



The Board resolved the Issuance and Subscription of Employee Stock Options

July 31, 2014

1.Date of the board of directors resolution:2014/07/31

2.Issue period:

The Options will be issued within one year from the date of receipt of notice of effective registration from the competent authority. The issue may be done in a single or multiple installments, as actually needed. The chairman is authorized to set the actual issue date.

3.Conditions of eligibility for subscription rights:

(1) Eligibility is limited to those who are full-time formal employees in the organizations of HTC and its domestic and overseas subsidiaries and branches on the share subscription record date ("subsidiary" means an invested company in which HTC directly or indirectly holds more than 50 percent of the voting rights, and over which it has controlling power, in compliance with Securities and Futures Bureau Letter No. Financial-Supervisory-Securities-I-0960073134 of 26 December 2007.

(2) The determination of employees who are actually eligible for stock options and the numbers of stock options for which they are eligible will be decided by the chairman, subject to approval by the board of directors, with consideration to factors such as work performance, overall contribution, special merit, or job level.

(3) The quantity of stock options that may be allocated to any single employee may not exceed 10 percent of the total quantity of employee stock options issued in any given issue, and the cumulative number of shares that may be purchased by any single holder of stock options in any fiscal year may not exceed 1 percent of the total number of issued shares on the final day of the fiscal year.

4.Number of total issued units of the employee stock option certificates:

The total quantity of the current issue is 20,000,000 units, which may be issued in multiple installments.

5.Number of shares each unit represents:

Each stock option unit may be used to purchase one share of common stock of HTC.

6.Total number of new shares to be issued due to exercise of stock option or the number of shares for share buy-back as required by Article 28-2 of the Securities and Exchange Act:

The total number of new shares of common stock that must be issued for the purpose of exercise of the options is 20,000,000 shares.

7.Regulations for setting the terms and conditions for exercising stock option (including exercise price, exercise period, class of shares with which to exercise stock option, handling process in case of inheritance/employee resignation, etc):

(1) Share purchase price: The share purchase price shall be the closing price of HTC common stock on the date of issuance of the employee stock options.

(2) Option rights period

a. After 2 full years have elapsed from the time the stock option holder is allocated the employee stock options, the option holder may exercise the share purchase rights according to the schedule set out below. The duration of the stock options is 10 years. The stock options and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession. After the expiration of the duration of the employee stock options, any unexercised options shall be deemed forfeited, and the stock option holder may not make any further claim to share purchase rights. Percentage of share purchase rights that may be exercised according to the time elapsed since

the allocation of the stock options (cumulative)

Two full years have elapsed: 60%

Three full years have elapsed: 100%

b. If, after the allocation of employee stock options by the company, there is any breach or violation by the stock option holder of the labor contract, mandate contract, work rules, or laws or regulations, HTC shall be entitled to withdraw and cancel any stock options that are not yet exercisable and any stock options that are already exercisable but have not yet been exercised.

(3) Type of shares purchasable: HTC common stock.

(4) When a stock option holder leaves employment for any reason, the following measures shall be followed during the duration of the stock options:

a. Voluntary departure from employment

For stock options that are already exercisable under the provisions of paragraph (2) of this Article, the share purchase rights may be exercised within 3 months from the date of departure (but not beyond the duration of the stock options); if this happens to fall within a period during which, as specified under these Rules, exercise of the stock options is prohibited, the exercise period shall, from the date the options may be exercised, be extended by the number of days that they could not be exercised. If the share purchase rights are not exercised within the aforesaid period, the rights shall be deemed forfeited. For stock options that have not yet become exercisable, the share purchase rights shall be deemed forfeited from the date of departure from employment, and HTC shall be entitled to withdraw and cancel the stock options already allocated to the stock option holder.

b. Dismissal from employment

If a stock option holder is dismissed by the company for gross negligence such as breach of the labor contract or work rules, the share purchase rights under any stock options already allocated to the employee, shall, from the date of dismissal, be deemed forfeited.

c. Retirement

For stock options that are already exercisable under the provisions of paragraph (2) of this Article, the share purchase rights may be exercised during the effective duration of the stock options. However, if there is any breach of non-competition restrictions, HTC shall be entitled to withdraw and cancel the stock options already exercisable. For stock options that have not yet become exercisable, the share purchase rights shall be deemed forfeited from the date of retirement.

d. Death

For stock options that have already been allocated, upon the death of the stock option holder, the heir may exercise all of the share purchase rights. The heir shall remain subject to the restriction that he or she may exercise the stock options only after two full years have elapsed from the time of allocation, but apart from that restriction, the heir shall be free from the restrictions in paragraph (2) of this article regarding the schedule imposed on the percentages of exercisable stock rights. The share purchase rights may be exercised only after 2 full years have elapsed from the date of death or the date of allocation of the stock options (whichever date is later).

Anyone entitled by statutory succession to share purchase rights under the options shall, after the occurrence of the fact, complete the statutorily required procedures and provide relevant documentary evidence in accordance with the laws and regulations governing succession of the stock option holder's home country and the provisions of the Regulations Governing the Administration of Shareholder Services of Public Companies concerning transfer by inheritance. Only after these procedures are complete may an application be submitted for the exercise of the purchase rights to which the heir shall succeed. However, no application and purchase procedures may

be done beyond the effective duration of the stock options.

e. Sufferers of disability due to an occupational accident

In the event of inability to continue in employment as a result of a physical disability due to an occupational accident, for stock options that are already exercisable under the provisions of paragraph (2) of this Article, the share purchase rights may be exercised during the effective duration of the stock options. For stock options that have not yet become exercisable, the restrictions in paragraph (2) of this article regarding the schedule imposed on the percentages of exercisable stock rights shall continue to apply, and the rights shall be exercisable only during the effective duration of the stock options.

f. Leave without pay

In the case of any option holder who has received approval from HTC to take leave without pay, when calculating whether that option holder has satisfied the time period specified in paragraph (2), subparagraph 1 of this Article, (i.e. whether 2 full years or 3 full years have elapsed since the date of allocation of the employee stock options), the period of the leave without pay may not be counted. The period specified in paragraph (2), subparagraph 1 of this Article shall be extended by the period of the leave without pay. Additionally, the effective duration of the options (7 years from the date of issue by HTC) shall not be extended on grounds of leave without pay. If the stock option holder, as a result of taking leave without pay, fails or is unable to exercise the option rights within the effective duration of the options, the option holder is deemed to have forfeited the option rights.

g. Severance

For stock options that are already exercisable under the provisions of paragraph (2) of this Article, the share purchase rights may be exercised within 3 months from the effective date of severance (but not beyond the duration of the stock options); if this happens to fall within a period during which, as specified under these Rules, exercise of the stock options is prohibited, the exercise period shall, from the date the options may be exercised, be extended by the number of days that they could not be exercised. If the share purchase rights are not exercised within the aforesaid period, the rights shall be deemed forfeited. For stock options that have not yet become exercisable, the share purchase rights shall be deemed forfeited from the effective date of severance.

h. Job position transfer to an affiliate

If due to HTC's operational needs, HTC decides that it is necessary to transfer a holder of HTC stock options to a position at an HTC affiliate, the transfer shall have no effect on the rights and obligations in connection with the stock options already allocated.

i. When a stock option holder leaves employment for a reason other than those listed above or when some adjustment must be made pursuant to laws or regulations in the course of actual execution of the measures above, the chairman is authorized to adopt or adjust relevant measures on an ad hoc basis according to the actual circumstances.

j. If the stock option holder or heir is unable to exercise the option rights within the time period set out above, the holder or heir is deemed to have forfeited the share purchase rights.

(5) Method for handling of stock options of which the share purchase rights have been forfeited. When the share purchase rights of a stock option are forfeited, HTC shall cancel the option and shall not reissue it.

8. Method for performance of contract:

The method for the performance of the options is as follows: HTC will issue new shares in dematerialized form by book-entry transfer; furthermore, it will first issue the stock and then subsequently carry out registration of the change to its amount of registered capital, pursuant to the proviso to Article 161, paragraph 1 of the Company Act.

9. Adjustment of exercise price:

(1) If, after the stock options are issued, any change occurs to shares of HTC common stock (including any private placement, cash capital increase, capitalization of earnings, capitalization of reserves, issue of new shares in connection with a merger, consolidation, or transfer of shares from another company, or issue of overseas depositary receipts for a cash capital increase), the purchase price may be adjusted by the formula set out below (calculated to the 10th of a New Taiwan Dollar, with sums below that rounded off). However, if the adjustment of the purchase price might have an adverse effect on the tax burden of the stock option holder, HTC does not bear any liability to the stock option holder in connection with the decision to adjust the purchase price. Adjusted purchase price = purchase price before adjustment X (number of shares already issued + (amount paid per share X number of new shares issued) / purchase price before adjustment) / (number of shares already issued + number of new shares issued)

a. "Number of shares already issued" means the total number of common shares already issued, minus treasury shares that HTC has bought back but has not yet canceled or transferred.

b. In the case of bonus shares or a stock split, the "amount paid per share" is zero.

If the company issues new shares as an employee bonus, the "amount paid per share" in the adjustment formula in the preceding paragraph shall be the closing price of the day before the shareholders meeting, and the effects of ex-rights or ex-dividend status shall be taken into account.

c. In the event that the adjusted purchase price is higher than the purchase price before adjustment, the adjustment will not be made.

d. When new shares are issued in connection with a merger, consolidation, or transfer of shares from another company, the "amount paid per share" for the new capital increase shares shall be the average closing price of HTC common shares for the 30 business days preceding the record date of the merger, consolidation, or transfer of shares from the other company.

(2) If, after the stock options are issued, there is any capital reduction resulting in a decrease in the shares of common stock, from a cause other than cancellation of treasury shares, the purchase price will be adjusted by the formula set out below (calculated to the 10th of a New Taiwan Dollar, with sums below that rounded off).

Adjusted purchase price = purchase price before adjustment X (closing price on the last trading day before the capital reduction and the issuance of replacement shares – amount refunded per share for the capital reduction) / closing price on the last trading day before the capital reduction and the issuance of replacement shares) X (number of shares already issued before the capital reduction / number of shares already issued after the capital reduction)

(Note) If a refund is not made to shareholders in connection with the capital reduction, the "amount refunded per share for the capital reduction" is zero.

10. Procedures for exercising option:

(1) Except during a book closure period as provided by law or regulation and except as provided in paragraph (4) of this Article, the stock option holder may exercise share purchase rights in accordance with these Rules, and may complete a share purchase request and submit its application to HTC.

(2) After processing the purchase request, HTC will notify the stock option holder to pay the share price at a designated bank within the time limit. If the price is not paid within the time limit, the holder is deemed to have voluntarily forfeited the share purchase rights in that request, and the portion requested but not paid for shall be deemed not to have been purchased, and the stock option holder will need to submit a new request for purchase. Furthermore, once a stock option holder has made a payment for a share purchase, the payment may not be canceled.

(3) Once HTC has verified that the share price has been fully received, it

will instruct HTC's shareholder services agent to enter the number of shares purchased by the employee and the employee's name into HTC's shareholder register, and to transfer within 5 business days, by book-entry through the central depository, the shares of new common stock issued by HTC. Those shares of common stock shall be listed for trading from the date that they are delivered to the stock option holder.

(4) A stock option holder may, within the scope and time limits set out in Article 6, paragraph (2) of these Rules, complete a share purchase request and submit the application to HTC's shareholder services agent, except during the following periods, during which the option holder is prohibited from exercising option rights:

- a. The statutory book closure period before the annual shareholder meeting of the given fiscal year.
- b. When HTC arranges a book closure date with the Taiwan Stock Exchange for an issue of bonus shares, cash dividends, or a cash capital increase rights issue: the period from 15 business days before the book closure date until the record date of the rights distribution.
- c. The period from the record date of a capital reduction until the day before the commencement of trading of the replacement shares issued in connection with the capital reduction.

(5) Within 15 days after the end of each quarter, HTC shall publicly announce the number of shares delivered for the exercise of employee stock options in the preceding quarter. And at least once each quarter, it shall apply to the competent authority for company registration to make an amendment to its registered capital to reflect the shares that have been purchased under the options.

(6) If a stock option holder referred to in paragraphs (1) to (4) hereinabove is an employee who has a household registration in the mainland area, the exercise of option rights shall be performed on the option holder's behalf by the option holder's agent or representative in the Taiwan area.

11. Rights and obligations after exercising options:

(1) The rights and obligations pertaining to common stock shares delivered by HTC under these Rules are identical to those of other HTC common stock. The stock purchased by stock option holders under these Rules, and tax burdens arising in connection with any transaction thereof, shall without exception be subject to and handled in compliance with the then-current tax regulations adopted by ROC tax authorities and the tax regulations of the places of registration of the overseas subsidiaries where the options are allocated and the countries where the employees are located.

(2) If an employee who has a household registration in the mainland area holds common shares delivered by HTC under these Rules, the voting rights of those shares, unless otherwise provided by law or regulation, may not be exercised in any matter that would involve substantial control or influence over the operations or management of the company, and the rights may be exercised only through its Taiwan agent or representative who attends a shareholder meeting on its behalf.

12. The record date for share conversion, if conversion, exchange, or subscription rights are attached: None

13. Possible dilution of equity, if conversion, exchange, or subscription rights are attached: None

14. Other important stipulations:

(1) Confidentiality: after a stock option holder has been allocated stock options, the option holder shall comply with confidentiality requirements, and except as required by law or regulation or by demand of a competent authority, may not disclose any information related to the content or quantity of the stock options allocated. Any violation will be handled pursuant to Article 6, paragraph (2), subparagraph 2 of these Rules.

(2) These Rules shall become effective after they have been passed by a majority of the directors present at a board of directors meeting attended by at least two-thirds of the directors, and have been reported to and

approved by the competent authority.

The same shall apply in the event of any amendment to these Rules before they are actually issued.

(3) Any matter on which these Rules are silent shall be handled in accordance with applicable laws and regulations.

15. Any other matters that need to be specified: None