</p> <p>1. Securities investments:</p> <p>To acquire or dispose of securities, before the actual date of transaction, the Company shall first obtain, for reference in appraising the transaction price, a financial statement of the subject company for the most recent period that has been audited and certified or reviewed by a certified public accountant (CPA), or an investor memorandum, prospectus, or financial information regarding the subject securities, and shall determine the transaction price using the following methods:</p> <p>(1) For acquisition or disposal of securities traded on the centralized securities exchange market or an OTC market, the price shall be determined according to the current trading price.</p> <p>(2) For acquisition or disposal of securities not traded on the centralized securities exchange market or an OTC market, the price shall be determined through negotiation after consideration of net worth per share, profitability, and future development potential, taking current market prices as a reference, or by negotiation after reference to current market interest rates, bond coupon rates, and debtor creditworthiness.</p> <p>In addition, when the amount of a transaction reaches 20 percent of paid-in capital or NT\$300 million or more, before the actual date of transaction, the Company shall obtain an opinion from a CPA on the reasonableness of the trading price. If the CPA needs to adopt an expert's report, the Statements on Auditing Standards No. 20 announced by the <u>Accounting Research and Development Foundation</u> will apply. This requirement does not apply, however, to publicly quoted prices of securities that have an active market or that are subject to the <u>Executive Yuan Financial Supervisory Commission's</u></p>	<p>Appraisal procedures</p> <p>The methods and reference criteria for determining the price at which the Company acquires or disposes of assets shall comply with the following:</p> <p>1. Securities investments:</p> <p>To acquire or dispose of securities, before the actual date of transaction, the Company shall first obtain, for reference in appraising the transaction price, a financial statement of the subject company for the most recent period that has been audited and certified or reviewed by a certified public accountant (CPA), or an investor memorandum, prospectus, or financial information regarding the subject securities, and shall determine the transaction price using the following methods:</p> <p>(1) For acquisition or disposal of securities traded on the centralized securities exchange market or an OTC market, the price shall be determined according to the current trading price.</p> <p>(2) For acquisition or disposal of securities not traded on the centralized securities exchange market or an OTC market, the price shall be determined through negotiation after consideration of net worth per share, profitability, and future development potential, taking current market prices as a reference, or by negotiation after reference to current market interest rates, bond coupon rates, and debtor creditworthiness.</p> <p>In addition, when the amount of a transaction reaches 20 percent of paid-in capital or NT\$300 million or more, before the actual date of transaction, the Company shall obtain an opinion from a CPA on the reasonableness of the trading price. If the CPA needs to adopt an expert's report, the Statements on Auditing Standards No. 20 announced by the <u>ROC Accounting Research and Development Foundation (ARDF)</u> will apply. This requirement does not apply, however, to publicly quoted prices of securities that have an active market or that are subject to the <u>Financial Supervisory Commission's</u></p>	Amended in accordance with the applicable regulations.

<p><u>Interpretation</u> concerning the Article 10 proviso in the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.</p> <p>2. Real property or <u>other fixed assets</u>: Prices for the acquisition or disposal of real property shall be determined through negotiation, with reference to the announced current value and assessed value of the property and the actual transaction prices of neighboring real properties; in acquisition or disposal of <u>other fixed assets</u>, the Company shall first collect relevant price information and make a price determination through one of three methods, either price comparison, price negotiation, or call for tenders.</p> <p>When the Company acquires or disposes of real property or <u>other fixed assets</u>, if the transaction amount reaches 20 percent of paid-in capital or NT\$300 million or more, except in transactions with government agencies, hiring others to build on its own land, hiring others to build on rented land, or acquiring or disposing of <u>operating machinery and equipment</u>, before the actual date of transaction, it shall first obtain an appraisal report from a professional appraiser and shall further comply with the following provisions:</p> <p>(1) Where due to special circumstances it is necessary to use a limited price, specified price, or special price as reference criteria for the transaction price, the transaction shall first be submitted for approval by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>(2) Where the transaction amount reaches NT\$1 billion or more, two or more professional appraisers shall be engaged to provide appraisals.</p> <p>(3) Where any of the following circumstances applies with respect to the results of a professional appraisal, except that the appraisal price is higher than the acquisition price or is less than the disposal price, a CPA shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF and to issue a specific opinion regarding the reason for the</p>	<p><u>Interpretation</u> concerning the Article 10 proviso in the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.</p> <p>2. Real property or <u>equipment</u>: Prices for the acquisition or disposal of real property shall be determined through negotiation, with reference to the announced current value and assessed value of the property and the actual transaction prices of neighboring real properties; in acquisition or disposal of <u>equipment</u>, the Company shall first collect relevant price information and make a price determination through one of three methods, either price comparison, price negotiation, or call for tenders.</p> <p>When the Company acquires or disposes of real property or <u>equipment</u>, if the transaction amount reaches 20 percent of paid-in capital or NT\$300 million or more, except in transactions with government agencies, hiring others to build on its own land, hiring others to build on rented land, or acquiring or disposing of <u>equipment for business use</u>, before the actual date of transaction, it shall first obtain an appraisal report from a professional appraiser and shall further comply with the following provisions:</p> <p>(1) Where due to special circumstances it is necessary to use a limited price, specified price, or special price as reference criteria for the transaction price, the transaction shall first be submitted for approval by the board of directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</p> <p>(2) Where the transaction amount reaches NT\$1 billion or more, two or more professional appraisers shall be engaged to provide appraisals.</p> <p>(3) Where any of the following circumstances applies with respect to the results of a professional appraisal, except that the appraisal price is higher than the acquisition price or is less than the disposal price, a CPA shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF and to issue a specific opinion regarding the reason for the</p>	
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	<p>discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</li> <li>2. The discrepancy between the results of two or more professional appraisals is 10 percent or more of the transaction amount.</li> </ol> <p>(4) No more than three months may pass between the date of the appraisal report and the contract execution date, provided that where the announced current value used in the appraisal is for the same period and not more than six months have elapsed, the original professional appraiser may issue an opinion.</p> <p>3. Membership certificates or intangible assets When acquiring or disposing of membership certificates, the Company shall first collect relevant price information and use one of two methods, price comparison or price negotiation, to effect acquisition or disposal. When acquiring or disposing of intangible assets, the Company shall also collect relevant price information, and shall make a careful assessment of the relevant laws and regulations and the content of the contract in order to decide the transaction price. When a transaction amount for acquisition or disposal of membership certificates or intangible assets reaches 20 percent of paid-in capital or NT\$300 million or more, before the actual date of transaction, the Company shall seek an opinion from a CPA on the reasonableness of the transaction price. The CPA shall issue its opinion in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF.</p> <p>4. Other material assets In acquiring claims of financial institutions, derivatives products, assets transferred by means of lawful mergers, demergers, acquisitions, or share transfers, or other material assets, the Company shall collect relevant price information, depending on the nature of the subject asset of the transaction, and make a careful assessment of the relevant laws and regulations and the content of</p>	<p>discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</li> <li>2. The discrepancy between the results of two or more professional appraisals is 10 percent or more of the transaction amount.</li> </ol> <p>(4) No more than three months may pass between the date of the appraisal report and the contract execution date, provided that where the announced current value used in the appraisal is for the same period and not more than six months have elapsed, the original professional appraiser may issue an opinion.</p> <p>3. Membership certificates or intangible assets When acquiring or disposing of membership certificates, the Company shall first collect relevant price information and use one of two methods, price comparison or price negotiation, to effect acquisition or disposal. When acquiring or disposing of intangible assets, the Company shall also collect relevant price information, and shall make a careful assessment of the relevant laws and regulations and the content of the contract in order to decide the transaction price. When a transaction amount for acquisition or disposal of membership certificates or intangible assets reaches 20 percent of paid-in capital or NT\$300 million or more, <u>except in transactions with a government agency</u>, before the actual date of transaction, the Company shall seek an opinion from a CPA on the reasonableness of the transaction price. The CPA shall issue its opinion in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF.</p> <p>4. Other material assets In acquiring claims of financial institutions, derivatives products, assets transferred by means of lawful mergers, demergers, acquisitions, or share transfers, or other material assets, the Company shall collect relevant price information, depending on the nature of the subject asset of the transaction, and make a careful assessment of the relevant laws and regulations and the content of</p>	
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	<p>the contract in order to decide the transaction price.</p> <p>5. When the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	<p>the contract in order to decide the transaction price.</p> <p>5. When the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p>	
Article 4	<p>Operating procedures</p> <p>1. Levels of authorization</p> <p>(1) When the Company acquires or disposes of assets with non-related parties, the unit handling the transaction shall compile information on each asset to be transacted, including the reasons for the proposed acquisition or disposal, the target asset, the trading counterparty, the transfer price, the terms of payment, and the price reference criteria, and submit them to the unit with overall authority for a decision on the transaction.</p> <p>1. Acquisitions or disposals of securities:</p> <p>1.1 When an acquisition or disposal is for the purpose of business needs or strategic investments ,the following provisions will apply:</p> <p>1.1.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>1.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director, and shall be reported to the board of directors after its execution.</p> <p>1.1.3 The board of directors authorizes the Chairman of the board to approve and execute each individual transaction in</p>	<p>Operating procedures</p> <p>1. Levels of authorization</p> <p>(1) When the Company acquires or disposes of assets with non-related parties, the unit handling the transaction shall compile information on each asset to be transacted, including the reasons for the proposed acquisition or disposal, the target asset, the trading counterparty, the transfer price, the terms of payment, and the price reference criteria, and submit them to the unit with overall authority for a decision on the transaction.</p> <p>1. Acquisitions or disposals of securities:</p> <p>1.1 When an acquisition or disposal is for the purpose of business needs or strategic investments ,the following provisions will apply:</p> <p>1.1.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>1.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director, and shall be reported to the board of directors after its execution.</p> <p>1.1.3 The board of directors authorizes the Chairman of the board to approve and execute each individual transaction in</p>	<p>Amended in accordance with the applicable regulations and to clarify levels of authorization and procedures.</p>

	<p>an amount less than NT\$600 million, who shall then report the board of directors of the status of execution afterwards.</p> <p>1.2 When the purpose of the acquisition or disposal is financial investment, then the transaction shall be executed, after determination of the amount and procedures for its approval in accordance with the "Financial Investment Approval Matrix" submitted by the financial unit and approved by the chairman, and after its further submission for approval by the responsible officers in order of increasing authority.</p> <p>2. Acquisitions or disposals of real property:</p> <p>2.1 Acquisition or disposal of real property for use in business operations:</p> <p>2.1.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>2.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director, and shall be reported to the board of directors after its execution.</p> <p>2.1.3 The board of directors authorizes the Chairman of the board to approve and execute each individual transaction in an amount less than NT\$600 million, who shall then report the board of directors of the status of execution afterwards..</p>	<p>an amount less than NT\$600 million, who shall then report the board of directors of the status of execution afterwards.</p> <p>1.2 When the purpose of the acquisition or disposal is financial investment, then the transaction shall be executed, after determination of the amount and procedures for its approval in accordance with the "Financial Investment Approval Matrix" submitted by the financial unit and approved by the chairman, and after its further submission for approval by the responsible officers in order of increasing authority.</p> <p>2. Acquisitions or disposals of real property:</p> <p>2.1 Acquisition or disposal of real property for use in business operations:</p> <p>2.1.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>2.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director, and shall be reported to the board of directors after its execution.</p> <p>2.1.3 The board of directors authorizes the Chairman of the board to approve and execute each individual transaction in an amount less than NT\$600 million, who shall then report the board of directors of the status of execution afterwards..</p>	
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	<p>2.2 The acquisition or disposal of real property not for use in business operations, within the limits for transaction amounts set out in paragraph 2 of this article, may be executed after submission to and approval by the board of directors.</p> <p>3. Acquisition or disposal of <u>other fixed assets</u>:</p> <p>3.1 Acquisition or disposal of assets for use in business operations:</p> <p>3.1.1 Each transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>3.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director, and shall be reported to the board of directors after its execution.</p> <p>3.1.3 Transactions in amounts less than NT\$600 million shall be submitted to supervisors for approval in order of their increasing authority in accordance with the "internal decision authorization limits."</p> <p>3.2 Acquisitions or disposals of assets that are not intended for use in business operations shall be submitted to and approved by the board of directors prior to their execution.</p> <p>4. The board of directors authorizes the Chairman of the board to approve and execute each individual transaction for acquisition or disposal of membership certificates, who shall then report the board of directors of the status of execution afterwards.</p>	<p>2.2 The acquisition or disposal of real property not for use in business operations, within the limits for transaction amounts set out in paragraph 2 of this article, may be executed after submission to and approval by the board of directors.</p> <p>3. Acquisition or disposal of <u>equipment</u>:</p> <p>3.1 Acquisition or disposal of assets for use in business operations:</p> <p>3.1.1 Each transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>3.1.2 Each individual transaction in an amount equal to or greater than NT\$600 million but less than NT\$1.5 billion shall be reported to the Chairman of the board for him/her to review and approve with other three directors, including at least one independent director, and shall be reported to the board of directors after its execution.</p> <p>3.1.3 Transactions in amounts less than NT\$600 million shall be submitted to supervisors for approval in order of their increasing authority in accordance with the "internal decision authorization limits."</p> <p>3.2 Acquisitions or disposals of assets that are not intended for use in business operations shall be submitted to and approved by the board of directors prior to their execution.</p> <p>4. The board of directors authorizes the Chairman of the board to approve and execute each individual transaction for acquisition or disposal of membership certificates, who shall then report the board of directors of the status of execution afterwards.</p>	
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<p>5. Acquisition or disposal of intangible assets and other material assets:</p> <p>5.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>5.2 For any individual transaction amount that is less than NT\$1.5 billion, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.</p> <p>6. In acquisition or disposal of assets by means of lawful mergers, demergers, acquisitions, or share transfers, the unit executing the transaction shall first conduct an appraisal and thereafter carry out the transaction in accordance with relevant laws and regulations and Chapter 4 of these Procedures.</p> <p>(2) When the Company acquires or disposes of assets with related parties, the unit handling the transaction shall compile information on each asset to be transacted, including the reasons for the proposed acquisition or disposal, the target asset, the trading counterparty, the transfer price, the terms of payment, and the price reference criteria, and submit them to the unit with overall authority for a decision on the transaction.</p> <p>1. <u>To acquire or dispose of real estate</u>, Chapter 3 of this Procedure shall apply. Relevant documents shall be submitted to the board of directors for approval and the supervisors for recognition before execution of agreements and make payments.</p> <p>2. <u>To acquire or dispose of assets other than real estate with the transaction price reaching 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, relevant documents shall be submitted to the board of directors for approval</u></p>	<p>5. Acquisition or disposal of intangible assets and other material assets:</p> <p>5.1 Each individual transaction in an amount equal to or greater than NT\$1.5 billion shall be reported to and approved by the board of directors prior to its execution.</p> <p>5.2 For any individual transaction amount that is less than NT\$1.5 billion, the board of directors authorizes the execution of the transaction subsequent to approval by the chairman, with a report on the status of the transaction to be submitted to the board of directors after its execution.</p> <p>6. In acquisition or disposal of assets by means of lawful mergers, demergers, acquisitions, or share transfers, the unit executing the transaction shall first conduct an appraisal and thereafter carry out the transaction in accordance with relevant laws and regulations and Chapter 4 of these Procedures.</p> <p>(2) When the Company acquires or disposes of assets with related parties, the unit handling the transaction shall compile information on each asset to be transacted, including the reasons for the proposed acquisition or disposal, the target asset, the trading counterparty, the transfer price, the terms of payment, and the price reference criteria, and submit them to the unit with overall authority for a decision on the transaction.</p> <p>1. Chapter 3 of this Procedure shall apply to acquisition or disposal of real estate <u>from or to related parties</u>. Relevant documents shall be submitted to the board of directors for approval and the supervisors for recognition before execution of agreements and make payments.</p> <p>2. <u>To acquire or dispose of assets other than real estate from or to related parties:</u></p> <p>2.1. <u>The transaction including in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of</u></p>
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	<p><u>and the supervisors for recognition before execution of agreements and make payments.</u></p> <p>3. <u>To acquire or dispose of assets other than real estate with the transaction price less than 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, relevant document shall be submitted to two uninterested directors for approval and the supervisors for recognition before execution of agreements and make payments. The status of execution shall be reported to the board of directors afterwards.</u></p> <p>4. <u>For the transactions between the Company and its subsidiaries for the machines and facilities for the operation needs with the transaction price less than NT\$600 million, the board of directors authorizes the Chairman of the board to approve and execute he transaction, who shall then report to the next meeting of the board of directors for ratification.</u></p>	<p><u>domestic money market funds shall only be executed after it is submitted for approval by responsible officers as determined based of the amount and procedures for its approval prescribed by "Financial Investment Approval Matrix" submitted by the financial unit and approved by the chairman.</u></p> <p>2.2. <u>For the transactions between the Company and its subsidiaries for the equipment for the operation needs with the transaction price less than NT\$600 million, the board of directors authorizes the Chairman of the board to approve and execute he transaction, who shall then report to the next meeting of the board of directors for ratification.</u></p> <p>2.3. <u>All transactions other than those described in sections 2.1 and 2.2 shall proceed in accordance with the followings:</u></p> <p>2.3.1. <u>To acquire or dispose of assets with the transaction price reaching 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, relevant documents shall be submitted to the board of directors for approval and the supervisors for recognition before execution of agreements and make payments.</u></p> <p>2.3.2. <u>To acquire or dispose of assets with the transaction price less than 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, if transactions is between the Company and its subsidiaries, the board of directors authorizes the Chairman of the</u></p>	
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	<p>(3) In any acquisition or disposal of assets by the Company that requires the approval of the board of directors pursuant to the articles of in Company or other provisions of law, when a director expresses dissent and such dissent is on record or in a written statement, the Company shall distribute the materials expressing the director's dissenting opinion to each supervisor.</p> <p>After the Company has created independent director position(s), in accordance with the Securities and Exchange Act, when asset acquisition or disposal transactions are reported for deliberation by the board of directors in accordance with the preceding paragraph, adequate consideration shall be given to the opinions of each independent director, and where an independent director has dissenting or qualified opinion, such opinion shall be entered into the minutes of the board of directors meeting.</p> <p>Subsequent to the Company's establishment of an audit committee pursuant to the Securities and Exchange Act, material asset transactions shall be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the board of directors. If the transaction has not received approval from one-half of the total number of</p>	<p><u>board to approve and execute such transaction and Chairman shall report to board of directors of the status of execution afterwards; if transactions is not between the Company and its subsidiaries, relevant document shall be submitted to two uninterested directors for approval and the supervisors for recognition before execution of agreements and make payments. The status of execution shall be reported to the board of directors afterwards.</u></p> <p>(3) In any acquisition or disposal of assets by the Company that requires the approval of the board of directors pursuant to the articles of in Company or other provisions of law, when a director expresses dissent and such dissent is on record or in a written statement, the Company shall distribute the materials expressing the director's dissenting opinion to each supervisor.</p> <p>After the Company has created independent director position(s), in accordance with the Securities and Exchange Act, when asset acquisition or disposal transactions are reported for deliberation by the board of directors in accordance with the preceding paragraph, adequate consideration shall be given to the opinions of each independent director, and where an independent director has dissenting or qualified opinion, such opinion shall be entered into the minutes of the board of directors meeting.</p> <p>Subsequent to the Company's establishment of an audit committee pursuant to the Securities and Exchange Act, material asset transactions shall be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the board of directors. If the transaction has not received approval from one-half of the total number of</p>	
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	<p>audit committee members, it may be carried out with the approval of two-thirds or more of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The "total number of audit committee members" and "total number of directors" shall be calculated only with respect to those actually currently serving in those positions.</p> <p>2. Amount limits</p> <p>(1) The total amount of any real property purchased by the Company not for use in business operations may not exceed 20 percent of the Company's net worth; the total amount of any real property purchased by a subsidiary of the Company not for use in business operations may not exceed 20 percent of the Company's net worth, and may not exceed the subsidiary's net worth.</p> <p>(2) Unless with the approval of a shareholders meeting, the total amount of investment by the Company in securities may not exceed its net worth; the total amount of investment in securities by a subsidiary of the Company may not exceed the subsidiary's net worth.</p> <p>(3) Unless with the approval of a shareholders meeting, the amount of the Company's investment in any single security may not exceed 50 percent of its net worth; the amount of investment by a subsidiary of the Company in any single security may not exceed 50 percent of the Company's net worth and may not exceed the subsidiary's net worth.</p> <p>(4) Securities acquired by the Company or a subsidiary for the purpose of short-term allocation of funds, or acquired through the conduct of M&amp;A activities such as mergers, demergers, acquisitions, or share transfers carried out in accordance with relevant domestic or foreign laws, shall not be subject to the restrictions on amounts in (2) and (3) above.</p> <p>3. Units executing transactions</p> <p>(1) For acquisition or disposal of securities: the financial unit or related unit.</p>	<p>audit committee members, it may be carried out with the approval of two-thirds or more of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The "total number of audit committee members" and "total number of directors" shall be calculated only with respect to those actually currently serving in those positions.</p> <p>2. Amount limits</p> <p>(1) The total amount of any real property purchased by the Company not for use in business operations may not exceed 20 percent of the Company's net worth; the total amount of any real property purchased by a subsidiary of the Company not for use in business operations may not exceed 20 percent of the Company's net worth, and may not exceed the subsidiary's net worth.</p> <p>(2) Unless with the approval of a shareholders meeting, the total amount of investment by the Company in securities may not exceed its net worth; the total amount of investment in securities by a subsidiary of the Company may not exceed the subsidiary's net worth.</p> <p>(3) Unless with the approval of a shareholders meeting, the amount of the Company's investment in any single security may not exceed 50 percent of its net worth; the amount of investment by a subsidiary of the Company in any single security may not exceed 50 percent of the Company's net worth and may not exceed the subsidiary's net worth.</p> <p>(4) Securities acquired by the Company or a subsidiary for the purpose of short-term allocation of funds, or acquired through the conduct of M&amp;A activities such as mergers, demergers, acquisitions, or share transfers carried out in accordance with relevant domestic or foreign laws, shall not be subject to the restrictions on amounts in (2) and (3) above.</p> <p>3. Units executing transactions</p> <p>(1) For acquisition or disposal of securities: the financial unit or related unit.</p>	
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	<p>(2) For acquisition or disposal of real property and other fixed assets: the general affairs unit, financial unit, or other related unit.</p> <p>4. Transaction procedures Procedures and operations in relation to the acquisition or disposal of assets shall be carried out in accordance with relevant provisions of laws and regulations and the internal rules of the Company.</p>	<p>(2) For acquisition or disposal of real property and other fixed assets: the general affairs unit, financial unit, or other related unit.</p> <p>4. Transaction procedures Procedures and operations in relation to the acquisition or disposal of assets shall be carried out in accordance with relevant provisions of laws and regulations and the internal rules of the Company.</p>	
Article 7	<p>Resolution procedures When the Company acquires real property from or disposes of real estate to a related party, or acquires other assets from or dispose of other assets to a related party at the transaction price reaching 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, it shall submit the following materials for passage by the board of directors and recognition by the supervisors before executing agreements or making payments:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the real property acquisition or disposal.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. To acquire real estate from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Articles 8 through 10.</li> <li>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</li> <li>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract and an evaluation of the necessity of the transaction and the reasonableness of funds utilization.</li> <li>6. The appraisal report issued by an appraiser according to the preceding article or CPA's opinion.</li> <li>7. Any restrictive covenants or other material stipulations associated with the transaction.</li> </ol> <p>The transaction price specified in the preceding article shall be calculated according to Paragraph 2, Article 17. The</p>	<p>Resolution procedures When the Company acquires real property from or disposes of real estate to a related party, or acquires other assets from or dispose of other assets to a related party at the transaction price reaching 20% of the Company's paid-in capital, 10% of the Company's total assets or NT\$300 million, <u>except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds,</u> it shall submit the following materials for passage by the board of directors and recognition by the supervisors before executing agreements or making payments:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the real property acquisition or disposal.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. To acquire real estate from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Articles 8 through 10.</li> <li>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.</li> <li>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract and an evaluation of the necessity of the transaction and the reasonableness of funds utilization.</li> <li>6. The appraisal report issued by an appraiser according to the preceding article or CPA's opinion.</li> <li>7. Any restrictive covenants or other material stipulations associated with the transaction.</li> </ol> <p>The transaction price specified in the preceding article shall be calculated according to Paragraph 2, Article 17. The</p>	Amended in accordance with the applicable regulations.



	<p>term "within one year" shall refer to one year prior to the actual date of transaction. The transactions that have been approved by the board of directors and recognized by the supervisors according to this Procedure may be excluded.</p> <p>For the acquisition or disposal of the <u>machines and facilities for the operation needs</u> between the Company and its subsidiaries, the Chairman of board may approve and execute the transactions according to <u>Article 4.1.2.4</u> and then report to the next meeting of the board of directors for ratification.</p> <p>Subsequent to the creation of independent director(s) by this Company in accordance with the Securities and Exchange Act, when asset acquisition or disposal transactions are reported for deliberation by the board of directors in accordance with <u>the preceding paragraph</u>, adequate consideration shall be given to the opinions of each independent director, and their dissenting or qualified opinions, if any, and the reasons for them shall be entered into the minutes of the board of directors meeting.</p> <p>Subsequent to this Company's establishment of an audit committee pursuant to the Securities and Exchange Act, matters that shall be subject to recognition by the supervisors pursuant to paragraph 1 shall first be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the board of directors. If the transaction has not received approval from one-half of the total number of audit committee members, it may be carried out with the approval of two-thirds or more of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The "total number of audit committee members" and "total number of directors" shall be calculated only with respect to those actually currently serving in those positions.</p>	<p>term "within one year" shall refer to one year prior to the actual date of transaction. The transactions that have been approved by the board of directors and recognized by the supervisors according to this Procedure may be excluded.</p> <p>For the acquisition or disposal of the <u>business-use equipment</u> between the Company and its subsidiaries, the Chairman of board may approve and execute the transactions according to <u>Article 4.1.2.2.2</u> and then report to the next meeting of the board of directors for ratification.</p> <p>Subsequent to the creation of independent director(s) by this Company in accordance with the Securities and Exchange Act, when asset acquisition or disposal transactions are reported for deliberation by the board of directors in accordance with <u>the first paragraph</u>, adequate consideration shall be given to the opinions of each independent director, and their dissenting or qualified opinions, if any, and the reasons for them shall be entered into the minutes of the board of directors meeting.</p> <p>Subsequent to this Company's establishment of an audit committee pursuant to the Securities and Exchange Act, matters that shall be subject to recognition by the supervisors pursuant to paragraph 1 shall first be approved by one-half or more of the total number of audit committee members and shall be submitted for a resolution by the board of directors. If the transaction has not received approval from one-half of the total number of audit committee members, it may be carried out with the approval of two-thirds or more of the total number of directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting. The "total number of audit committee members" and "total number of directors" shall be calculated only with respect to those actually currently serving in those positions.</p>	
<p>Article 8</p>	<p>Appraisal procedures</p> <p>When acquiring real property from a related party, the Company shall assess the reasonableness of the transaction costs by the following methods:</p> <ol style="list-style-type: none"> <li>1. Based upon the related party transaction price plus necessary interest on funding and the costs to be borne by the buyer in accordance with the law. "Necessary interest on funding" is the imputed</li> </ol>	<p>Appraisal procedures</p> <p>When acquiring real property from a related party, the Company shall assess the reasonableness of the transaction costs by the following methods:</p> <ol style="list-style-type: none"> <li>1. Based upon the related party transaction price plus necessary interest on funding and the costs to be borne by the buyer in accordance with the law. "Necessary interest on funding" is the imputed</li> </ol>	<p>Amended in accordance with the applicable regulations.</p>

	<p>weighted average interest rate on borrowing in the year the company purchases the property. That rate, however, may not be higher than the maximum lending rate for non-financial enterprises announced by the Ministry of Finance.</p> <p>2. Where the related party has previously created a mortgage on the property as security for a loan, based on the total loan value appraisal from the financial institution. The actual cumulative value of the financial institution's loan shall have reached 70 percent of more of the appraised loan value of the property and the loan period shall have been one year or more, provided that this shall not apply when the financial institution and one of the trading counterparties are related parties.</p> <p>When land and structures thereon are combined as a single property purchase, separate appraisals of the transaction costs for the land and the structures may be carried in accordance with either of the means listed in the preceding paragraph. When the Company acquires real property from a related party and appraises the cost of the real property in accordance with the provisions of paragraph 1 and paragraph 2, it shall also engage a CPA to conduct a secondary review and render a specific opinion.</p> <p>When the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of Article 9 and the provisions of the preceding three paragraphs shall not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property through inheritance or as a gift.</li> <li>2. More than five years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</li> <li>3. The real property is acquired through signing of a joint development contract with the related party.</li> </ol>	<p>weighted average interest rate on borrowing in the year the company purchases the property. That rate, however, may not be higher than the maximum lending rate for non-financial enterprises announced by the Ministry of Finance.</p> <p>2. Where the related party has previously created a mortgage on the property as security for a loan, based on the total loan value appraisal from the financial institution. The actual cumulative value of the financial institution's loan shall have reached 70 percent of more of the appraised loan value of the property and the loan period shall have been one year or more, provided that this shall not apply when the financial institution and one of the trading counterparties are related parties.</p> <p>When land and structures thereon are combined as a single property purchase, separate appraisals of the transaction costs for the land and the structures may be carried in accordance with either of the means listed in the preceding paragraph. When the Company acquires real property from a related party and appraises the cost of the real property in accordance with the provisions of paragraph 1 and paragraph 2, it shall also engage a CPA to conduct a secondary review and render a specific opinion.</p> <p>When the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of Article 9 and the provisions of the preceding three paragraphs shall not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property through inheritance or as a gift.</li> <li>2. More than five years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</li> <li>3. The real property is acquired through signing of a joint development contract with the related party, <u>or through engaging a related party to build real property, either on the company's own land or on rented land.</u></li> </ol>	
Article 10	Procedures for handling appraised prices lower than the proposed transaction price (2) When the Company acquires real property	Procedures for handling appraised prices lower than the proposed transaction price (2) When the Company acquires real property	Amended in accordance with the applicable

	<p>from a related party and the results of the appraisals under Articles 8 and 9 are all lower than the proposed transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside in accordance with the provisions of Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, which may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.</li> <li>2. Supervisors shall comply with the provisions of Article 218 of the Company Act.</li> <li>3. Actions taken pursuant to subparagraphs 1 and 2 shall be reported to the shareholders meeting, and the details of the transaction shall be disclosed in the annual report and in prospectuses.</li> </ol> <p>When the Company sets aside a special reserve under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence to confirm there was nothing unreasonable in the transaction, and <u>the Financial Supervisory Commission of the Executive Yuan</u> has given its consent.</p> <p>When the Company acquires real property from a related party and other evidence indicates that the acquisition was a non-arms length transaction, it shall also comply with the provisions of the preceding two paragraphs.</p>	<p>from a related party and the results of the appraisals under Articles 8 and 9 are all lower than the proposed transaction price, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside in accordance with the provisions of Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, which may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company.</li> <li>2. Supervisors shall comply with the provisions of Article 218 of the Company Act.</li> <li>3. Actions taken pursuant to subparagraphs 1 and 2 shall be reported to the shareholders meeting, and the details of the transaction shall be disclosed in the annual report and in prospectuses.</li> </ol> <p>When the Company sets aside a special reserve under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence to confirm there was nothing unreasonable in the transaction, and <u>the Financial Supervisory Commission of the Executive Yuan</u> has given its consent.</p> <p>When the Company acquires real property from a related party and other evidence indicates that the acquisition was a non-arms length transaction, it shall also comply with the provisions of the preceding two paragraphs.</p>	<p>regulations.</p>
<p>Article 17</p>	<p>Procedures for public announcement and reporting</p> <p>When the Company acquires or disposes of assets under any of the following circumstances, it shall publicly announce and report the relevant information, in accordance with the type of disposal or acquisition, on the FSC's designated website in the appropriate format as</p>	<p>Procedures for public announcement and reporting</p> <p>When the Company acquires or disposes of assets under any of the following circumstances, it shall publicly announce and report the relevant information, in accordance with the type of disposal or acquisition, on the FSC's designated website in the appropriate format as</p>	<p>Amended in accordance with the applicable regulations.</p>

<p>prescribed by regulations within two days from the date of occurrence:</p> <ol style="list-style-type: none"> <li>1. An acquisition of real property from or a disposal of real estate to a related party, a transaction with a related parties for the assets other than real estate with the transaction price reaching 20% of the Company's paid-in capital, 10% of the total assets, and NT\$300 million, excluding the transactions of treasury bonds or repurchase or reverse sell of bonds.</li> <li>2. A merger, demerger, acquisition, or share transfer.</li> <li>3. Losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</li> <li>4. Where the amount of an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or investments in China reaches 20 percent or more of paid-in capital or NT\$300 million. This restriction shall not apply, however, under the following circumstances: <ol style="list-style-type: none"> <li>(1) Trades in government bonds.</li> <li>(2) <u>Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets.</u></li> <li>(3) <u>Trades of bonds under repurchase/resale agreements.</u></li> <li>(4) The type of asset acquired or disposed is <u>equipment/machinery</u> for use in business operations, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</li> <li>(5) The Company operates construction business and acquires or disposes of real property for use in construction, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</li> <li>(6) Real property is acquired under an arrangement for commissioned construction on self-owned land or</li> </ol> </li> </ol>	<p>prescribed by regulations within two days from the date of occurrence:</p> <ol style="list-style-type: none"> <li>1. An acquisition of real property from or a disposal of real estate to a related party, a transaction with a related parties for the assets other than real estate with the transaction price reaching 20% of the Company's paid-in capital, 10% of the total assets, and NT\$300 million, excluding the transactions of treasury bonds or repurchase or reverse sell of bonds, <u>or subscription or redemption of domestic money market funds.</u></li> <li>2. A merger, demerger, acquisition, or share transfer.</li> <li>3. Losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</li> <li>4. Where the amount of an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or investments in China reaches 20 percent or more of paid-in capital or NT\$300 million. This restriction shall not apply, however, under the following circumstances: <ol style="list-style-type: none"> <li>(1) Trades in government bonds.</li> <li>(2) <u>Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</u></li> <li>(3) <u>Trades of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</u></li> <li>(4) The type of asset acquired or disposed is <u>equipment</u> for use in business operations, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</li> <li>(5) The Company operates construction business and acquires or disposes of real property for use in construction, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</li> <li>(6) Real property is acquired under an arrangement for commissioned construction on self-owned land or</li> </ol> </li> </ol>	
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	<p>leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>The amounts of the transactions in the preceding paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. As the amount of any individual transaction.</li> <li>2. As the cumulative transaction amount of acquisitions and disposals of the same type of asset with the same trading counterparty within one year.</li> <li>3. As the cumulative transaction amount of real property acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) in the same development project within one year.</li> <li>4. As the cumulative transaction amount of acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) of the same security within one year.</li> </ol> <p>"Within one year," as used in the preceding paragraph, refers to a preceding period of one-year calculated from the date of occurrence of the current transaction. Items duly announced in accordance with the <u>Procedures</u> need not be entered.</p> <p>The Company shall compile monthly reports, covering the period up to the end of the preceding month, on the status of derivatives trades made by it or by any subsidiaries that are not public companies, and enter the information in the prescribed format into the information reporting website designated by the SFC by the tenth day of each month.</p> <p>When an item that the Company is required by regulation to publicly announce is found at the time of announcement to contain an error or omission and correction is required, all announced items shall be again publicly announced and reported in their entirety.</p> <p>When the Company acquires or disposes of assets, it shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and opinions from CPAs, attorneys, and securities underwriters at the headquarters of the Company, where, unless otherwise provided in another law, they shall be retained for at least five years.</p>	<p>leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</p> <p>The amounts of the transactions in the preceding paragraph shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1. As the amount of any individual transaction.</li> <li>2. As the cumulative transaction amount of acquisitions and disposals of the same type of asset with the same trading counterparty within one year.</li> <li>3. As the cumulative transaction amount of real property acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) in the same development project within one year.</li> <li>4. As the cumulative transaction amount of acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) of the same security within one year.</li> </ol> <p>"Within one year," as used in the preceding paragraph, refers to a preceding period of one-year calculated from the date of occurrence of the current transaction. Items duly announced in accordance with the <u>Procedures</u> need not be entered.</p> <p>The Company shall compile monthly reports, covering the period up to the end of the preceding month, on the status of derivatives trades made by it or by any subsidiaries that are not public companies, and enter the information in the prescribed format into the information reporting website designated by the SFC by the tenth day of each month.</p> <p>When an item that the Company is required by regulation to publicly announce is found at the time of announcement to contain an error or omission and correction is required, all announced items shall be again publicly announced and reported in their entirety.</p> <p>When the Company acquires or disposes of assets, it shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and opinions from CPAs, attorneys, and securities underwriters at the headquarters of the Company, where, unless otherwise provided in another law, they shall be retained for at least five years.</p>	
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<p>Article 22</p>	<p>Other matters of material significance</p> <p>Subsequent to the establishment of an audit committee by the Company in accordance with the Securities and Exchange Act, the provisions of Article 23, Article 4, paragraph 1, subparagraph 2, and Article 7 in regard to supervisors shall apply mutatis mutandis to audit committee members.</p> <p>Subsequent to the establishment of an audit committee by the Company in accordance with the Securities and Exchange Act, the provisions of Article 10, paragraph 1, subparagraph 2 shall apply mutatis mutandis to independent directors serving as audit committee members.</p> <p>Any matter on which these Procedures are silent, or in which any doubt arises regarding the application hereof, shall be handled in accordance with relevant laws and regulations. Where laws and regulations contain no applicable provisions, the matter shall be handled in accordance with the relevant rules of the Company or through discussion and resolution by the board of directors.</p>	<p>Other matters of material significance</p> <p>Subsequent to the establishment of an audit committee by the Company in accordance with the Securities and Exchange Act, the provisions of Article 23, Article 4, paragraph 1, subparagraph 2, and Article 7 in regard to supervisors shall apply mutatis mutandis to audit committee members.</p> <p>Subsequent to the establishment of an audit committee by the Company in accordance with the Securities and Exchange Act, the provisions of Article 10, paragraph 1, subparagraph 2 shall apply mutatis mutandis to independent directors serving as audit committee members.</p> <p>Any matter on which these Procedures are silent, or in which any doubt arises regarding the application hereof, shall be handled in accordance with relevant laws and regulations. Where laws and regulations contain no applicable provisions, the matter shall be handled in accordance with the relevant rules of the Company or through discussion and resolution by the board of directors.</p> <p><u>For the calculation of 10 percent of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</u></p> <p><u>In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20 percent of paid-in capital under these Procedures, 10 percent of equity attributable to owners of the parent shall be substituted.</u></p>	<p>Amended in accordance with the applicable regulations.</p>
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## Supplement 8

### HTC Corporation Procedures for the Handling of Derivatives Trading Before and After Revision

Article no.	Original article	Amended article	Notes
Article 3	<p>Procedures</p> <p>1. Authorized amounts: The authorized amount ceilings and hierarchical delegation of authority for derivatives transactions in which the Company engages shall be decided by the board of directors. Transactions shall be executed by the authorized personnel within the credit limit stipulated and signed with a designated financial institution.</p> <p>2. Executing units: derivatives transactions shall be executed by dedicated staff of authorized financial units.</p> <p>3. Description of operations:            (1)~(7) Omitted            (8) Details regarding derivatives transactions engaged in by the Company shall be summarized on a quarterly basis and <u>submitted to the board of directors for subsequent acknowledgment and approval.</u></p>	<p>Procedures</p> <p>1. Authorized amounts: The authorized amount ceilings and hierarchical delegation of authority for derivatives transactions in which the Company engages shall be decided by the board of directors. Transactions shall be executed by the authorized personnel within the credit limit stipulated and signed with a designated financial institution.</p> <p>2. Executing units: derivatives transactions shall be executed by dedicated staff of authorized financial units.</p> <p>3. Description of operations:            (1)~(7) Omitted            (8) Details regarding derivatives transactions engaged in by the Company shall be summarized on a quarterly basis and <u>submitted to the soonest meeting of board of directors for subsequent acknowledgment and approval.</u></p>	<p>Amended in accordance with the applicable regulations.</p>

## Supplement 9

### HTC Corporation Bylaws for the Election of Directors and Supervisors Before and After Revision

Article no.	Original article	Amended article	Notes
Article 4	The election of the directors and supervisors of the Corporation shall adopt the open-ballot, cumulative voting method; <u>the candidate nomination system shall be adopted for the nomination of candidates for independent director.</u> 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.	<u>The nomination of candidates for directors and supervisors of the Corporation shall adopt the candidate nomination system;</u> the election of the directors and supervisors shall adopt the open-ballot, cumulative voting method. 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.	Adopt the candidate nomination system for nominating directors and supervisors of the Corporation.



## **Appendix 1**

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

#### **Article 1**

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

#### **Article 2**

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

#### **Article 3**

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

#### **Article 4**

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

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

#### **Article 5**

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

#### **Article 6**

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

#### **Article 7**

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

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

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

#### Article 8

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

#### Article 9

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

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

#### Article 10

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

#### Article 11

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

#### Article 12

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

#### Article 13

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

#### Article 14

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

#### Article 15

While a meeting is in progress, the chair may consider the time schedule and announce a break. If a force majeure event occurs, the chair may rule for a temporary suspension of the meeting, and announce the time when the meeting will be reconvened depending on the circumstances, or the shareholders meeting may

make a resolution to reconvene the meeting within five days without notification or public announcement.

#### Article 16

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

#### Article 17

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

#### Article 18

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

## Appendix 2

### HTC Corporation Articles of Incorporation

#### Chapter I General Provisions

##### Article 1

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

##### Article 2

The scope of business of the Company is as follows:

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

##### Article 2~1

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

##### Article 3

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

##### Article 4

Deleted.

## Chapter II Shares

### Article 5

The authorized capital of the Company is NT\$ 10 billion consisting of 1 billion, shares, all of common stock, with a par value of NT\$10 per share. The Board of directors is authorized to issue the shares in separate installments as required. Among these shares, 50 million shares are reserved for the holders of stock warrants, preferred shares with warrants, or corporate bonds with warrants to exercise their stock warrants.

### Article 5~1

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

### Article 6

Deleted.

### Article 7

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

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

### Article 8

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

## Chapter III Shareholders Meeting

### Article 9

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

### Article 10

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

### Article 11

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

### Article 12

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

## Chapter IV Directors and Supervisors

### Article 13

The Company shall have five to seven directors and two supervisors. The directors and supervisors shall be elected by a candidate nomination system. They shall be elected by the shareholders meeting from among the slate of director and supervisor candidates. 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

There shall be at least two independent directors among the Company's directors, and the independent directors shall represent at least one-fifth of the directors seats. The relevant regulations of the competent securities authority shall be followed regarding the professional qualifications, shareholding, moonlighting restrictions, nomination and election, and other compliance requirements regarding independent directors.

### Article 14

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

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

### Article 14-1

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

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

### Article 15

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

### Article 16

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

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

## Chapter V Managerial Officers

### Article 17

The Company may have managerial officers, whose appointment, dismissal, and remuneration shall be

handled in accordance with Article 29 of the Company Act.

## Chapter VI Accounting

### Article 18

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

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

### Article 19

Deleted.

### Article 20

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

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

Because the Company is a technology and capital-intensive enterprise in its growing phase, the Company sets a policy to allocate dividends with consideration to factors such as the Company's current and future investment climate, demand for working capital, competitive environment at home and globally, capital budget, as well as the interests of the shareholders, balanced dividends, and long-term financial planning of the Company. Every year, the board of directors shall propose the allocation ratio and propose it at the shareholders' meeting. The earnings may be allocated in cash dividends or stock dividends, provided that the ratio of cash dividends may not be less than 50% of the total dividends.

## Chapter Seven Bylaws

### Article 21

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

### Article 22

These Articles of Incorporation were adopted on 10 May 1997.

The first amendment was made on 1 July 1997.

The second amendment was made on 26 February 1998.

The third amendment was made on 8 May 1998.

The fourth amendment was made on 22 October 1998.

The fifth amendment was made on 24 April 2000.  
The sixth amendment was made on 23 April 2001.  
The seventh amendment was made on 13 July 2001.  
The eighth amendment was made on 14 March 2002.  
The ninth amendment was made on 26 June 2003.  
The 10th amendment was made on 16 June 2004.  
The 11th amendment was made on 13 June 2005.  
The 12th amendment was made on 2 May 2006.  
The 13th amendment was made on 20 June 2007.  
The 14th amendment was made on 13 June 2008.  
The 15th amendment was made on 19 June 2009.  
The 16th amendment was made on 18 June 2010.  
The 17th amendment was made on 15 June 2011.  
The 18th amendment was made on 21 June 2013.  
The 19th amendment was made on 19 June 2014.

## HTC CORPORATION

Chairwoman: Cher Wang



## Appendix 3

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

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

## Appendix 4

### HTC CORPORATION

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

1. Company's Articles of Incorporation stipulate the distribution of employee profit sharing as well as Directors and Supervisors' remuneration in terms of percentage or scope. Company's Articles of Incorporation stipulate that for earnings, the order of distribution shall be followed according to below:
  - (1) To pay taxes.
  - (2) To cover accumulated losses, if any.
  - (3) To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital.
  - (4) To recognize or reverse special reserve return earnings.
  - (5) To pay remuneration to directors and supervisors at 0.3% maximum of the balance after withholding the amounts under subparagraphs (1) to (4).
  - (6) To pay bonus to employees at 5% minimum of the balance after withholding the amounts under subparagraphs (1) to (4), or such balance plus the unappropriated retained earnings of previous years.
2. Board of Directors has adopted the proposed distribution of bonus for employees in the following manner:

Unit: NT\$ 1,000

Distributions of 2014 Earnings	Accrued Expenses for Employee Bonus	Resolution Approved by The Board of Directors	
Employee Bonus	88,333,545	April 15, 2015	
		Employee Cash Bonus	88,333,545
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 2013 earnings as employees' employees' bonus and remunerations for directors and supervisors:  
Company didn't distribute any employees' bonus and remunerations for directors and supervisors due to no earnings in 2013.

## Appendix 5

### HTC CORPORATION

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

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

Total common shares outstanding	828,038,125 shares
Minimum Required Shareholding by all Directors	26,497,220 shares
Minimum Required Shareholding by all Supervisors	2,649,722 shares

2.

Record Date: April 4, 2015

Title	Name	Current Shareholding	Percentage
Chairperson	Cher Wang	32,272,427	3.90%
Director	Wen-Chi Chen	22,391,389	2.70%
Director	HT Cho	96,530	0.01%
Director	David Bruce Yoffie	0	0.00%
Independent Director	Chen-Kuo Lin	0	0.00%
Independent Director	Josef Felder	229,985	0.03%
Supervisor	Way-Chih Investment Co., Ltd.	43,819,290	5.29%
Supervisor	Huang-Chieh Chu	0	0.00%
Total Directors (excluding Independent Directors)		54,760,346	6.61%
Total Supervisors		43,819,290	5.29%



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