

HTC Corporation
2012 Annual General Shareholders Meeting Minutes
(Translation)

Time and Date: June 12, 2012 (Tuesday) at 9:30 a.m.

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

Total common shares outstanding: 831,227,125 shares

Attending shareholders and proxy representing: 626,750,183 shares

Ratio of Attending shareholders and proxy representing to total common shares outstanding:
75.40%

Attendees: Yang Ming-Hsien, CPA of Deloitte & Touche

Yang Shiau Pan, Counsel of Lexcel Law Offices

Chairperson: Cher Wang, Chairperson

Recorder: James Chen

1. Call Meeting to Order: The 2012 annual general shareholders meeting is postponed to 9:30 a.m. due to heavy rain. The aggregate shareholding of the attending shareholders constituted a quorum. The Chairperson called the meeting to order.

2. Opening Remarks by the Chairperson: Omitted.

3. Matters to Report:

Item 1: Fiscal 2011 Business Report (Please refer to supplement 1)

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

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

4. Adoption and Discussion Matters:

Item 1

Title: Adoption of the Fiscal 2011 Business Report and Financial Statement. (Proposed by the Board of Directors)

Introduction:

(1) The compilation of the Company's Fiscal 2011 Business Report and Financial Statements are complete and have been approved by the Board of Directors. The Financial Statements have been audited and certified by Yang, Min-Hsien, CPA, and Wang Tze-Chun, CPA, of Deloitte &

Touche. The Business Report and Financial Statements have been audited by the Supervisors, and are hereby submitted for adoption by this Annual General Shareholders Meeting.

(2) Please refer to Supplement 1, Supplement 4 and Supplement 5 for the Fiscal 2011 Business Report, the CPA Audit Report issued by Deloitte & Touche and the Financial Statements, respectively.

(3) Adoption requested.

Resolution: [This proposal has been approved unanimously by the shareholders present.](#)

Item 2

Title: Adoption of the Fiscal 2011 Earnings Distribution Proposal. (Proposed by the Board of Directors)

Introduction:

(1) The Company's net earnings for fiscal 2011 are NT\$61,975,795,713. Please refer to Supplement 6 for the Chart of the Earnings Distribution for Fiscal 2011. As to the dividends for the shareholders, the Board of Directors has proposed to distribute cash dividends of NT\$40 per share. The actual earnings distribution ratio is subject to the adjustments to be made by the Board of Directors in accordance with the number of issued and outstanding shares registered on the Common Stockholders' Roster on the record date.

(2) All of the Company's employee bonuses payable for Fiscal 2011, which amounts to NT\$ 7,238,636,878, will be distributed in cash.

(3) Following the passage of this proposal at the 2012 Annual General Shareholders Meeting, the Board of Directors will be authorized to determine the record date for the distribution of dividends and carry out the affairs related to the distribution of cash dividends.

(4) Adoption requested.

Resolution: [This proposal has been approved unanimously by the shareholders present.](#)

Item 3

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

Introduction:

(1) The Procedures for the Acquisition or Disposal of Assets of the Company should be amended for the purpose of being in line with the amendments to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies issued by the Financial Supervisory

Commission on February 13, 2012, in Letter No. 1010004588 and meeting the practical needs of the operations.

(2) For the Pre- and Post-Amendment Comparison Chart for the Procedures for the Acquisition or Disposal of Assets, please refer to Supplement 7.

(3) Resolution requested.

Resolution: [This proposal has been approved unanimously by the shareholders present.](#)

5. Extraordinary Motions: None.

6. Closure of the Meeting: June 12, 2012 (Tuesday) at 10:10 a.m.

Chairperson : Cher Wang

Recorder : James Chen

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

Supplement 1

HTC CORPORATION Fiscal 2011 Business Report

I am pleased to report 2011 was another record-breaking year for HTC Corporation (HTC), thanks to strong consumer support worldwide and the dedicated professionalism of the entire HTC organization.

HTC's founding vision and enduring commitment is to make innovative products that enrich consumers' lives. Growing market affinity to the HTC brand and to our products helped us achieve impressive milestones over this past year. We sold nearly twice as many smartphones in 2011 as in 2010 and shipped over 40 million units for the first time in our history. In 2011, HTC became the world's 5th largest smartphone maker and 3rd largest smartphone player in North America. Also in 2011, HTC made Interbrand's annual *Top 100 Best Global Brands* list for the first time at #98, becoming the first Taiwan brand ever to earn an Interbrand top 100 listing.

Since launching the HTC brand in 2007, we have released a steady stream of well-received models in the HTC Touch, HTC Diamond, HTC Desire, and HTC Sensation product series. Our *Quietly Brilliant* brand positioning and *YOU* advertising campaign have greatly expanded global recognition of the HTC brand and delivered our name from relative obscurity into the roster of the world's top 100 best brands in just five short years! This impressive accomplishment reflects the professionalism and dedication of the entire HTC team.

Financial Performance

While rapidly expanding our business, we are also steadily growing our profitability. 2011 consolidated earnings grew 67.1% from the previous year to NT\$465.8 billion, marking a new historic high. Consolidated gross margin and operating margin for the year were 28.3% and 14.8%, respectively. Net profit after tax rose to NT\$62.0 billion - a significant NT\$22.4 billion increase over 2010. Earnings per share (EPS) of NT\$73.32 and return on equity (ROE) of 70.4% demonstrate HTC's ability to deliver returns to shareholders.

Business Development

HTC filled 1,000 new R&D positions in 2011 with talented professionals dedicated to developing next-generation leading technologies and innovative new products. These additions enhance core competitive strengths and HTC's position in the rapidly evolving global smartphone industry. We followed the 2010 launch of HTC EVO 4G, the world's first 4G smartphone, with the launch in 2011 of HTC Thunderbolt, the world's first LTE smartphone. HTC Titan, HTC Radar, and HTC Titan II, the world's first Windows 4G LTE smartphone, lead the world in Windows Phone 7.5 (Mango) implementation and continue to extend HTC's leadership in smartphone-related technologies.

In addition to advances on the R&D front, we've made strategic investments in Beats, KKBOX, and OnLive and acquired popular software and content service providers Saffron Digital, Dashwire, and Inquisitive Minds (Zoodles). This greatly enhances our ability to integrate music, gaming, social and personal applications into HTC's proprietary HTC Sense interface. HTC will also tap the potentials of cloud computing to develop and promote an increasingly diverse array of content and services. The collaboration with major audio brand Beats by Dr. Dre take the HTC

mobile music experience to new, exceptional heights. Smartphones such as Sensation XE, Sensation XL and Rezound incorporate Beats Audio sound technology and come bundled with urBeats in-ear headphones. Delivering on their promises of recording-studio sound quality, these models are market successes that exemplify HTC's commitment to enhance user experience and introduce ever newer and better products.

Major Accomplishments

Designing products that meet consumer needs and lead market demand has earned HTC an impressive list of international recognitions and awards. In February 2011, the Mobile World Congress (MWC) named HTC its "Device Manufacturer of the Year", the communication industry's most coveted annual award. It is an honor for which we credit the tens of millions of HTC users worldwide and tireless effort and dedication of the entire HTC organization. In delivering their award decision, the GSMA selection committee remarked that HTC had, "built its market presence from nowhere, with fresh branding and marketing and a strong portfolio of devices across many platforms. In particular, it has proven an exceptionally popular and enduring phone manufacturer. With great communication and good customer service, this is a well-deserved award."

Many HTC products also received stellar receptions at CTIA Wireless 2011. The HTC Thunderbolt, the world's first 4G LTE smartphone, launched in cooperation with U.S. telecom service provider Verizon, earned CTIA's "Emerging Technology Award" in the smartphone category. Laptop Magazine chose the HTC EVO 3D its CTIA 2011 "Best of Show" and "Best Smartphone". Notebooks.com also gave HTC EVO View 4G its seal of approval as the "Best Smart Phone of CTIA 2011". These exceptional achievements at CTIA further amplified the recognition coming off February's MWC.

Looking beyond technology, HTC's intuitive and aesthetically exciting product designs are earning growing attention from industrial design heavyweights such as the IDEA and Red Dot design awards. IDEA 2011 gave communication tools category Gold, Silver and Bronze awards, respectively, to HTC Droid Incredible, HTC EVO 4G and HTC Legend. Red Dot honored the HTC EVO 4G with its highest design award - the "red dot: best of the best". Such awards highlight HTC's success in bridging multiple disciplines to deliver aesthetic designs and innovation.

Social Responsibility

While focused on growth, we continue to invest actively in our communities and charitable causes. The HTC Social Welfare Foundation is a long-term sponsor of programs that help disadvantaged children and youth, train life education volunteers, and award academic scholarships. The HTC Education Foundation works with domestic and overseas education organizations to promote character and civic education programs. The foundation is a sponsor of the University of Missouri's LACE and CHARACTER^{plus} in the United States. We also work at all levels of education in Taiwan to develop character education curricula and train educators needed to lead and sustain character education programs.

Vision for the Future

HTC opened its Taipei Headquarters building in early 2012. Our new Taoyuan factory is also scheduled to begin commercial production this year. While pursuing worldwide growth and

opportunities, we will remain firmly rooted in Taiwan and use it as the solid foundation on which we will continue to develop and innovate.

HTC will put consumers first in everything we do. We will develop and market products that incorporate industry-leading technologies and deliver exceptional, user-tailored experiences. Whether at home, outdoors, in the car, or at work, HTC users can instantly access the highest quality audio-visual, entertainment and mobile communications services. The extremely competitive smartphone market has proven a trial by fire for HTC in every aspect of our business. It is the forge that created and now sustains our core competitive advantages. We firmly believe that HTC's focus, determination and expertise will continue to help us meet future challenges and generate value for our shareholders.

HTC CORPORATION

Chairperson : Cher Wang

President : Peter Chou

Chief Accountant : James.CY Chen

Supplement 2

HTC CORPORATION Supervisors Audit Report

The Board of Directors has prepared the Company's 2011 Business Report, Financial Statements and Earnings Distribution Proposal. HTC Corporation's Financial Statements have been audited and certified by Yang, Ming-Hsien, CPA, and Wang Tze-Chun, CPA, of Deloitte & Touche and an audit report relating to the Financial Statements has been issued. The Business Report, Financial Statements and Earnings Distribution Proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the supervisor of HTC Corporation. According to Article 219 of the Company Law, I hereby submit this report.

HTC CORPORATION

Supervisor:

**Way-Chih Investment Co., Ltd.
Representative: Shao-Lun Lee**

Huang-Chieh Chu

April 24, 2012

Supplement 3

Share Buy-back Execution Report :

Topic	Explanation
Initial Estimation of Share Buy-back Status	
Board of Director resolution	07/16/2011
Purpose of the share buy-back (Note 3)	To stabilize stock price by maintaining company credibility and shareholders rights. According to the Regulations Governing Share Repurchase by Listed and OTC Companies, Article 2 requires off-setting of buy-back Treasury stocks.
Type of share buy-back	Common stock
Total amount allocated for share buy-back	NTD 11,000,000,000
Buy-back period	07/18/2011~08/17/2011
Estimated number of buy-back shares (as percentage of total outstanding shares)(Note 1)	10,000,000 shares (1.22%)
Estimated buy-back price interval	Buy-back stock price is between NTD 900 to NTD 1,100. It is further resolved by the Board of Directors to continue buy-back of shares if the stock price falls under NTD 900.
Method of Buy-back	Buy-back shares from stock exchange
Actual Share Buy-back Status	
Buy-back period	07/21/2011~08/17/2011
Number of buy-back shares (as a percentage of total shares outstanding)(Note 2)	10,000,000 shares (1.16%)
Total amount for buy-back shares	NTD 8,509,335,774
Average price per buy-back share	NTD 850.93

Topic	Explanation
Initial Estimation of Share Buy-back Status	
Board of Director resolution	07/16/2011
Purpose of the share buy-back (Note 3)	To transfer stocks to employees. According to the Regulations Governing Share Repurchase by Listed and OTC Companies, Article 2 requires to buy back Treasury stocks.
Type of share buy-back	Common stock
Total amount allocated for share buy-back	NTD 11,000,000,000
Buy-back period	08/18/2011~09/17/2011
Estimated number of buy-back shares (as percentage of total outstanding shares) (Note 1)	10,000,000 shares (1.22%)
Estimated buy-back price interval	Buy-back stock price is between NTD 900 to NTD 1,100. It is further resolved by the Board of Directors to continue buy-back of shares if the stock price falls under NTD 900.
Method of Buy-back	Buy-back shares from stock exchange
Actual Share Buy-back Status	
Buy-back period	08/18/2011~09/16/2011
Number of buy-back shares (as a percentage of total shares outstanding) (Note 2)	10,000,000 shares (1.16%)
Total amount for buy-back shares	NTD 7,576,762,585
Average price per buy-back share	NTD 757.68

Topic	Explanation
Initial Estimation of Share Buy-back Status	
Board of Director resolution	12/20/2011
Purpose of the share buy-back	To transfer stocks to employees. According to the Regulations Governing Share Repurchase by Listed and OTC Companies, Article 2 requires to buy back Treasury stocks.
Type of share buy-back	Common stock
Total amount allocated for share buy-back	NTD 6,500,000,000
Buy-back period	12/20/2011~02/19/2012
Estimated number of buy-back shares (as percentage of total outstanding shares) (Note 1)	10,000,000 shares (1.16%)
Estimated buy-back price interval	Buy-back stock price is between NTD 445 to NTD 650. It is further resolved by the Board of Directors to continue buy-back of shares if the stock price falls under NTD 445.
Method of Buy-back	Buy-back shares from stock exchange
Actual Share Buy-back Status	
Buy-back period	12/30/2011~02/17/2012
Number of buy-back shares (as a percentage of total shares outstanding) (Note 2)	6,914,000 shares (0.81%)
Total amount for buy-back shares	NTD 3,750,055,902
Average price per buy-back share	NTD 542.39

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

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

Note 3: The repurchase purpose was approved by the Board of Directors for the amendment of repurchase purpose on Oct. 28, 2011, and such amendment was also approved by Financial Supervisory Commission.

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, 2010 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, all expressed in New Taiwan dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HTC Corporation as of December 31, 2010 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of HTC Corporation and subsidiaries as of and for the years ended December 31, 2010 and 2011, and expressed an unqualified opinion on those statements in our report dated February 14, 2012..

Our audits also comprehended the translation of the 2011 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers.

February 14, 2012

Notice to Readers

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

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

HTC CORPORATION

BALANCE SHEETS DECEMBER 31, 2010 AND 2011 (In Thousands, Except Par Value)

ASSETS	2010	2011	
	NT\$	NT\$	US\$ (Note 3)
CURRENT ASSETS			
Cash and cash equivalents (Notes 2 and 5)	\$ 66,282,076	\$ 78,872,320	\$ 2,604,852
Financial assets at fair value through profit or loss (Notes 2, 6 and 24)	450,276	256,868	8,483
Available-for-sale financial assets - current (Notes 2 and 7)	441,948	736,031	24,308
Notes receivable, net (Notes 2 and 8)	-	755,450	24,950
Accounts receivable, net (Notes 2 and 8)	35,179,038	31,284,326	1,033,202
Accounts receivable from related parties, net (Notes 2 and 25)	28,186,391	32,977,269	1,089,114
Other current financial assets (Notes 9 and 25)	717,636	1,383,927	45,706
Inventories (Notes 2 and 10)	21,920,492	25,389,320	838,513
Prepayments (Notes 11 and 25)	2,314,577	7,041,087	232,540
Deferred income tax assets (Notes 2 and 22)	925,579	1,517,302	50,111
Other current assets	<u>457,054</u>	<u>558,279</u>	<u>18,438</u>
Total current assets	<u>156,875,067</u>	<u>180,772,179</u>	<u>5,970,217</u>
LONG-TERM INVESTMENTS			
Available-for-sale financial assets - noncurrent (Notes 2 and 7)	538	279	9
Held-to-maturity financial assets - noncurrent (Notes 2 and 12)	207,946	204,597	6,757
Financial assets carried at cost - noncurrent (Notes 2 and 13)	515,861	515,861	17,037
Investments accounted for by the equity method (Notes 2 and 14)	9,900,410	36,477,563	1,204,715
Prepayments for long-term investments (Notes 2 and 14)	<u>83,665</u>	<u>579,485</u>	<u>19,138</u>
Total long-term investments	<u>10,708,420</u>	<u>37,777,785</u>	<u>1,247,656</u>
PROPERTIES (Notes 2, 15 and 25)			
Cost			
Land	5,690,718	7,462,281	246,451
Buildings and structures	3,504,669	3,680,608	121,557
Machinery and equipment	5,564,902	7,100,072	234,488
Molding equipment	172,632	172,632	5,701
Computer equipment	343,939	398,289	13,154
Transportation equipment	6,242	6,570	217
Furniture and fixtures	147,349	204,185	6,743
Leased assets	4,712	4,712	156
Leasehold improvements	<u>151,716</u>	<u>215,437</u>	<u>7,115</u>
Total cost	15,586,879	19,244,786	635,582
Less: Accumulated depreciation	(4,934,160)	(5,850,061)	(193,205)
Prepayments for construction-in-progress and equipment-in-transit	<u>288,511</u>	<u>2,027,620</u>	<u>66,964</u>
Properties, net	<u>10,941,230</u>	<u>15,422,345</u>	<u>509,341</u>
INTANGIBLE ASSETS (Note 2)			
Patents	<u>208,581</u>	<u>2,120,948</u>	<u>70,047</u>
OTHER ASSETS			
Assets leased to others	50,828	-	-
Refundable deposits	79,197	78,894	2,606
Deferred charges (Note 2)	27,658	120,593	3,983
Deferred income tax assets (Notes 2 and 22)	2,419,431	3,596,520	118,779
Restricted assets (Note 26)	63,900	63,900	2,110
Other (Notes 2, 11 and 18)	<u>2,676,141</u>	<u>6,952,922</u>	<u>229,628</u>
Total other assets	<u>5,317,155</u>	<u>10,812,829</u>	<u>357,106</u>
TOTAL	<u>\$ 184,050,453</u>	<u>\$ 246,906,086</u>	<u>\$ 8,154,367</u>

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

LIABILITIES AND STOCKHOLDERS' EQUITY	2010	2011	
	NT\$	NT\$	US\$ (Note 3)
CURRENT LIABILITIES			
Notes and accounts payable	\$ 56,478,777	\$ 71,650,537	\$ 2,366,344
Accounts payable to related parties (Note 25)	1,346,981	3,639,231	120,190
Income tax payable (Notes 2 and 22)	6,416,667	9,653,090	318,805
Accrued expenses (Notes 16 and 25)	31,663,629	42,364,231	1,399,129
Payable for purchase of equipment	318,587	348,772	11,519
Other current liabilities (Notes 2, 17 and 25)	<u>13,110,690</u>	<u>17,823,001</u>	<u>588,626</u>
Total current liabilities	<u>109,335,331</u>	<u>145,478,862</u>	<u>4,804,613</u>
OTHER LIABILITIES			
Guarantee deposits received	<u>628</u>	<u>628</u>	<u>20</u>
Total liabilities	<u>109,335,959</u>	<u>145,479,490</u>	<u>4,804,633</u>
STOCKHOLDERS' EQUITY (Note 19)			
Capital stock - NT\$10.00 par value			
Authorized: 1,000,000 thousand shares			
Issued and outstanding: 817,653 thousand shares in 2010 and 852,052 thousand shares in 2011			
Common stock	8,176,532	8,520,521	281,400
Capital surplus			
Additional paid-in capital - issuance of shares in excess of par	10,777,623	14,809,608	489,105
Treasury stock transactions	-	1,730,458	57,150
Long-term equity investments	18,411	18,037	596
Merger	24,710	24,423	807
Expired stock options	-	37,068	1,224
Retained earnings			
Legal reserve	10,273,674	10,273,674	339,300
Special reserve	-	580,856	19,184
Accumulated earnings	52,876,892	75,762,315	2,502,141
Other equity			
Cumulative translation adjustments (Note 2)	(579,849)	32,134	1,061
Net loss not recognized as pension cost	(121)	(293)	(10)
Unrealized valuation (loss) gain on financial instruments (Notes 2 and 24)	(885)	2,939	97
Treasury stock (Note 20)	<u>(6,852,493)</u>	<u>(10,365,144)</u>	<u>(342,321)</u>
Total stockholders' equity	<u>74,714,494</u>	<u>101,426,596</u>	<u>3,349,734</u>
TOTAL	<u>\$ 184,050,453</u>	<u>\$ 246,906,086</u>	<u>\$ 8,154,367</u>

HTC CORPORATION

STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands, Except Earnings Per Share)

	2010	2011	
	NT\$	NT\$	US\$ (Note 3)
REVENUES (Notes 2 and 25)	\$ 275,046,954	\$ 455,079,186	\$ 15,029,532
COST OF REVENUES (Notes 2, 10, 21 and 25)	<u>195,489,982</u>	<u>335,325,140</u>	<u>11,074,512</u>
GROSS PROFIT	79,556,972	119,754,046	3,955,020
UNREALIZED INTERCOMPANY GAINS	(345,455)	(1,151,531)	(38,031)
REALIZED INTERCOMPANY GAINS	<u>108,150</u>	<u>345,455</u>	<u>11,409</u>
REALIZED GROSS PROFIT	<u>79,319,667</u>	<u>118,947,970</u>	<u>3,928,398</u>
OPERATING EXPENSES (Notes 21 and 25)			
Selling and marketing	19,516,895	31,971,943	1,055,911
General and administrative	4,812,579	5,860,841	193,561
Research and development	<u>12,694,850</u>	<u>16,254,644</u>	<u>536,829</u>
Total operating expenses	<u>37,024,324</u>	<u>54,087,428</u>	<u>1,786,301</u>
OPERATING INCOME	<u>42,295,343</u>	<u>64,860,542</u>	<u>2,142,097</u>
NONOPERATING INCOME AND GAINS			
Interest income	286,610	622,365	20,555
Gains on equity-method investments (Notes 2 and 14)	1,457,395	2,718,362	89,777
Gains on sale of investments, net	3,001	29	1
Exchange gain (Note 2)	-	1,212,432	40,042
Rental revenues (Note 25)	366	920	30
Valuation gains on financial instruments, net (Notes 2 and 6)	450,276	256,868	8,483
Other (Note 25)	<u>338,432</u>	<u>249,317</u>	<u>8,234</u>
Total nonoperating income and gains	<u>2,536,080</u>	<u>5,060,293</u>	<u>167,122</u>
NONOPERATING EXPENSES AND LOSSES			
Interest expense	46	10,265	339
Loss on disposal of properties	139	-	-
Exchange loss (Note 2)	303,549	-	-
Impairment loss (Notes 2 and 13)	1,192	-	-
Other	<u>35,188</u>	<u>60,899</u>	<u>2,012</u>
Total nonoperating expenses and losses	<u>340,114</u>	<u>71,164</u>	<u>2,351</u>
			(Continued)

HTC CORPORATION

STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands, Except Earnings Per Share)

	<u>2010</u>		<u>2011</u>	
	NT\$		NT\$	US\$ (Note 3)
INCOME BEFORE INCOME TAX	\$ 44,491,309		\$ 69,849,671	\$ 2,306,868
INCOME TAX (Notes 2 and 22)	<u>(4,957,709)</u>		<u>(7,873,875)</u>	<u>(260,044)</u>
NET INCOME	<u>\$ 39,533,600</u>		<u>\$ 61,975,796</u>	<u>\$ 2,046,824</u>

	<u>2010</u>		<u>2011</u>			
	<u>Before Income Tax</u>	<u>After Income Tax</u>	<u>Before Income Tax</u>		<u>After Income Tax</u>	
	NT\$	NT\$	NT\$	US\$ (Note 3)	NT\$	US\$ (Note 3)
BASIC EARNINGS PER SHARE (Note 23)	<u>\$ 51.98</u>	<u>\$ 46.18</u>	<u>\$ 82.63</u>	<u>\$ 2.73</u>	<u>\$ 73.32</u>	<u>\$ 2.42</u>
DILUTED EARNINGS PER SHARE (Note 23)	<u>\$ 51.36</u>	<u>\$ 45.64</u>	<u>\$ 81.05</u>	<u>\$ 2.68</u>	<u>\$ 71.91</u>	<u>\$ 2.37</u>

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

(Concluded)

HTC CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands of New Taiwan Dollars)

	Capital Stock Issued and Outstanding Common Stock	Issuance of Shares in Excess of Par	Treasury Stock Transactions	Capital Surplus			Retained Earnings			Other Equity				
				Long-term Equity Investments	Merger	Expired Stock Options	Legal Reserve	Special Reserve	Accumulated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gain (Loss) on Financial Instruments	Treasury Stock	Total
BALANCE, JANUARY 1, 2010	\$ 7,889,358	\$ 9,056,323	\$ -	\$ 18,411	\$ 25,189	\$ -	\$ 10,273,674	\$ -	\$ 38,364,099	\$ 15,088	\$ (34)	\$ (1,658)	\$ -	\$ 65,640,450
Appropriation of the 2009 net earnings														
Stock dividends	386,968	-	-	-	-	-	-	-	(386,968)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(20,122,332)	-	-	-	-	(20,122,332)
Transfer of employee bonuses to common stock	50,206	1,893,488	-	-	-	-	-	-	-	-	-	-	-	1,943,694
Net income in 2010	-	-	-	-	-	-	-	-	39,533,600	-	-	-	-	39,533,600
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(594,937)	-	-	-	(594,937)
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	-	-	773	-	773
Adjustment due to the movement of investees' other equity under the equity method	-	-	-	-	-	-	-	-	-	-	(87)	-	-	(87)
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(11,686,667)	(11,686,667)
Retirement of treasury stock	<u>(150,000)</u>	<u>(172,188)</u>	<u>-</u>	<u>-</u>	<u>(479)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,511,507)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,834,174</u>	<u>-</u>
BALANCE, DECEMBER 31, 2010	8,176,532	10,777,623	-	18,411	24,710	-	10,273,674	-	52,876,892	(579,849)	(121)	(885)	(6,852,493)	74,714,494
Appropriation of the 2010 net earnings														
Special reserve	-	-	-	-	-	-	-	580,856	(580,856)	-	-	-	-	-
Stock dividends	403,934	-	-	-	-	-	-	-	(403,934)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(29,891,089)	-	-	-	-	(29,891,089)
Transfer of employee bonuses to common stock	40,055	4,205,796	-	-	-	-	-	-	-	-	-	-	-	4,245,851
Net income in 2011	-	-	-	-	-	-	-	-	61,975,796	-	-	-	-	61,975,796
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	-	-	3,824	-	3,824
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	611,983	-	-	-	611,983
Adjustment due to the movement of investees' other equity under the equity method	-	-	-	-	-	-	-	-	-	-	(172)	-	-	(172)
Adjustment due to changes in ownership percentage in investees and the movement of investees' other equity under the equity method	-	-	-	(374)	-	-	-	-	-	-	-	-	-	(374)
Transfer of treasury stock to employees	-	-	1,750,767	-	-	37,503	-	-	-	-	-	-	4,113,821	5,902,091
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(16,135,808)	(16,135,808)
Retirement of treasury stock	<u>(100,000)</u>	<u>(173,811)</u>	<u>(20,309)</u>	<u>-</u>	<u>(287)</u>	<u>(435)</u>	<u>-</u>	<u>-</u>	<u>(8,214,494)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,509,336</u>	<u>-</u>
BALANCE, DECEMBER 31, 2011	<u>\$ 8,520,521</u>	<u>\$ 14,809,608</u>	<u>\$ 1,730,458</u>	<u>\$ 18,037</u>	<u>\$ 24,423</u>	<u>\$ 37,068</u>	<u>\$ 10,273,674</u>	<u>\$ 580,856</u>	<u>\$ 75,762,315</u>	<u>\$ 32,134</u>	<u>\$ (293)</u>	<u>\$ 2,939</u>	<u>\$ (10,365,144)</u>	<u>\$ 101,426,596</u>

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

HTC CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands of U.S. Dollars)

	Capital Stock Issued and Outstanding Common Stock	Capital Surplus					Retained Earnings			Other Equity				Total
		Issuance of Shares in Excess of Par	Treasury Stock Transactions	Long-term Equity Investments	Merger	Expired Stock Options	Legal Reserve	Special Reserve	Accumulated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gain (Loss) on Financial Instruments	Treasury Stock	
BALANCE, JANUARY 1, 2011	\$ 270,040	\$ 355,944	\$ -	\$ 608	\$ 816	\$ -	\$ 339,300	\$ -	\$ 1,746,323	\$ (19,150)	\$ (4)	\$ (29)	\$ (226,312)	\$ 2,467,536
Appropriation of the 2010 net earnings														
Special reserve	-	-	-	-	-	-	-	19,184	(19,184)	-	-	-	-	-
Stock dividends	13,340	-	-	-	-	-	-	-	(13,340)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(987,189)	-	-	-	-	(987,189)
Transfer of employee bonuses to common stock	1,323	138,901	-	-	-	-	-	-	-	-	-	-	-	140,224
Net income in 2011	-	-	-	-	-	-	-	-	2,046,824	-	-	-	-	2,046,824
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	-	-	126	-	126
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	20,211	-	-	-	20,211
Adjustment due to the movement of investees' other equity under the equity method	-	-	-	-	-	-	-	-	-	-	(6)	-	-	(6)
Adjustment due to changes in ownership percentage of investees' other equity under the equity method	-	-	-	(12)	-	-	-	-	-	-	-	-	-	(12)
Transfer of treasury stock to employees	-	-	57,821	-	-	1,239	-	-	-	-	-	-	135,864	194,924
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(532,904)	(532,904)
Retirement of treasury stock	(3,303)	(5,740)	(671)	-	(9)	(15)	-	-	(271,293)	-	-	-	281,031	-
BALANCE, DECEMBER 31, 2011	<u>\$ 281,400</u>	<u>\$ 489,105</u>	<u>\$ 57,150</u>	<u>\$ 596</u>	<u>\$ 807</u>	<u>\$ 1,224</u>	<u>\$ 339,300</u>	<u>\$ 19,184</u>	<u>\$ 2,502,141</u>	<u>\$ 1,061</u>	<u>\$ (10)</u>	<u>\$ 97</u>	<u>\$ (342,321)</u>	<u>\$ 3,349,734</u>

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

HTC CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands)

	2010	2011	
	NT\$	NT\$	US\$ (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 39,533,600	\$ 61,975,796	\$ 2,046,824
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation (including depreciation of assets leased to others)	622,438	928,774	30,674
Amortization	58,621	397,022	13,112
Compensation cost recognized for the transfer of treasury stock to employees	-	1,788,270	59,060
Distribution of bonuses to employees of subsidiaries	(157,007)	(599,510)	(19,800)
Amortization of premium on financial assets	385	3,349	111
Prepaid pension costs	(21,293)	(24,882)	(822)
Gains on equity-method investments	(1,457,395)	(2,718,362)	(89,777)
Cash dividends received from equity-method investees	480	1,786	59
Loss on disposal of properties, net	139	-	-
Transfer of properties to expenses	532	59	2
Gains on sale of investments, net	(3,001)	(29)	(1)
Impairment loss on financial assets carried at cost	1,192	-	-
Deferred income tax assets	(1,467,669)	(1,768,812)	(58,417)
Net changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	(432,144)	193,408	6,388
Notes receivable	-	(755,450)	(24,950)
Accounts receivable	(9,852,810)	3,894,712	128,628
Accounts receivable from related parties	(25,941,841)	(4,790,878)	(158,224)
Inventories	(16,703,299)	(3,468,828)	(114,562)
Prepayments	1,003,874	(4,726,510)	(156,099)
Other current assets	(330,274)	(101,225)	(3,343)
Other current financial assets	(483,435)	(666,291)	(22,005)
Other assets - other	(640,985)	(4,251,899)	(140,424)
Notes and accounts payable	31,929,341	15,171,760	501,065
Accounts payable to related parties	1,261,305	2,292,250	75,704
Income tax payable	2,264,043	3,236,423	106,887
Accrued expenses	16,479,349	14,946,453	493,624
Other current liabilities	5,171,658	4,753,191	156,980
Net cash provided by operating activities	40,835,804	85,710,577	2,830,694

(Continued)

HTC CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands)

	2010	2011	
	NT\$	NT\$	US\$ (Note 3)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of available-for-sale financial assets	\$ (3,551,180)	\$ (490,000)	\$ (16,183)
Proceeds of the sale of available-for-sale financial assets	5,610,175	200,029	6,606
Purchase of held-to-maturity financial assets	(208,331)	-	-
Increase in investments accounted for by the equity method	(3,031,907)	(23,186,330)	(765,756)
Purchase of properties and assets leased to others	(3,004,250)	(5,328,935)	(175,994)
(Increase) decrease in refundable deposits	(10,031)	303	10
Increase in deferred charges	(4,144)	(122,413)	(4,043)
Increase in intangible assets	(220,943)	(2,279,911)	(75,297)
Net cash used in investing activities	(4,420,611)	(31,207,257)	(1,030,657)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in guarantee deposits received	(582)	-	-
Cash dividends	(20,122,332)	(29,891,089)	(987,189)
Purchase of treasury stock	(11,686,667)	(16,135,808)	(532,904)
Transfer treasury stock to employees	-	4,113,821	135,864
Net cash used in financing activities	(31,809,581)	(41,913,076)	(1,384,229)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,605,612	12,590,244	415,808
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	61,676,464	66,282,076	2,189,044
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 66,282,076	\$ 78,872,320	\$ 2,604,852
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year			
Interest (net of amounts capitalized)	\$ 46	\$ 10,265	\$ 339
Income tax	\$ 4,161,335	\$ 6,406,264	\$ 211,574
NONCASH INVESTING AND FINANCING ACTIVITIES			
Transfer of retained earnings to common stock	\$ 386,968	\$ 403,934	\$ 13,340
Transfer of assets leased to others to properties	\$ 47,813	\$ 50,828	\$ 1,679
Retirement of treasury stock	\$ 4,834,174	\$ 8,509,336	\$ 281,031
Transfer of stock bonuses to employees to common stock and additional paid-in capital	\$ 1,943,694	\$ 4,245,851	\$ 140,224

(Continued)

HTC CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands)

	<u>2010</u>	<u>2011</u>	
	NT\$	NT\$	US\$ (Note 3)
INCREASE IN LONG-TERM INVESTMENTS - EQUITY METHOD			
Increase in investments accounted for by the equity method	\$ 2,976,349	\$ 23,145,450	\$ 764,406
Decrease in payable for purchase of investments	<u>55,558</u>	<u>40,880</u>	<u>1,350</u>
Cash paid for increase in long-term investments	<u>\$ 3,031,907</u>	<u>\$ 23,186,330</u>	<u>\$ 765,756</u>
PURCHASE OF PROPERTIES AND ASSETS LEASED TO OTHERS			
Purchase cost of properties and assets leased to others	\$ 3,252,855	\$ 5,359,120	\$ 176,991
Increase in payable for purchase of equipment	(249,681)	(30,185)	(997)
Decrease in lease payable	<u>1,076</u>	<u>-</u>	<u>-</u>
Cash paid for the purchase of properties and assets leased to others	<u>\$ 3,004,250</u>	<u>\$ 5,328,935</u>	<u>\$ 175,994</u>

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
HTC Corporation

We have audited the accompanying consolidated balance sheets of HTC Corporation and subsidiaries (collectively, the "Company") as of December 31, 2010 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, all expressed in New Taiwan dollars. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HTC Corporation and subsidiaries as of December 31, 2010 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

Our audits also comprehended the translation of the 2011 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers.

February 14, 2012

Notice to Readers

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

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2010 AND 2011 (In Thousands, Except Par Value)

ASSETS	2010	2011	
	NT\$	NT\$	US\$ (Note 3)
CURRENT ASSETS			
Cash and cash equivalents (Notes 2 and 5)	\$ 74,462,861	\$ 87,501,508	\$ 2,889,841
Financial assets at fair value through profit or loss (Notes 2, 6 and 26)	450,276	256,868	8,483
Available-for-sale financial assets - current (Notes 2 and 7)	441,948	736,031	24,308
Notes receivable , net (Notes 2 and 8)	-	755,450	24,950
Accounts receivable, net (Notes 2, 8 and 27)	61,614,355	63,964,341	2,112,499
Other current financial assets (Notes 9 and 27)	783,540	1,405,911	46,432
Inventories (Notes 2 and 10)	26,413,747	28,430,590	938,954
Prepayments (Note 11)	2,620,738	7,075,231	233,668
Deferred income tax assets (Notes 2 and 24)	1,051,196	2,246,196	74,183
Other current assets	<u>767,825</u>	<u>1,055,480</u>	<u>34,859</u>
Total current assets	<u>168,606,486</u>	<u>193,427,606</u>	<u>6,388,177</u>
LONG-TERM INVESTMENTS			
Available-for-sale financial assets - noncurrent (Notes 2 and 7)	538	279	9
Held-to-maturity financial assets - noncurrent (Notes 2 and 12)	207,946	204,597	6,757
Financial assets carried at cost (Notes 2 and 13)	1,023,661	3,408,654	112,575
Investments accounted for by the equity method (Notes 2 and 14)	<u>-</u>	<u>71,732</u>	<u>2,369</u>
Total long-term investments	<u>1,232,145</u>	<u>3,685,262</u>	<u>121,710</u>
PROPERTIES (Notes 2, 15 and 27)			
Cost			
Land	5,862,076	7,614,167	251,467
Buildings and structures	5,005,642	5,999,807	198,151
Machinery and equipment	7,236,349	11,298,070	373,132
Molding equipment	172,632	172,632	5,701
Computer equipment	474,299	765,177	25,271
Transportation equipment	7,378	7,710	255
Furniture and fixtures	245,041	368,025	12,154
Leased assets	5,934	6,730	222
Leasehold improvements	<u>305,073</u>	<u>463,581</u>	<u>15,310</u>
Total cost	19,314,424	26,695,899	881,663
Less: Accumulated depreciation	(5,801,233)	(7,314,359)	(241,565)
Prepayments for construction-in-progress and equipment-in-transit	<u>511,138</u>	<u>2,130,938</u>	<u>70,377</u>
Properties, net	<u>14,024,329</u>	<u>21,512,478</u>	<u>710,475</u>
INTANGIBLE ASSETS (Notes 2 and 16)			
Patents	208,581	11,152,098	368,311
Goodwill	497,803	10,812,564	357,098
Deferred pension cost	416	342	11
Other	<u>228,850</u>	<u>595,784</u>	<u>19,677</u>
Total intangible assets	<u>935,650</u>	<u>22,560,788</u>	<u>745,097</u>
OTHER ASSETS			
Assets leased to others	50,828	-	-
Refundable deposits	150,860	185,306	6,120
Deferred charges (Note 2)	243,249	763,516	25,216
Deferred income tax assets (Notes 2 and 24)	2,366,488	3,675,521	121,388
Restricted assets (Note 28)	95,688	68,700	2,269
Other (Notes 2, 11 and 20)	<u>2,676,021</u>	<u>8,712,949</u>	<u>287,756</u>
Total other assets	<u>5,583,134</u>	<u>13,405,992</u>	<u>442,749</u>
TOTAL	<u>\$ 190,381,744</u>	<u>\$ 254,592,126</u>	<u>\$ 8,408,208</u>

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

LIABILITIES AND STOCKHOLDERS' EQUITY	2010	2011	
	NT\$	NT\$	US\$ (Note 3)
CURRENT LIABILITIES			
Notes and accounts payable (Note 27)	\$ 61,974,657	\$ 77,268,293	\$ 2,551,878
Income tax payable (Notes 2 and 24)	6,809,417	10,570,682	349,109
Accrued expenses (Notes 17 and 27)	33,426,028	46,171,290	1,524,862
Payable for purchase of equipment	441,976	812,240	26,825
Long-term liabilities - current portion (Note 19)	12,188	-	-
Other current liabilities (Notes 2 and 18)	<u>12,976,837</u>	<u>17,307,355</u>	<u>571,596</u>
Total current liabilities	<u>115,641,103</u>	<u>152,129,860</u>	<u>5,024,270</u>
LONG-TERM LIABILITIES			
Long-term bank loans, net of current portion (Note 19)	<u>12,188</u>	<u>-</u>	<u>-</u>
OTHER LIABILITIES			
Guarantee deposits received	<u>13,959</u>	<u>42,946</u>	<u>1,418</u>
Total liabilities	<u>115,667,250</u>	<u>152,172,806</u>	<u>5,025,688</u>
STOCKHOLDERS' EQUITY (Note 21)			
Capital stock - NT\$10.00 par value			
Authorized: 1,000,000 thousand shares			
Issued and outstanding: 817,653 thousand shares in 2010 and 852,052 thousand shares in 2011			
Common stock	8,176,532	8,520,521	281,400
Capital surplus			
Additional paid-in capital - issuance of shares in excess of par	10,777,623	14,809,608	489,105
Treasury stock transactions	-	1,730,458	57,150
Long-term equity investments	18,411	18,037	596
Merger	24,710	24,423	807
Expired stock options	-	37,068	1,224
Retained earnings			
Legal reserve	10,273,674	10,273,674	339,300
Special reserve	-	580,856	19,184
Accumulated earnings	52,876,892	75,762,315	2,502,141
Other equity			
Cumulative translation adjustments (Note 2)	(579,849)	32,134	1,061
Net loss not recognized as pension cost	(121)	(293)	(10)
Unrealized valuation (loss) gain on financial instruments (Notes 2 and 26)	(885)	2,939	97
Treasury stock (Note 22)	<u>(6,852,493)</u>	<u>(10,365,144)</u>	<u>(342,321)</u>
Equity attributable to stockholders of the parent	74,714,494	101,426,596	3,349,734
MINORITY INTEREST	<u>-</u>	<u>992,724</u>	<u>32,786</u>
Total stockholders' equity	<u>74,714,494</u>	<u>102,419,320</u>	<u>3,382,520</u>
TOTAL	<u>\$ 190,381,744</u>	<u>\$ 254,592,126</u>	<u>\$ 8,408,208</u>

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands, Except Earnings Per Share)

	2010	2011	
	NT\$	NT\$	US\$ (Note 3)
REVENUES (Notes 2 and 27)	\$ 278,761,244	\$ 465,794,773	\$ 15,383,427
COST OF REVENUES (Notes 2, 10, 23 and 27)	<u>194,892,505</u>	<u>333,997,246</u>	<u>11,030,656</u>
GROSS PROFIT	<u>83,868,739</u>	<u>131,797,527</u>	<u>4,352,771</u>
OPERATING EXPENSES (Notes 23 and 27)			
Selling and marketing	21,757,601	40,422,905	1,335,014
General and administrative	5,038,543	6,626,010	218,832
Research and development	<u>12,940,014</u>	<u>15,960,845</u>	<u>527,126</u>
Total operating expenses	<u>39,736,158</u>	<u>63,009,760</u>	<u>2,080,972</u>
OPERATING INCOME	<u>44,132,581</u>	<u>68,787,767</u>	<u>2,271,799</u>
NONOPERATING INCOME AND GAINS			
Interest income	313,888	701,724	23,175
Gain on disposal of properties	879	-	-
Gains on sale of investments	3,001	29	1
Exchange gain (Note 2)	-	1,520,643	50,221
Rental revenues (Note 27)	6,486	8,772	290
Valuation gains on financial instruments, net (Notes 2 and 6)	450,276	256,868	8,483
Other	<u>368,414</u>	<u>295,228</u>	<u>9,750</u>
Total nonoperating income and gains	<u>1,142,944</u>	<u>2,783,264</u>	<u>91,920</u>
NONOPERATING EXPENSES AND LOSSES			
Interest expense	3,562	30,979	1,023
Loss on equity-method investments (Notes 2 and 14)	-	3,961	131
Losses on disposal of properties	13,066	465	15
Exchange loss (Note 2)	214,679	-	-
Impairment losses (Notes 2, 13 and 16)	32,771	18,608	615
Other	<u>47,059</u>	<u>93,331</u>	<u>3,082</u>
Total nonoperating expenses and losses	<u>311,137</u>	<u>147,344</u>	<u>4,866</u>
INCOME BEFORE INCOME TAX	44,964,388	71,423,687	2,358,853
INCOME TAX (Notes 2 and 24)	<u>(5,449,544)</u>	<u>(9,124,639)</u>	<u>(301,352)</u>
NET INCOME	<u>\$ 39,514,844</u>	<u>\$ 62,299,048</u>	<u>\$ 2,057,501</u>

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands, Except Earnings Per Share)

	<u>2010</u>		<u>2011</u>	
	NT\$		NT\$	US\$ (Note 3)
ATTRIBUTABLE TO				
Stockholders of the parent	\$ 39,533,600		\$ 61,975,796	\$ 2,046,824
Minority interest	<u>(18,756)</u>		<u>323,252</u>	<u>10,677</u>
	<u>\$ 39,514,844</u>		<u>\$ 62,299,048</u>	<u>\$ 2,057,501</u>
	<u>2010</u>		<u>2011</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>	<u>US\$ (Note 3)</u>
BASIC EARNINGS PER SHARE (Note 25)	<u>\$ 51.98</u>	<u>\$ 46.18</u>	<u>\$ 82.63</u>	<u>\$ 2.73</u>
			<u>\$ 73.32</u>	<u>\$ 2.42</u>
DILUTED EARNINGS PER SHARE (Note 25)	<u>\$ 51.36</u>	<u>\$ 45.64</u>	<u>\$ 81.05</u>	<u>\$ 2.68</u>
			<u>\$ 71.91</u>	<u>\$ 2.37</u>

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

(Concluded)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands of New Taiwan Dollars)

										Other Equity					
	Capital Stock Issued and Outstanding Common Stock	Issuance of Shares in Excess of Par	Treasury Stock Transaction	Capital Surplus Long-term Equity Investments	Merger	Expired Stock Options	Legal Reserve	Special Reserve	Accumulated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gain (Loss) on Financial Instruments	Treasury Stock	Minority Interest	Total
BALANCE, JANUARY 1, 2010	\$ 7,889,358	\$ 9,056,323	\$ -	\$ 18,411	\$ 25,189	\$ -	\$ 10,273,674	\$ -	\$ 38,364,099	\$ 15,088	\$ (34)	\$ (1,658)	\$ -	\$ 34,207	\$ 65,674,657
Appropriation of the 2009 net earnings															
Stock dividends	386,968	-	-	-	-	-	-	-	(386,968)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(20,122,332)	-	-	-	-	-	(20,122,332)
Transfer of employee bonuses to common stock	50,206	1,893,488	-	-	-	-	-	-	-	-	-	-	-	-	1,943,694
Net income in 2010	-	-	-	-	-	-	-	-	39,533,600	-	-	-	-	(18,756)	39,514,844
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(594,937)	-	-	-	-	(594,937)
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	-	-	773	-	-	773
Adjustment due to the movement of investees' other equity under equity method	-	-	-	-	-	-	-	-	-	-	(87)	-	-	-	(87)
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(11,686,667)	-	(11,686,667)
Retirement of treasury stock	(150,000)	(172,188)	-	-	(479)	-	-	-	(4,511,507)	-	-	-	4,834,174	-	-
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,451)	(15,451)
BALANCE, DECEMBER 31, 2010	8,176,532	10,777,623	-	18,411	24,710	-	10,273,674	-	52,876,892	(579,849)	(121)	(885)	(6,852,493)	-	74,714,494
Appropriation of the 2010 net earnings															
Stock dividends	403,934	-	-	-	-	-	-	-	(403,934)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	580,856	(580,856)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(29,891,089)	-	-	-	-	-	(29,891,089)
Transfer of employee bonuses to common stock	40,055	4,205,796	-	-	-	-	-	-	-	-	-	-	-	-	4,245,851
Net income in 2011	-	-	-	-	-	-	-	-	61,975,796	-	-	-	-	323,252	62,299,048
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	611,983	-	-	-	-	611,983
Adjustment due to the movement of investees' other equity under equity method	-	-	-	-	-	-	-	-	-	-	(172)	-	-	-	(172)
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	-	-	3,824	-	-	3,824
Adjustment due to changes in ownership percentage in investees and the movement of investees' other equity under equity method	-	-	-	(374)	-	-	-	-	-	-	-	-	-	-	(374)
Transfer of treasury stock to employees	-	-	1,750,767	-	-	37,503	-	-	-	-	-	-	4,113,821	-	5,902,091
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(16,135,808)	-	(16,135,808)
Retirement of treasury stock	(100,000)	(173,811)	(20,309)	-	(287)	(435)	-	-	(8,214,494)	-	-	-	8,509,336	-	-
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	669,472	669,472
BALANCE, DECEMBER 31, 2011	<u>\$ 8,520,521</u>	<u>\$ 14,809,608</u>	<u>\$ 1,730,458</u>	<u>\$ 18,037</u>	<u>\$ 24,423</u>	<u>\$ 37,068</u>	<u>\$ 10,273,674</u>	<u>\$ 580,856</u>	<u>\$ 75,762,315</u>	<u>\$ 32,134</u>	<u>\$ (293)</u>	<u>\$ 2,939</u>	<u>\$ (10,365,144)</u>	<u>\$ 992,724</u>	<u>\$ 102,419,320</u>

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands of U.S. Dollars)

											Other Equity					Minority Interest	Total
	Capital Stock Issued and Outstanding Common Stock	Issuance of Shares in Excess of Par	Treasury Stock Transactions	Capital Surplus			Retained Earnings			Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Valuation Gain (Loss) on Financial Instruments	Treasury Stock				
				Long-term Equity Investments	Merger	Expired Stock Options	Legal Reserve	Special Reserve	Accumulated Earnings								
BALANCE, JANUARY 1, 2011	\$ 270,040	\$ 355,944	\$ -	\$ 608	\$ 816	\$ -	\$ 339,300	\$ -	\$ 1,746,323	\$ (19,150)	\$ (4)	\$ (29)	\$ (226,312)	\$ -	\$ 2,467,536		
Appropriation of the 2010 net earnings																	
Stock dividends	13,340	-	-	-	-	-	-	-	(13,340)	-	-	-	-	-	-		
Special reserve	-	-	-	-	-	-	-	19,184	(19,184)	-	-	-	-	-	-		
Cash dividends	-	-	-	-	-	-	-	-	(987,189)	-	-	-	-	-	(987,189)		
Transfer of employee bonuses to common stock	1,323	138,901	-	-	-	-	-	-	-	-	-	-	-	-	140,224		
Net income in 2011	-	-	-	-	-	-	-	-	2,046,824	-	-	-	-	10,677	2,057,501		
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	20,211	-	-	-	-	20,211		
Unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	-	-	126	-	-	126		
Adjustment due to the movement of investees' other equity under equity method	-	-	-	-	-	-	-	-	-	-	(6)	-	-	-	(6)		
Adjustment due to changes in ownership percentage of investees other equity under equity method	-	-	-	(12)	-	-	-	-	-	-	-	-	-	-	(12)		
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	(532,904)	-	(532,904)		
Transfer of treasury stock to employees	-	-	57,821	-	-	1,239	-	-	-	-	-	-	135,864	-	194,924		
Retirement of treasury stock	(3,303)	(5,740)	(671)	-	(9)	(15)	-	-	(271,293)	-	-	-	281,031	-	-		
Change in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	22,109	22,109		
BALANCE, DECEMBER 31, 2011	\$ 281,400	\$ 489,105	\$ 57,150	\$ 596	\$ 807	\$ 1,224	\$ 339,300	\$ 19,184	\$ 2,502,141	\$ 1,061	\$ (10)	\$ 97	\$ (342,321)	\$ 32,786	\$ 3,382,520		

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands)

	2010	2011	
	NT\$	NT\$	US\$ (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 39,514,844	\$ 62,299,048	\$ 2,057,501
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation (including depreciation of assets leased to others)	905,138	1,564,225	51,660
Amortization	97,196	836,611	27,630
Compensation cost recognized for the transfer of treasury stock to employees	-	1,788,270	59,060
Amortization of premium on financial assets	385	3,349	111
Prepaid pension cost	(21,364)	(24,878)	(822)
Loss on equity-method investments	-	3,961	131
Loss on disposal of properties and deferred charges, net	12,187	465	15
Transfer of properties to expenses	1,151	324	11
Gains on sale of investments, net	(3,001)	(29)	(1)
Impairment losses on financial assets carried at cost and goodwill	32,771	18,608	615
Deferred income tax assets	(1,537,739)	(2,504,033)	(82,699)
Net changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	(432,144)	229,037	7,564
Notes receivable	-	(755,450)	(24,950)
Accounts receivable	(34,472,524)	(1,368,605)	(45,200)
Inventories	(20,435,168)	(1,995,952)	(65,919)
Prepayments	683,128	(4,402,607)	(145,401)
Other current assets	(582,339)	(287,655)	(9,500)
Other current financial assets	(547,932)	(622,371)	(20,555)
Other assets - other	(640,985)	(6,012,050)	(198,555)
Notes and accounts payable	37,129,824	15,167,466	500,924
Income tax payable	2,538,408	3,751,382	123,894
Accrued expenses	18,413,894	16,823,509	555,616
Other current liabilities	5,392,059	3,994,726	131,931
Net cash provided by operating activities	<u>46,047,789</u>	<u>88,507,351</u>	<u>2,923,061</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of available-for-sale financial assets	(3,551,180)	(490,000)	(16,183)
Proceeds of the sale of available-for-sale financial assets	5,610,175	200,029	6,606
Purchase of held-to-maturity financial assets	(208,331)	-	-
Increase in financial assets carried at cost	(286,876)	(2,300,272)	(75,969)

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands)

	2010	2011	
	NT\$	NT\$	US\$ (Note 3)
Acquisition of investments accounted for by the equity method	\$ -	\$ (76,214)	\$ (2,517)
Acquisition of subsidiaries	(78,272)	(20,210,729)	(667,483)
Purchase of properties and assets leased to others	(4,990,996)	(8,411,182)	(277,789)
Proceeds of the sale of properties and deferred charges	20,064	580	19
Increase in refundable deposits	(21,817)	(34,309)	(1,133)
Increase in deferred charges	(90,721)	(574,267)	(18,966)
Decrease in restricted assets	10,564	26,988	891
Increase in intangible assets	(220,943)	(2,294,360)	(75,774)
Net cash used in investing activities	(3,808,333)	(34,163,736)	(1,128,298)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings	(42,326)	-	-
Decrease in long-term bank loans	(22,499)	(24,376)	(805)
Increase in guarantee deposits received	12,749	28,987	958
Cash dividends	(20,122,332)	(29,891,089)	(987,189)
Purchase of treasury stock	(11,686,667)	(16,135,808)	(532,904)
Transfer of treasury stock to employees	-	4,113,821	135,864
(Decrease) increase in minority interest	(15,451)	669,472	22,109
Net cash used in financing activities	(31,876,526)	(41,238,993)	(1,361,967)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(538,359)	(65,975)	(2,180)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,824,571	13,038,647	430,616
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	64,638,290	74,462,861	2,459,225
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 74,462,861	\$ 87,501,508	\$ 2,889,841
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year			
Interest	\$ 2,386	\$ 32,197	\$ 1,063
Income tax	\$ 4,448,828	\$ 7,877,290	\$ 260,157
NONCASH INVESTING AND FINANCING ACTIVITIES			
Transfer of retained earnings to common stock	\$ 386,968	\$ 403,934	\$ 13,340
Transfer of assets leased to others to properties	\$ 47,813	\$ 50,828	\$ 1,679

(Continued)

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2011 (In Thousands)

	2010	2011	
	NT\$	NT\$	US\$ (Note 3)
Retirement of treasury stock	\$ 4,834,174	\$ 8,509,336	\$ 281,031
Transfer of stock bonuses to employees to common stock and additional paid-in capital	\$ 1,943,694	\$ 4,245,851	\$ 140,224
PURCHASE OF PROPERTIES AND ASSETS LEASED TO OTHERS			
Purchase cost of properties and assets leased to others	\$ 5,278,345	\$ 8,781,446	\$ 290,017
Increase in payable for purchase of equipment	(288,425)	(370,264)	(12,228)
Decrease in lease payable	1,076	-	-
Cash paid for the purchase of properties and assets leased to others	\$ 4,990,996	\$ 8,411,182	\$ 277,789
ACQUISITION OF SUBSIDIARIES			
Expected net cash outflow on the acquisition of subsidiaries	\$ 245,927	\$ 20,303,485	\$ 670,547
Increase in other payable	(167,655)	(92,756)	(3,064)
Cash paid for acquisition of subsidiaries	\$ 78,272	\$ 20,210,729	\$ 667,483

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

(Concluded)

Supplement 6

HTC CORPORATION The Chart of 2011 Earnings Distribution

UNIT : NT\$

Item	Amount	
	Subtotal	Total
Accumulated earnings at beginning of 2011		22,001,013,010
Plus : Net income of 2011	61,975,795,713	
Less : Legal reserve	(6,197,579,571)	
Add : To Reverse Special reserve (Note 1)	580,855,556	
Appropriation of earnings for 2011	56,359,071,698	
Appropriation of earnings as of Dec 31, 2011		78,360,084,708
Items of appropriation and distribution of 2011 earnings :		
Cash dividend (NT\$ 40 per share) (Note 2)	(33,249,085,000)	
Total appropriation and distribution of 2011		(33,249,085,000)
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 (Note 3)		(8,214,493,757)
Accumulated earnings at end of 2011		36,896,505,951

[NOTE]: Employee Bonus Distribution: NT\$ 7,238,636,878 which will be distributed in cash.

Directors and Supervisors' remuneration : NT\$ 0

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

Other adjustments of Stockholders' Equity:

As of Dec 31, 2011 :

Unrealized losses on financial instruments	2,939,077
Net loss not recognized as pension cost	(292,804)
Cumulative transaction adjustments	32,133,291
Other adjustments of Stockholders' Equity as of Dec 31, 2010	34,779,564
Accumulated Special reserve for debit of Stockholders' Equity as of Dec 31, 2011 :	0
Less : Accumulated Special reserve for debit of Stockholders' Equity per book as of Dec 31, 2010	580,855,556
To reverse the Special reserve for debit of Stockholders' Equity	(580,855,556)

(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.

(Note 3) : 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 to offset the difference, the remainder shall be charged to retained earnings. This is charged to retained earnings of 2011.

HTC CORPORATION

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

Supplement 7

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

Article no.	Original article	Amended article	Notes
Article 3	<p>Appraisal procedures</p> <p>The methods and reference criteria for determining the price at which the Company acquires or disposes of assets shall comply with the following:</p> <p>1. Securities investments:</p> <p><u>Before acquiring or disposing of securities</u>, 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, the Company shall obtain an opinion from a CPA on the reasonableness of the trading price.</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><u>To acquire or dispose of securities, before the actual date of transaction</u>, 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, <u>before the actual date of transaction</u>, the Company shall obtain an opinion from a CPA on the</p>	<p>Amended per the amendment to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies made by the Financial Supervisory Commission on February 13, 2012.</p>

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

Article no.	Original article	Amended article	Notes
	<p>This requirement does not apply, however, to publicly quoted prices of securities that have an active market or that are subject to the Executive Yuan Financial Supervisory Commission's Interpretation concerning the Article 10 proviso in the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.</p>	<p>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 Accounting Research and Development Foundation will apply.</p> <p>This requirement does not apply, however, to publicly quoted prices of securities that have an active market or that are subject to the Executive Yuan Financial Supervisory Commission's Interpretation concerning the Article 10 proviso in the Regulations Governing the Acquisition or Disposal of Assets by Public Companies.</p>	
2.	<p>Real property or other fixed assets: 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 other fixed assets, 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 other fixed assets, 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 operating machinery and equipment, 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</p>	<p>Real property or other fixed assets: 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 other fixed assets, 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 other fixed assets, 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 operating machinery and equipment, 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</p>	

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

Article no.	Original article	Amended article	Notes
	<p>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, a CPA shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF and to issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. 2. The discrepancy between the results of two or more professional appraisals is 10 percent or more of the transaction amount. <p>(4) <u>Where an appraisal is conducted before a contract execution date,</u> 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</p>	<p>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, <u>except that the appraisal price is higher than the acquisition price or is less than the disposal price,</u> a CPA shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 issued by the ARDF and to issue a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> 1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount. 2. The discrepancy between the results of two or more professional appraisals is 10 percent or more of the transaction amount. <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</p>	

HTC Corporation
Comparison Chart for the Procedures for the Acquisition or Disposal of Assets
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Article no.	Original article	Amended article	Notes
	<p>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, 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 the contract in order to decide the</p>	<p>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>before the actual date of transaction</u>, 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 the contract in order to decide the</p>	

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	<p>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>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, 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 <u>When the securities acquired or disposed of are securities over which the Company has direct or indirect control, the acquisition and disposal shall take place in accordance with the following provisions:</u></p> <p>1.1.1 Each individual transaction in an amount equal to or greater than <u>20 percent of paid-in capital or NT\$300 million</u> shall be reported to and approved by the board of directors prior to its execution.</p>	<p>Operating procedures</p> <p>1. Levels of authorization</p> <p>(1) When the Company acquires or disposes of assets <u>with non-related parties</u>, 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 <u>When an acquisition or disposal is for the purpose of business needs or strategic investments, the following provisions will apply:</u></p> <p>1.1.1 Each individual transaction in an amount equal to or greater than <u>NT\$1.5 billion</u> shall be reported to and approved by the board of directors prior to its execution.</p> <p>1.1.2 <u>Each individual transaction in an</u></p>	<p>Amended in accordance with the Company's business scale and business needs.</p>

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	<p>1.1.2 <u>For any individual transaction that is both less than 20 percent of paid-in capital and less than NT\$300 million, 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.</u></p> <p>1.2 <u>When securities acquired or disposed of are not securities over which the Company has direct or indirect control, acquisition and disposal shall take place in accordance with the following provisions:</u></p> <p>1.2.1 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</p>	<p><u>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.</u></p> <p>1.1.3 <u>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.</u></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</p>	

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	<p>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><u>1.2.2 When the purpose of the acquisition or disposal is strategic investment, 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.</u></p> <p><u>1.3 When the transaction counterparty is a related party, the transaction shall be carried out in accordance with the following provisions:</u></p> <p><u>1.3.1 If the related party is not a subsidiary in which the Company directly or indirectly holds 99% or more of the shares, then any transaction, regardless of amount, shall be executed after submission to and approval by the board of directors.</u></p> <p><u>1.3.2 When the related party is a subsidiary in which the Company directly or indirectly holds 99% or more of the shares, the board</u></p>	<p>authority.</p>	

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	<p>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>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 20 percent of paid-in capital or NT\$300 million shall be reported to and approved by the board of directors prior to its execution.</p> <p>2.1.2 For any individual transaction amount</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</p>	

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	<p><u>that is both less than 20 percent of paid-in capital and less than NT\$300 million, 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.</u></p> <p>2.1.3 <u>A transaction for the acquisition of real property from a related party must be submitted to and approved by the board of directors prior to execution in accordance with the relevant provisions of Chapter 3 of these Procedures.</u></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. <u>If the transaction counterparty is a related party, submission to and approval by the board of directors in accordance with the provisions of Chapter 3 of these Procedures is still required prior to execution.</u></p> <p>3 Acquisition or disposal of other fixed assets:</p>	<p><u>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.</u></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 other fixed assets:</p>	

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	<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 <u>20 percent of paid-in capital or NT\$500 million or more</u> shall be submitted to and approved by the board of directors prior to its execution.</p> <p>3.1.2 <u>Where the transaction counterparty is a related party and each transaction is less than 20 percent of the Company's paid-in capital and NT\$500 million:</u></p> <p>3.1.2a If the related party is not a subsidiary in which the Company directly or indirectly holds 99% or more of the shares, each transaction in whatsoever amount shall be submitted to and approved by the board of directors prior to its execution.</p> <p>3.1.2b If the related party is a subsidiary in which the Company directly or indirectly holds 99% or more of the shares, the transaction shall</p>	<p>3.1 Acquisition or disposal of assets for use in business operations:</p> <p><u>3.1.1 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.</u></p> <p><u>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.</u></p>	

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	<p><u>be submitted to and approved by the responsible officer that was authorized by the chairman prior to its execution.</u></p> <p>3.1.3 Transactions in amounts less than <u>those in 3.1.1 or 3.1.2 above</u> 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. <u>Acquisition or disposal of membership certificates:</u> 4.1 <u>Where the transaction counterparty is not a related party, 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.</u> 4.2 <u>Where the transaction counterparty is a related party, each transaction in whatsoever amount shall be submitted to and approved</u></p>	<p>3.1.3 Transactions in amounts less than <u>NT\$600 million</u> 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. <u>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.</u></p>	

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	<p><u>by the board of directors prior to its execution.</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 <u>20 percent of paid-in capital or</u> 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 both less than 20 percent of paid-in capital and 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>5.3 <u>Where the transaction counterparty is a related party, each transaction in whatsoever amount shall be submitted to and approved by the board of directors prior to its execution.</u></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>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 <u>NT\$1.5 billion</u> 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) <u>When the Company acquires or</u></p>	<p>Amended per</p>

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		<p><u>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.</u></p> <p><u>1. To acquire or dispose of real estate, 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.</u></p> <p><u>2. 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 and the supervisors for recognition before execution of agreements and make payments.</u></p> <p><u>3. 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</u></p>	<p>the amendment to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies made by the Financial Supervisory Commission on February 13, 2012 and in accordance with the Company's business scale and business needs.</p>

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	<p>(2) 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</p>	<p><u>directors afterwards.</u></p> <p><u>4. 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, 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>(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</p>	

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	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.	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.	
Article 4-1		<u>The transaction price specified in the preceding article shall be calculated according to Paragraph 2, Article 17. The term "within one year" shall refer to one year prior to the actual date of transaction. The transactions that the Company has obtained the appraisal report or the CPA report according to this Procedure may be excluded.</u>	Amended per the amendment to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies made by the Financial Supervisory Commission on February 13, 2012
Chapter 3	<u>Acquisition of Real Property from Related Parties</u>	<u>Transactions with Related Parties</u>	Amended per the amendment to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies made by the Financial Supervisory Commission on

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Article 6	<p>Scope of applicability <u>When the Company obtains real property by purchase from or exchange with a related party, it</u> shall carry out the relevant resolution procedures and appraisals of the reasonableness of the transaction terms in accordance with the provisions of this chapter and the preceding chapter.</p> <p>In judging whether a trading counterparty is a related party, consideration shall be given to the substantive nature of the relationship in addition to its legal form.</p>	<p>Scope of applicability <u>For acquisition or disposal of assets between the Company and the related parties, the Company</u> shall carry out the relevant resolution procedures and appraisals of the reasonableness of the transaction terms in accordance with the provisions of this chapter and the preceding chapter. <u>In addition, if the transaction price reaches 10% or more of the Company's total assets, the Company shall also obtain the appraisal report or the CPA report as specified in the preceding Charter. The transaction price specified in the preceding paragraph shall be calculated in accordance with Article 4-1.</u></p> <p>In judging whether a trading counterparty is a related party, consideration shall be given to the substantive nature of the relationship in addition to its legal form.</p>	Amended per the amendment to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies made by the Financial Supervisory Commission on February 13, 2012
Article 7	<p>Resolution procedures When the Company obtains real property from a related party, it shall submit the following materials for passage by the board of directors and recognition by the supervisors before <u>carrying out the transaction:</u></p> <ol style="list-style-type: none"> 1. The purpose, necessity, and anticipated benefit of the real property acquisition. 2. The reason for choosing the related party as a trading counterparty. 3. Information regarding appraisal of the 	<p>Resolution procedures When the Company <u>acquires</u> real property from <u>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> it shall submit the following materials for passage by the board of directors and recognition by the supervisors before <u>executing agreements or making payments:</u></p> <ol style="list-style-type: none"> 1. The purpose, necessity, and anticipated benefit of the real property acquisition <u>or disposal.</u> 2. The reason for choosing the related party as a trading counterparty. 3. <u>To acquire real estate from a related</u> 	Amended per the amendment to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies made by the Financial Supervisory Commission on February 13, 2012

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	<p>reasonableness of the preliminary transaction terms in accordance with the provisions of Articles 8 through 10.</p> <p>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.</p> <p>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.</p> <p>6. Any restrictive covenants or other material stipulations associated with the transaction.</p>	<p>party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Articles 8 through 10.</p> <p>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.</p> <p>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.</p> <p>6. The appraisal report issued by an appraiser according to the preceding article or CPA's opinion.</p> <p>7. Any restrictive covenants or other material stipulations associated with the transaction.</p> <p>The transaction price specified in the preceding article shall be calculated according to Paragraph 2, Article 17. The term "within one year" shall refer to one year prior to the actual date of transaction. The transactions that have been approved by the board of directors and recognized by the supervisors according to this Procedure may be excluded.</p> <p>For the acquisition or disposal of the machines and facilities for the operation needs between the Company and its subsidiaries, the Chairman of board may approve and execute the transactions according to Article 4.1.2.4 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</p>	

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	<p>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 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>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 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>	
Article 11	<p>Resolution procedures</p> <p>1. When the Company conducts a merger, demerger, acquisition, or share transfer, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to issue an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and report the opinion to the board of directors for deliberation and passage.</p> <p>2. When the Company participates in a</p>	<p>Resolution procedures</p> <p>1. When the Company conducts a merger, demerger, acquisition, or share transfer, prior to convening the board of directors to resolve on the matter, it shall engage a CPA, attorney, or securities underwriter to issue an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and report the opinion to the board of directors for deliberation and passage.</p> <p>2. When the Company participates in a</p>	<p>Amended per the amendment to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies made by the Financial Supervisory Commission on February 13, 2012</p>

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	<p>merger, demerger, or acquisition, then prior to the shareholders meeting it shall prepare a public report to shareholders detailing material contractual content and matters relevant to the merger, demerger, or acquisition and include it, along with the expert opinion referred to in paragraph 1 of the preceding paragraph, in the notification of the shareholders meeting for reference by shareholders in deciding whether to approve the merger, demerger, or acquisition. This restriction shall not apply, however, where there are other provisions of law that exempt a company from convening a shareholders meeting to approve the merger, demerger, or acquisition. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p> <p>3. When the companies participating in a merger, demerger, or acquisition convene board of directors meetings or shareholders meetings to resolve matters concerning the merger, demerger, or acquisition, they shall do so on the same day, unless another law provides otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.</p> <p>The companies participating in a share transfer shall convene their board of directors meetings on the same day, unless another law provides</p>	<p>merger, demerger, or acquisition, then prior to the shareholders meeting it shall prepare a public report to shareholders detailing material contractual content and matters relevant to the merger, demerger, or acquisition and include it, along with the expert opinion referred to in paragraph 1 of the preceding paragraph, in the notification of the shareholders meeting for reference by shareholders in deciding whether to approve the merger, demerger, or acquisition. This restriction shall not apply, however, where there are other provisions of law that exempt a company from convening a shareholders meeting to approve the merger, demerger, or acquisition. Where the shareholders meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next shareholders meeting.</p> <p>3. When the companies participating in a merger, demerger, or acquisition convene board of directors meetings or shareholders meetings to resolve matters concerning the merger, demerger, or acquisition, they shall do so on the same day, unless another law provides otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.</p> <p>The companies participating in a share transfer shall convene their board of directors meetings on the same day, unless another law provides</p>	

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	<p>otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.</p> <p>An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall make a comprehensive written record of the following information, to be retained for five years for reference:</p> <ol style="list-style-type: none"> 1. Basic personnel information: including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or share transfer prior to public disclosure of the plan. 2. Dates of material events: including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting. 3. Important documents and minutes: Including merger, demerger, acquisition, or share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings. <p>An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall, within two days <u>after</u> the date of passage of the board of directors resolution, report the information under subparagraphs 1 and 2 of the preceding paragraph for reference by the FSC, in the prescribed format, through its Internet information reporting system.</p> <p>Where any of the companies</p>	<p>otherwise or the Commission is notified in advance of extraordinary circumstances and grants consent.</p> <p>An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall make a comprehensive written record of the following information, to be retained for five years for reference:</p> <ol style="list-style-type: none"> 1. Basic personnel information: including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or share transfer prior to public disclosure of the plan. 2. Dates of material events: including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting. 3. Important documents and minutes: Including merger, demerger, acquisition, or share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings. <p>An exchange-listed company or one whose shares are traded on an OTC market that participates in a merger, demerger, acquisition, or share transfer shall, within two days <u>from</u> the date of passage of the board of directors resolution, report the information under subparagraphs 1 and 2 of the preceding paragraph for reference by the FSC, in the prescribed format, through its Internet information reporting system.</p> <p>Where any of the companies</p>	

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	participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(ies) so listed or traded shall sign an agreement with such company, and the provisions of paragraphs 3 and 4 shall be complied with.	participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the company(ies) so listed or traded shall sign an agreement with such company, and the provisions of paragraphs 3 and 4 shall be complied with.	
Article 17	<p>Procedures for public announcement and reporting</p> <p>When the Company acquires or disposes of assets under any of the following circumstances, it shall publicly announce and report the relevant information, in accordance with the type of disposal or acquisition, on the FSC's designated website in the appropriate format as prescribed by regulations within two days from the date of occurrence:</p> <ol style="list-style-type: none"> 1. An acquisition of real property from a related party. 	<p>Procedures for public announcement and reporting</p> <p>When the Company acquires or disposes of assets under any of the following circumstances, it shall publicly announce and report the relevant information, in accordance with the type of disposal or acquisition, on the FSC's designated website in the appropriate format as prescribed by regulations within two days from the date of occurrence:</p> <ol style="list-style-type: none"> 1. An acquisition of real property from <u>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> 2. A merger, demerger, acquisition, or share transfer. 3. Losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company. 4. Where the amount of an asset transaction other than any of those referred to in the preceding <u>three subparagraphs</u>, a disposal of receivables by a financial institution, <u>or investments in China</u> reaches 20 percent or more of paid-in capital or NT\$300 million. This restriction shall 	Amended per the amendment to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies made by the Financial Supervisory Commission on February 13, 2012

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	<p>restriction shall not apply, however, under the following circumstances:</p> <p>(1) Trades in government bonds.</p> <p>(2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets.</p> <p>(3) Trades of bonds under repurchase/resale agreements.</p> <p>(4) The type of asset acquired or disposed is equipment/machinery for use in business operations, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>(5) The Company operates construction business and acquires or disposes of real property for use in construction, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>(6) Real property is acquired under an arrangement for commissioned construction on self-owned 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> <p>1. As the amount of any individual transaction.</p> <p>2. As the cumulative transaction amount of acquisitions and disposals of the same type of asset with the same trading counterparty within one year.</p> <p>3. As the cumulative transaction amount of real property acquisitions and disposals (respective cumulative amounts for acquisitions and for</p>	<p>not apply, however, under the following circumstances:</p> <p>(1) Trades in government bonds.</p> <p>(2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets.</p> <p>(3) Trades of bonds under repurchase/resale agreements.</p> <p>(4) The type of asset acquired or disposed is equipment/machinery for use in business operations, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>(5) The Company operates construction business and acquires or disposes of real property for use in construction, where the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>(6) Real property is acquired under an arrangement for commissioned construction on self-owned land <u>or leased land</u>, 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> <p>1. As the amount of any individual transaction.</p> <p>2. As the cumulative transaction amount of acquisitions and disposals of the same type of asset with the same trading counterparty within one year.</p> <p>3. As the cumulative transaction amount of real property acquisitions and disposals (respective cumulative amounts for acquisitions and for</p>	

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	<p>disposals) in the same development project within one year.</p> <p>4. As the cumulative transaction amount of acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) of the same security within one year.</p> <p>"Within one year," as used in paragraph 2, 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 Regulations 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>disposals) in the same development project within one year.</p> <p>4. As the cumulative transaction amount of acquisitions and disposals (respective cumulative amounts for acquisitions and for disposals) of the same security within one year.</p> <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 Regulations 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>	
Article 18	<p>Other matters of material significance</p> <p>Under any of the following circumstances, after the Company has publicly announced and reported a transaction in accordance with the</p>	<p>Other matters of material significance</p> <p>Under any of the following circumstances, after the Company has publicly announced and reported a transaction in accordance with the</p>	Amended per the amendment to the Regulations Governing the

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	<p>preceding article, it shall publicly announce and report related information through the information reporting website designated by the Commission within two days from the date of occurrence:</p> <ol style="list-style-type: none"> 1. There is a change in or termination or rescission of a contract signed in connection with the original transaction. 2. The merger, demerger, acquisition, or share transfer is not completed by the scheduled date set forth in the contract. 	<p>preceding article, it shall publicly announce and report related information through the information reporting website designated by the Commission within two days from the date of occurrence:</p> <ol style="list-style-type: none"> 1. There is a change in or termination or rescission of a contract signed in connection with the original transaction. 2. The merger, demerger, acquisition, or share transfer is not completed by the scheduled date set forth in the contract. 3. Any changes to the original announcement. 	Acquisition and Disposal of Assets by Public Companies made by the Financial Supervisory Commission on February 13, 2012
Article 20	<p>Procedures for controlling the acquisition or disposal of assets by subsidiaries</p> <ol style="list-style-type: none"> 1. The Company shall oversee its subsidiaries to ensure their adoption of procedures for the acquisition or disposal of assets in accordance with the related Regulations Governing Public Companies adopted by the Securities and Futures Commission of the Ministry of Finance. 2. Subsidiaries shall themselves conduct reviews of the procedures that they adopt to ensure that they conform with the provisions of relevant regulations and shall conduct reviews of acquisitions or disposals of assets to ensure that they are carried out in accordance with the adopted procedures. 3. The Company's internal auditing personnel shall conduct a secondary review of the review reports of the subsidiaries, and shall notify each supervisor in writing upon the discovery of any material violation. 4. When a subsidiary of the Company is not a domestic public company, any announcement and reporting of information in connection with its acquisition or disposal of assets that is required pursuant to Chapter 5 herein 	<p>Procedures for controlling the acquisition or disposal of assets by subsidiaries</p> <ol style="list-style-type: none"> 1. The Company shall oversee its subsidiaries to ensure their adoption and execution of procedures for the acquisition or disposal of assets in accordance with the related Regulations Governing Public Companies adopted by the competent authority. 2. Subsidiaries shall themselves conduct reviews of the procedures that they adopt to ensure that they conform with the provisions of relevant regulations and shall conduct reviews of acquisitions or disposals of assets to ensure that they are carried out in accordance with the adopted procedures. 3. The Company's internal auditing personnel shall conduct a secondary review of the review reports of the subsidiaries, and shall notify each supervisor in writing upon the discovery of any material violation. 4. When a subsidiary of the Company is not a domestic public company, any announcement and reporting of information in connection with its acquisition or disposal of assets that is required pursuant to Chapter 5 herein 	Amended per the amendment to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies made by the Financial Supervisory Commission on February 13, 2012

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	shall be performed by the Company. A subsidiary referred to in the preceding paragraph is subject to the public announcement and reporting standards of Article 17, paragraph 1, subparagraph 5 concerning reaching 20 percent of paid-in capital. The standard shall be based on the paid-in capital amount of the Company.	shall be performed by the Company. A subsidiary referred to in the preceding paragraph is subject to the public announcement and reporting standards of Article 17, paragraph 1 concerning reaching 20 percent of paid-in capital or 10% of the total assets . The standard shall be based on the paid-in capital amount or the total assets of the Company.	