



HTC 2021 Annual Report

2021

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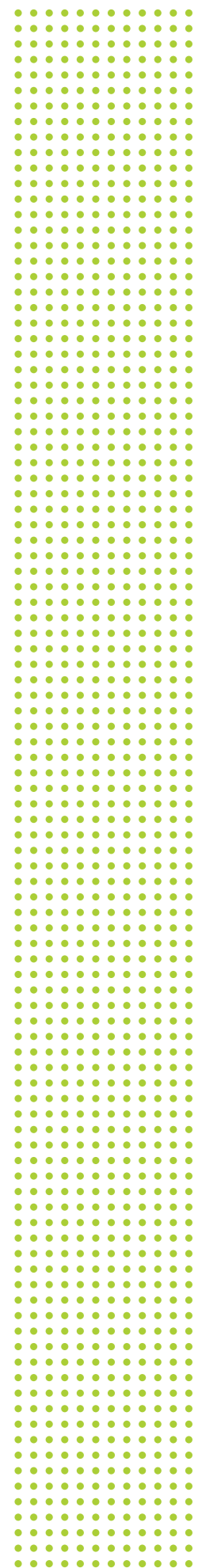
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**LETTER TO  
HTC  
SHAREHOLDERS**





# LETTER TO HTC SHAREHOLDERS

## Dear Shareholders,

HTC had an excellent year in 2021, with the launch of focused, highly acclaimed products, the full implementation of the corporate restructure, and robust improvement in operational performance.

Against a backdrop of prolonged market disruption caused by the ongoing pandemic, HTC maintained its engineering and design edge, delivering high quality hardware, software, platforms and services to markets including enterprise, education, arts, entertainment and healthcare. In particular, with business and leisure travel still restricted, practices adopted or accelerated during the first year of the pandemic largely sustained over 2021, and HTC saw virtual reality embraced by numerous industries and organizations to enhance their business processes.

HTC is encouraged by the increasing recognition of its strategy as driving the future of the industry. In early 2018, HTC coalesced the Company around a central, overarching vision of VIVE Reality, whereby merging technology with humanity to unleash the imagination will create a world where technology fades into the background and experiences come the forefront. This vision is today being described as the ‘metaverse’. HTC’s version of the metaverse is VIVERSE, an immersive, boundless universe of fantastic new experiences, and a seamless gateway to other content universes created in collaboration with partners.

HTC defined the key building block technologies underpinning this new world as VR/AR, artificial intelligence, blockchain, and high-speed connectivity such as 5G, and has made significant strategic investments in these areas over the last seven years. These investments have increasingly borne fruit, and the industry now largely acknowledges these technologies as fundamental to maximizing the potential of the metaverse.

The corporate restructuring was successfully completed in early 2021, with the seven business units defining their own unique identity and a clear product strategy. HTC acts as an umbrella organization, providing corporate function support such as human resource management, legal, accounting, IT and marketing, and as an accelerator, providing strategic and investment guidance. While all of HTC’s business units have a distinct direction and focus markets, they all ladder up to HTC’s central vision, with their product portfolios and roadmap designed to support access to VIVERSE, or its expansion or enhancement.

HTC is already seeing value being created in this strategy, with increased resource optimization and accountability, and anticipates greater progress in the years ahead. The resulting innovation drive positions HTC well in its transition to a complete metaverse company.

## Business Operations

HTC’s business units demonstrated the depth and breadth of their innovation over 2021, with a wide range of products, services, and collaborations undertaken over the year. The launch of VIVERSE in early 2022 represents a crystallization of our product strategy, with almost all products and services contributing to VIVERSE in some way. Moreover, the large bandwidth and ultra-low latency of the 5G connectivity standard provides ideal conditions for VIVERSE, so HTC sees the continued global rollout of 5G as an accelerant for this next generation of the internet.

## VIVE Systems

VIVE Systems has had another stellar year, launching two new headsets at the VIVECON online industry event on VR in May 2021: the VIVE Pro 2 premium PC VR headset boasting the highest resolution graphics and an innovative lens system for gamers and professionals requiring the highest VR performance and precision tracking, while the VIVE Focus 3 all-in-one headset for enterprise features 5K resolution graphics, tight head-tracking, active cooling and a 120-degree field of view, substantially better than consumer all-in-one VR headsets on the market. Additionally, VIVE Systems marketed the VIVE Flow immersive glasses, a new, sleek form factor companion device.

VIVE Systems also focused on accessories over 2021 to enhance the VR ecosystem, including launching the smaller, lighter successor to the highly popular VIVE Tracker, as well as new wrist and facial trackers to bring greater realism in the virtual world. The VIVE Focus 3 has been made more attractive for enterprise with the addition of a charging case with auto-pairing and multi-battery charging dock.

VIVE Systems continues to lead the industry in premium hardware, as clearly illustrated by the VIVE Pro 2 winning a CES Innovation Award at the Consumer Electronics Show in January 2022 and the VIVE Focus 3 inspiring Fast Company to name HTC as one of the 10 most innovative augmented and virtual reality companies of 2022’.

## VIVERSE

The VIVERSE business unit (formerly HTC Content & Platforms) is instrumental in the creation of HTC’s content ecosystem in the metaverse era. Through its advanced content, software and platform technologies, VIVERSE has maintained steady growth in both VR content and platform on its VIVEPORT platform, leveraging its virtual exhibition platform for enterprise use cases, and continues to build strong

content and hardware partnerships to engage more end-users and accelerate the expansion of the VR ecosystem.

VIVEPORT has established a library of 3,200+ titles across a variety of genres. In 2021, it launched the Infinity Vista subscription plan for smart glasses such as the new VIVE Flow immersive glasses. VIVERSE also made its first investment in content IP by co-producing the anime, BIRDIE WING, the world’s first original anime featuring women’s golf, an important milestone in HTC’s VIVERSE strategy.

VIVEPORT’s virtual exhibition platform saw several key executions in 2021, with Japan’s Shu Yamamoto’s “Step into Cat Art” online retrospective, and Yokohama’s 10th Asia Smart City conference being staged on the platform.

The VIVERSE team also created the VIVE Business suite of VR tools in 2021 to support VIVE Systems enterprise hardware, bringing the power of virtual reality to organizations large and small. With a seamless set-up, easy management and certified privacy and data security, VIVE Business supports a wide range of use cases including training/simulation, collaboration, design and visualization, entertainment, and sales and marketing.

## G Reigns

G Reigns (formerly HTC 5G Solutions) has primarily focused on the burgeoning 5G high speed connectivity, with a clear objective to provide total solutions, such as companion apps and devices, cross-platform SDKs and immersive terminals, to business partners and 5G phone users to enlarge VIVERSE.

G Reigns created a unique, out of the box private 5G network for enterprise in an easy to set up, compact package for a wide range of applications that can leverage the high speed and greater bandwidth of 5G. This includes private networks for office and industrial applications, XR applications, smart surveillance, smart transportation and more. G Reigns also created a complete virtual production solution for film producers, boasting high accuracy tracking system at a competitive price.

The G Reigns team also created the VIVE Flow immersive glasses, a first of its kind companion device for matched smartphones that brings a truly immersive experience in a highly portable and very stylish format. With 1600x1600 resolution per eye and 6+n degrees of freedom in light glasses weighing just 189g, the VIVE Flow sets the standard for immersive glasses with an intelligent distributed battery design for greater comfort.

## HTC Smartphones and Connected Devices

The HTC Smartphones and Connected Devices business unit is focused on creating devices that take full advantage of the latest technologies while supporting HTC’s VIVERSE vision. In 2021, this included the

launch of the HTC Desire 21 Pro 5G phone, bringing 5G to the mid-tier smartphone range in targeted markets. Along with high speed 5G support, the HTC Desire 21 Pro 5G is the first HTC phone with ARCore support, certified by Google and features a 5000mAh battery and 6.7” FHD+ 90Hz display.

HTC continues to evaluate strategic markets and technologies for its smartphones, to ensure that devices have rich feature sets for the target segments and markets and bring a degree of differentiation to market.

## VIVE Arts

VIVE Arts continued its mission to enhance cultural appreciation through immersive technology, democratize creativity and preserve our cultural heritage for the world, completing many art, film and museum projects in 2021, including the ‘Curious Alice’ VR experience with London’s Victoria & Albert museum in May that has welcomed more than 165,000 visitors.

VIVE Arts’ aim to enable artists to achieve their creative vision through digital innovation saw the staging of VR installations in ground-breaking exhibitions by Chinese artists Cao Fei and Cai Guo-Qiang as well as Australian film director and speculative artist Liam Young in Beijing, Italian artist Carola Bonfili at the Ludwig Museum in Budapest, Danish artist Jakob Steensen at LUMA Arles in France, and Marco Brambilla at the Perez Museum Miami.

VIVE Arts also launched a new global art trading platform, marking the next stage in VIVE Arts’ evolution to build a complete ecosystem for digital art. This platform supports artists and institutions to create, exhibit and sell ground-breaking artworks and experiences, reaching global audiences both physically and online. The inaugural sale offers NFTs of iconic Art Nouveau masterpieces by renowned Czech artist Alphonse Mucha, in collaboration with the Mucha Foundation and in parallel with a physical exhibition of his work.

## VIVE ORIGINALS

As a front-end content production team at HTC, VIVE ORIGINALS has been dedicated to the development of authentic intellectual properties, and the co-production and distribution of original VR film, art, animation, music, culture and entertainment content. Alongside their continued work on XR content production, VIVE ORIGINALS also held two beta-test concerts with Bisiugroup and THE RAPPERS, arousing great interest from global outlets, such as Variety, and staged the first VR Holo-concert called ‘BEATDAY – The Beginning – Mini VR Concert’, which was selected by the 2022 SXSW Film Festival in the XR Experience Spotlight section. Moreover, their VR animation, ‘The Sick Rose’, was selected for the Venice VR Expanded section of the 78th Venice International Film Festival.

VIVE ORIGINALS also launched BEATDAY in 2021, a music and entertainment platform in the metaverse that applies volumetric capture, CG animation and more that document the full details of artists’ body

movements and facial expression. The BEATDAY platform implements blockchain technology and launched its exclusive NFT project, constructing an economic system in the metaverse across diverse devices.

## DeepQ

The DeepQ business remained laser focused on its work in promoting healthcare in 2021. In particular, it continued its important work on pandemic information collation and dissemination over 2021, collaborating with the Taiwan CDC on numerous projects within the Line Bot of Disease Control Butler (DCB), which has played an important role in the digital frontline of pandemic prevention and boasted over 10 million users by year end. The Taiwan V-Watch Vaccination Reporting System made post-vaccination health status reporting simple, and the 1922 SMS Contact Tracing System worked by collating information through the scanning of QR code in stores and establishments.

DeepQ also launched the cloud version of the DeepQ AI Platform, a solution that enables individual doctors or small number project teams to easily complete AI model development without investing high hardware costs.

## Financial Performance

The ongoing pandemic continued to impact world business throughout 2021; however, HTC has sustained innovation and production levels in all its facilities. While much of our industry experienced supply shortages over the year, HTC has implemented a program of aggressive management of supply lead times, shipping schedules and inventory levels to mitigate material impact from shortages.

Overall, HTC's operating performance has improved, with sequential increases in gross margin over the last 16 quarters, FY2021 gross margin reached 31%. This has contributed to a continuing reduction in operating margin deficits. As a result, HTC saw revenues over the year of NTD 5.25 billion, with a gross profit of NTD 1.64 billion, and net loss attributable to owners of the parent was NTD 3.07 billion. Moreover, focused resource allocation and diligent cost management has enabled HTC to reduce year-on-year operational expenses by 28% while still delivering premium products and solutions to market and ensuring appropriate investment in the technologies and talent that align with our strategic direction, positioning HTC well for the future.

## Environment, Social and Governance

Environment, Social and Governance (ESG) issues have risen to prominence over the last few years and are now a significant consideration in investment decisions. As a global citizen, HTC is committed to

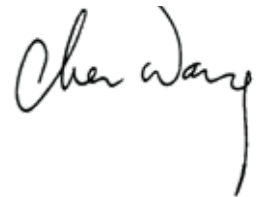
these principles, and has transformed the original corporate social responsibility committee into the ESG committee, chaired by the Chairwoman. HTC also appointed its first Chief Sustainability Officer in Senior VP Madeline Chen, who will lead the charge for sustainability in HTC's management, design, product, and manufacturing processes as well as in the supply chain, to contribute more actively to HTC's environmental protection efforts, social responsibility and corporate governance. In order to achieve the long-term goal of sustainable development through continuous improvement, the ESG committee is working with all HTC colleagues to understand how their work can contribute to these objectives.

HTC strives to increase environmental sustainability across its operations, improving manufacturing processes and quality standards as well as seeking areas to reduce emissions and increase power efficiency. This year, HTC attained management level (B- grade) in the climate change rating of the Carbon Disclosure Project (CDP). Waste reduction and resource recycling efforts continued to show results, with HTC's waste recycling rate significantly increased over the last ten years, by 87%.

As the COVID-19 pandemic continued to spread and mutate over 2021, HTC has maintained prevention and work flexibility measures in our facilities around the world, in line with or even exceeding local government guidance, and these have ensured that HTC's world class innovation has continued at full speed without risking lives.

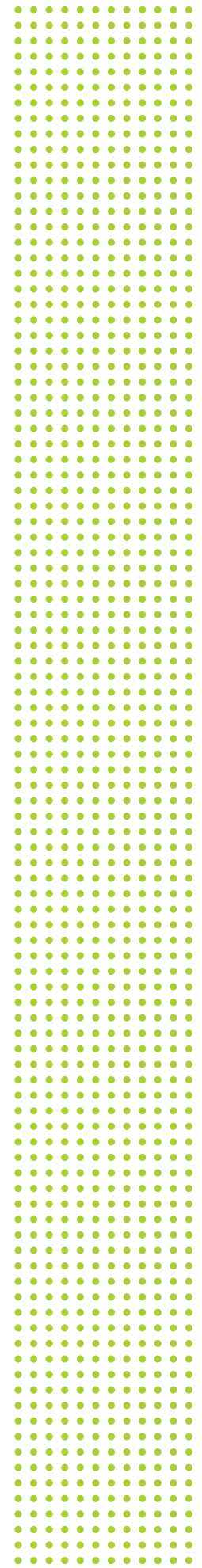
Over the past seven years, HTC has transformed itself from its hardware-centric origins to a well-rounded enterprise delivering premium hardware, software, platforms and solutions serving business customers and consumers around the world. As the metaverse takes shape, HTC would like to sincerely thank shareholders for their faith in the Company over the year.

**HTC Corporation**  
Chairwoman and CEO





# COMPANY PROFILE





# COMPANY PROFILE

## 2.1 About HTC

HTC is an innovation company, creating powerful new products, solutions, and platforms in mobile and immersive technologies. Beginning with a vision to put a personal computer in the palm of our customers' hands, we have led the way in the evolution of smartphones, and are now applying that same innovative approach to connected devices and virtual reality as we enter the era of VIVERSE, our version of the metaverse.

At the heart of this is a bold innovative spirit of pushing new boundaries, while leveraging our industry-leading capabilities. The notion of Dare to Dream is at the heart of our daily ambitions. We ask fundamental questions at the intersection of customer aspirations and our capability to delight and surprise with innovative solutions. We challenge ourselves and our customers to achieve their full human potential. What's your dream? Can you visualize it? Will it shift our perspective? Will we feel it? The future belongs to the dreamers to power creation and innovation. Because our dreams power the future. Dare to Dream.

As we live this philosophy, we employ powerful technologies and combine them in creative new ways in order to deliver this. At this time in history, building block technologies like VR, AR, 5G, AI, and blockchain are evolving and coming together in new ways with the potential to deliver utility and experiences previously unavailable. We call this VIVE Reality.

Today, VIVE Reality is the future that we strive to enable. That means understanding people's needs and desires, their hopes and aspirations, and embedding them into the building block technologies of today and tomorrow. Through creating wonderful devices, platforms, content and solutions, we can unleash imagination from the bounds of reality and realize the true potential of technology for the benefit of humankind. Our future is enhanced in a world where HTC innovation and VIVERSE experiences blend to create a new and better world. These three pillars are central to that mission:

### Humanity

For HTC, our innovation is human-centered in the broadest sense. We endeavor to anticipate the needs of people, businesses and society as a whole, and expand our vision to impact people's lives in ways never before considered.

### Technology

Our heritage of and commitment to technology excellence is the great enabler of our pursuit. We strive for a world in which customers, large and small, have access to the most powerful hardware, platforms, tools, and services, a world where the technology becomes secondary to the experiences that it creates.

### Imagination

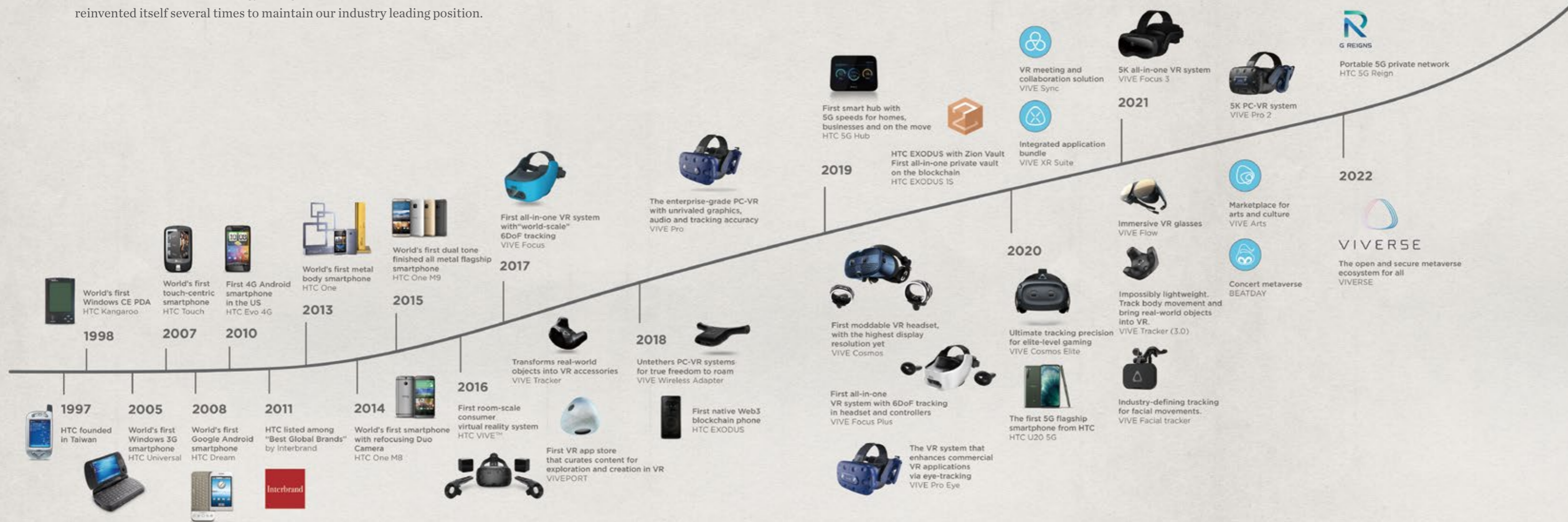
Imagination is one of the most powerful tools we know, and one we seek to unlock. A world where a continuum of immersive realities is possible, and experience is unbounded. Imagination that invents new ways to make life better for people and enable them to be the best they can be, help businesses achieve their vision, and solve the greater challenges faced by society.

This philosophy and approach are reflected in a steady stream of world-class innovation, as we continue to advance new products in VR, mobile, and 5G with greater capability and convenience. We also continue to advance our societal, environmental and cultural initiatives, and our support of education. From our people to our products, Dare to Dream represents a guiding philosophy that energizes HTC as a global organization.



## 2.2 Company History

HTC was founded with the goal of bringing the power of computing and communication into the hands of people around the world. On this quest, HTC has pioneered new technologies, devices, and designs, and repeatedly set new standards in innovation. And as technology changes at an ever-faster rate, so HTC has reinvented itself several times to maintain our industry leading position.



## Professional PDA Designer

Shortly after commencing operations in 1997, HTC was selected by Microsoft to develop handheld products using Windows CE, their newly launched embedded operating system designed specifically for consumer electronics products.

The co-founder and then President (now Director of the Board) HT Cho and then Vice President Peter Chou assembled HTC's first R&D team and developed the world's first handheld personal data assistant (PDA) to run on Microsoft Windows CE, the HTC Kangaroo, released in 1997. This significant first step helped HTC become an important and enduring partner of Microsoft Corporation. The Compaq iPAQ, manufactured by HTC for Compaq Computer became a huge market success when launched in 2000, and firmly established HTC as a world leader in the PDA segment.

## Smartphone Pioneer

HTC's first major transformation came in 1999, when the Company moved into the telecommunications arena, reflecting the increasingly important role of mobile telecommunications products in the daily lives of consumers. HTC predicted that the GSM standard would spread from Europe to dominate the U.S. and Japanese markets; so we visited Europe's largest telecommunications companies to discuss an innovative new approach for the industry iV the development of 'customized' devices for the wireless communication market. In 2002, HTC broke new ground in the industry by launching two new mobile wireless devices, the O2 XDA and Orange SPV in partnership with O2 (UK) and Orange (France) respectively. The products, designed around Microsoft's latest operating system, helped telecommunication service providers increase average revenue per user (ARPU) and earned worldwide attention.

HTC was the first to integrate Internet, entertainment, video and personal assistant functions into a mobile phone with a large dimension onto high resolution and full color display panel. This ushered in a new era in the history of the mobile phone. It was at this point that HTC began to develop products in partnership with customers and to tailor products based on telecommunications services provided by its customers. This marks the beginning of HTC's efforts in building a global sales and service network and cementing its position in the global telecommunications market.

## HTC Brand

In 2007, HTC launched its brand globally, committing the Company to long-term global brand development. Shortly afterwards, HTC launched the HTC Touch smartphone, bringing the world's first touch-centric phone to market and placing HTC at the forefront of growing worldwide excitement over this new smartphone direction. In 2009, HTC unveiled its new user interface, HTC Sense®, delivering a

simpler and much more intuitive user experience. HTC then proceeded to introduce its competitive new lineup to the world through its 'Quietly Brilliant' tagline and global 'YOU' advertising campaign. HTC also sponsored initiatives that reflect our values, with each step along the way carefully considered to raise HTC brand awareness in all key markets.

'Quietly Brilliant' is deeply rooted within HTC's corporate culture. We continue to roll out products with innovative features to satisfy the needs of different consumers, changing the way they enjoy their mobile lifestyle. With the smartphone market booming, HTC has actively recruited outstanding talent in product design, user interface, brand and sales and marketing. This talent has enabled HTC to receive global recognition, with awards including 'Device Manufacturer of the Year' at Mobile World Congress in 2011, and listing in the top 100 international brands by Interbrand in the same year.

In 2014, HTC undertook to evolve its brand strategy and identified our organizational purpose: to bring brilliance to life by striving to develop innovation that enables consumers to pursue their brilliance. The pursuit of brilliance is at the heart of everything we do. It is the impulse to create, to venture into the unknown with an unwavering dedication to bring innovation to life. It pushes us every day to re-imagine new ways to connect the world, our consumers, and their pursuits in ways never before thought possible.

By streamlining our communication channels, we deliver simplified and consistent brand messages to enable consumers to better understand our brand vision. Through the reinforcement of global social media and interaction with users, we establish strong social engagement and amplify the message of our connections to each other.

## Diversification into Connected Devices and Virtual Reality

In 2014, HTC began to seek new fields to apply our distinguished heritage in design, engineering and manufacturing excellence. Partnering with leading brands in diverse fields, HTC built 'Powered by HTC' teams to work with leading brands to innovate for their field. Starting with fitness, together with our partner Under Armor®, the leading brand in the fitness space, our 'Powered by HTC' teams created the UA HealthBox™, providing comprehensive holistic information to enable users to monitor and improve their performance.

The same 'Powered by HTC' teams also worked with Google on creating their own devices, cementing a decade-long partnership with Google on establishing the Android operating system that started back in 2008 with the creation of the very first Android smartphone, the HTC Dream, and continued through to the launch of the first Google Pixel smartphones in 2016. That close partnership continued to flourish, such that in 2017, it was announced that the 'Powered by HTC' teams would be permanently transferred to Google, a move completed in January 2018 in a deal worth \$1.1 billion.

Partnering with Valve®, the strongest brand in PC gaming, we developed a highly advanced yet compact virtual reality system under our own brand called the HTC VIVE™, launching the first headset in April 2015. As the first complete, room-scale consumer virtual reality system, the HTC VIVE earned universal media and consumer acclaim, and won over 100 awards in its first year.

With the total immersion of VIVE and the potential for its application in so many aspects of our lives, HTC recognized the onset of a new computing paradigm, inspiring a new vision and direction for the Company: VIVE Reality. The transfer of the ‘Powered by HTC’ teams to Google in early 2018 provided the focus for us to pursue our new vision with singular purpose.

## The VIVE Reality Era

HTC recognized early that the convergence of new and emerging building block technologies, such as virtual and augmented reality, artificial intelligence, and blockchain combined with the super high speed connectivity of 5G, will change how we work, learn, play, communicate, and dream. This set the Company on a new direction, striving to facilitate the uniting of these advanced technologies with the best of our humanity to unleash human imagination from the limitations of reality. This new vision, unveiled in early 2018 to unite all teams and businesses around a single direction, is VIVE Reality.

Through our leading virtual reality line, HTC VIVE, our rich history of experience in mobile internet devices, and focused investment in key technology areas, HTC is now helping to drive this new computing paradigm and the society transformation that will ensue. This remarkable new world will be all-embracing, generating a far larger virtual economy, a much broader range of fantastic experiences, and far more meaningful social interaction, which will bring people closer together and foster greater empathy for each other.

Knowing that a robust ecosystem and diverse content are the key factors to grow the VR market, we have undertaken considerable investment to support the development of compelling VR content, and offer a dedicated platform in VIVEPORT through which to monetize these efforts and host partner content events, while providing users with a comprehensive VR app market place. HTC has created VIVE Wave, a new platform to power both HTC’s VR devices and those of device partners in the industry. HTC has also founded or plays a key role in industry alliances, such as the Asia-Pacific Virtual Reality Industry Alliance formed in 2016, and is a founding member of the Global VR Alliance. We also rolled out the VIVE X accelerator program in the same year to help cultivate, foster and grow the global VR ecosystem by supporting startups working in strategic new areas, providing them with education, investment and mentorship.

The scope of VIVE is all-encompassing. Along with developing focused solutions for consumers and for enterprise, HTC launched the VR for Impact program in 2017 in support of the United Nations’

Sustainable Development Goals, dedicated to encouraging the development of VR content that shows how VR can positively impact society and empower people. In early 2018, we announced a partnership with the World Economic Forum (WEF) to drive the VR/AR for Impact initiative going forward. HTC also has a strong VIVE Arts program, partnering with leading museums and art galleries around the world to enhance the exhibition experience through VR, and working with contemporary artists who are using VR as an art medium. VIVE ORIGINALS co-produces cutting edge VR movies and shorts with leading studios that have received wide acclaim at international film festivals, and are providing a window into the future direction of the movie-making craft.

At the same time, HTC continued to develop and refine our industry-leading mobile technology expertise. The smartphone division continues to integrate the latest technologies such as 5G and advanced photographic capabilities into some of the most beautifully crafted devices on the market. At the same time, HTC created a new division focusing solely on applying our world-class 5G networking expertise to consumer, enterprise and municipal sectors, supporting the drive to expedite 5G adoption and solve challenges for business and society.

Human health is fundamental to improving people’s lives, and the HTC DeepQ business embeds advanced artificial intelligence and VR technologies into a range of hardware and software solutions aimed at raising awareness of health issues, enabling effective remote healthcare, and supporting the medical profession and government in a variety of ways.

## VIVERSE

HTC is encouraged by the increasing recognition of its strategy as driving the future of the industry. In early 2018, HTC coalesced the Company around a central, overarching vision of VIVE Reality, whereby merging technology with humanity to unleash the imagination will create a world where technology fades into the background and experiences come the forefront. This vision is today being described as the ‘metaverse’. HTC’s version of the metaverse is VIVERSE, an immersive, boundless universe of fantastic new experiences, and a seamless gateway to other content universes created in collaboration with partners.

The restructuring of HTC over 2021 saw the creation of separate business units out of VIVE Systems, VIVERSE (formerly Content and Platforms), G Reigns (formerly 5G Solutions), HTC Smartphones and Connected Devices, VIVE Arts, VIVE ORIGINALS and DeepQ. This new structure gives each business leader greater autonomy and clear focus on their own portfolio and resources, while obtaining operational support, and guidance on strategy and financing from the HTC mother company.

The advent of the metaverse sees the Company focused around VIVERSE, whereby the strategic direction of all business units is to enable, enhance or expand the remarkable wealth of experiences available in the metaverse, which can be accessed from virtually any connected device.

The pursuit of VIVE Reality sees HTC transition into a complete VIVERSE solution company, creating not only leading hardware in strategic markets, but also building industry-leading platforms, software, content and services to create new revenue streams and lay the foundation for our future growth.

## 2.3 Brand Strategy

“Quietly Brilliant” is deeply rooted within HTC’s corporate culture. HTC strives to unlock the full human potential of our customers, employees, partners, and other stakeholders, and to achieve that, we must strive for our core values of truth, goodness and beauty in all that we do.

**Truth** means being real and authentic. The fields of science and technology are constantly pursuing truth to solve society’s problems through innovation. This is the most important essence of HTC.

**Goodness** means turning heartfelt ideas into actions that improve people’s lives. Such as, high-quality content that can inspire empathy and compassion, products that can help people with disabilities, that serve the elderly or educate young people, and that solve problems for organizations.

**Beauty** is simplicity and elegance. The simplest structure can hide complex details that each have a purpose. We design simple and intuitive user interfaces for high quality products that evoke a beautiful reaction in our customers.

Only when we launch excellent products instilled with truth, goodness and beauty can we implement our mission of “combining technology with humanity to unleash the imagination” and achieve our vision of VIVE Reality.

Our vision can best be understood through the VIVE Reality triangle logo mark, which represents the unity of three key elements – humanity, technology, and imagination – while the center symbolizes a portal to a new world of experiences that VIVE Reality delivers. VIVE Reality was born from a faith in humanity and forged by a respect for technology, paving the way for bringing people closer together, and closer to their imagination, than ever before. VIVE Reality is stimulating innovation in entertainment, education, training, design, healthcare, art, shopping and social networking, and many other industries, positively impacting the world, affecting the way we live, learn, and believe.

While we expanded from creating world-class smartphones into the fields of connected devices, virtual reality, 5G networking, blockchain, and now the metaverse, we are re-energizing the HTC brand story through the notion of an innovative parent company that will dare to dream, while expanding our brands to new audiences and segments. HTC’s approach to brand building is both pragmatic and effective, and is based on principles including:

- **Authenticity:** Being authentically true to the nature of our mission, and the belief that we can improve human lives and experience while creating value.
- **Entrepreneurial approach:** We are agile, attentive to costs, and aim to achieve maximum effectiveness through an obsessive and energetic approach to building our brand.
- **Innovative products:** For many customers, our products and services are the most concrete expression of our brand. By delivering a steady stream of innovation in mobile, virtual reality, 5G, blockchain, and more, we create proof through action.
- **Integrated solutions:** Far more than just a hardware company, we deliver true solutions through platforms, software, and services to create positive experiences and net promoter scores with our customers. Our VIVEPORT store provides access to content, VIVE Studios creates software, and VIVE Enterprise engages business customers with full solutions.
- **Broader audiences:** By continuing to improve and simplify our products and user experience, and support a broader range of software, we aim to access new customer segments and solve the challenges they face.
- **Developing the ecosystem:** HTC works closely with partners at each stage of innovation to build the ecosystem necessary to promote adoption, and actively participates in industry alliances to advance our industry thought leadership. Through the VIVE X accelerator program, we are supporting the development of the ecosystem for advancing the key and emerging technologies such as VR, AR, 5G, AI, and blockchain. We create opportunities to work closely with our portfolio companies to explore mutually beneficial ways to advance entrepreneurial innovation. VIVEPORT is helping to build an ecosystem of content developers by providing a dedicated VR app store for consumers and enterprise as well as creating VIVERSE, HTC’s version of the metaverse, while VIVE Wave is enabling other hardware companies to deliver immersive devices to broaden the market and fuel innovation. At every stage of product development, HTC considers the requirements of the ecosystem in order to drive the innovation.
- **Smarter communications:** We develop the types of products that people love and want to learn more about, that spark their curiosity and tap into their imagination. These make for great stories and social engagement, which are among the most effective ways to build a brand, and are a focus of our efforts on that front.
- **Building communities, forging customer relationships, and offering services that increase lifetime value:** We have moved well beyond the transactional nature of selling consumer electronics to developing an ongoing relationship with our customers. Through our platform, software, and service offerings, we can continue to engage with them, as well as increase customer lifetime value.

## 2.4 Board of Directors



Cher Wang



HT Cho



Wen-Chi Chen



Chen-Kuo Lin



David Bruce Yoffie



Josef Felder



Vincent Thai

### Board of Directors

**Cher Wang**  
Chairwoman

**HT Cho**  
Director

**Wen-Chi Chen**  
Director

**Chen-Kuo Lin**  
Independent Director

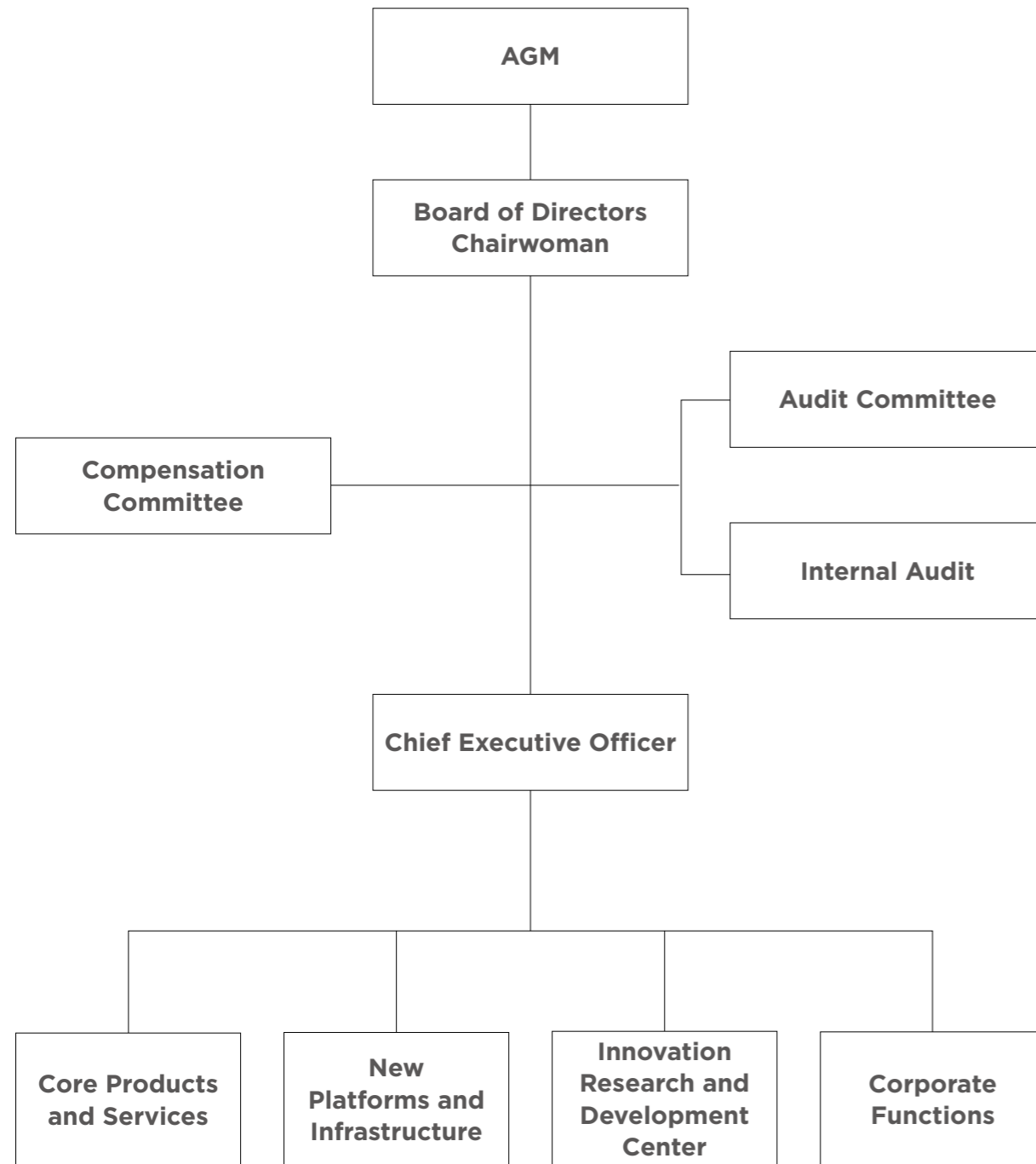
**David Bruce Yoffie**  
Director

**Josef Felder**  
Independent Director

**Vincent Thai**  
Independent Director

## 2.5 Organization

### 2.5.1 Organization Chart

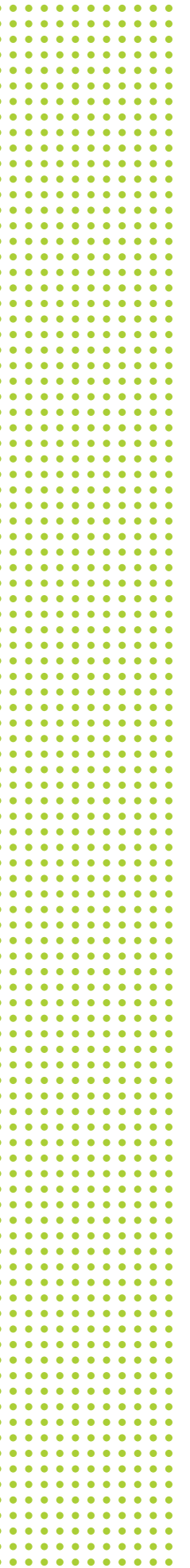


### 2.5.2 Organization Functions





# **CORPORATE GOVERNANCE**





# CORPORATE GOVERNANCE

## 3.1 Information on the Company’s Directors, Supervisors General Manager, Assistant General Managers, Deputy Assistant General Managers, and Managers of All the Company’s Divisions and Branch Units

### 3.1.1 Directors

2022.04.19

Title (Note 1)	Nationality/ place of Registration	Name	Gender, age	Date Elected	Term Expires	Date First Elected	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/ or any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairwoman & CEO	Republic of China	Cher Wang	Female 61-65	2019.06.21	2022.06.20	1999.04.30	32,272,427	3.94%	32,272,427	3.91%	22,391,389	2.71%	0	0.00%	<ul style="list-style-type: none"> <li>Bachelor in Economics, University of California, Berkeley.</li> <li>General Manager of the PC Division, First International Computer, Inc. (FIC)</li> </ul>	<ul style="list-style-type: none"> <li>Chairwoman and CEO, HTC Corporation</li> <li>Chairwoman (Representative), H.T.C. (B.V.I) Corp.</li> <li>Chairwoman (Representative), HTC Investment One (BVI) Corporation</li> <li>Chairwoman (Representative), HTC Investment Corporation</li> <li>Chairwoman (Representative), Viveport Digital Corporation</li> <li>Chairwoman (Representative), REIGN Technology Corporation</li> <li>Director (Representative), High Tech Computer Asia Pacific Pte. Ltd.</li> <li>Director, VIA Technologies, Inc.</li> <li>Director, (Representative), Xander International Corp.</li> <li>Director (Representative), VIA Labs, Inc.</li> <li>Director (Representative), TVBS Media Inc.</li> <li>Director, Formosa Plastics Corporation</li> <li>Director, Way-Chih Investment Co., Ltd.</li> <li>Director, Hsin-Tong Investment Co., Ltd.</li> <li>Director, Kun-Chang Investment Co, Ltd.</li> <li>Director, CW &amp; ET Link Inc</li> <li>Director, Hon-Mou Investment Co., Ltd.</li> <li>Director, Chuan Te Investment Co., LTD</li> <li>Director, Li Way Investment Co., LTD</li> </ul>	Director	Wen-Chi Chen	Spouse	(Note 2)
Director	Republic of China	HT Cho	Male 71-75	2019.06.21	2022.06.20	2001.04.23	96,530	0.01%	96,530	0.01%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>Electronic Engineering, National Taipei Institute of Technology.</li> <li>EMBA, National Chiao Tung University</li> <li>President &amp; CEO, HTC Corporation.</li> <li>Consulting Engineer, Digital Equipment Corporation.</li> </ul>	<ul style="list-style-type: none"> <li>Chairman, HTC Social Welfare Foundation.</li> <li>Chairman, HTC Education Foundation.</li> <li>Director, Chunghwa Telecom Foundation.</li> <li>General Manager, Atrust Corporation</li> <li>Chairman, Asia Pacific Fuel Cell Technologies, Ltd.</li> </ul>	None	None	None	-

(Continued)

Title (Note 1)	Nationality/ place of Registration	Name	Gender, age	Date Elected	Term Expires	Date First Elected	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/ or any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	Remarks
Director	Republic of China	Wen-Chi Chen	Male 66-70	2019.06.21	2022.06.20	1999.04.30	22,391,389	2.73%	22,391,389	2.71%	32,272,427	3.91%	0	0.00%	<ul style="list-style-type: none"> <li>MSCS, California Institute of Technology.</li> <li>President, Symphony Laboratories.</li> </ul>	<ul style="list-style-type: none"> <li>Chairman, VIA Labs, Inc.</li> <li>Chairman &amp; President, VIA Technologies, Inc.</li> <li>Director, HTC Corporation</li> <li>Chairman (Representative), Xander International Corp.</li> <li>Director (Representative), TVBS Media Inc.</li> <li>Director, Way-Chih Investment Co., Ltd.</li> <li>Director, Hsin-Tong Investment Co., Ltd.</li> <li>Director, Kun-Chang Investment Co., Ltd.</li> <li>Chairman (Representative), CW &amp; ET Link Inc.</li> <li>Director, Hon-Mou Investment Co., Ltd.</li> <li>Director, Chuan Te Investment Co., LTD</li> <li>Director, Li Way Investment Co., LTD</li> <li>Director (Representative), Viveport Digital Corporation</li> <li>Director (Representative), REIGN Technology Corporation</li> </ul>	Chairwoman	Cher Wang	Spouse	-
Director	USA	David Bruce Yoffie	Male 66-70	2019.06.21	2022.06.20	2011.06.15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>B.A. Brandeis University</li> <li>M.A., Ph.D. Stanford University for academic qualification</li> <li>Director, Charles Schwab</li> <li>Director, Spotfire</li> <li>Director, E Ink</li> <li>Director, Intel Corporation</li> <li>Director, Financial Engines, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>Max and Doris Starr Professor at Harvard Business School</li> <li>Director, The National Bureau of Economic Research</li> </ul>	None	None	None	-
Independent Director	Republic of China	Chen-Kuo Lin	Male 81-85	2019.06.21	2022.06.20	2007.06.20	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>Bachelor in Economics, National Taiwan University.</li> <li>Advanced study at the Department of Economics, Oklahoma State University.</li> <li>Advanced study at the Department of Economics, Harvard University.</li> <li>Chairman, Board of Tunghai University.</li> <li>Minister, Ministry of Finance, Executive Yuan.</li> <li>Chairman, Taiwan External Trade Development Council (TAITRA)</li> <li>Chairman, Taiwan Asset Management Corporation.</li> <li>Professor, Department of Economics in National Taiwan University.</li> <li>Chairman, Taiwan-Hong Kong Economic and Cultural Cooperation Council</li> <li>Independent director and Compensation Committee member, Taiwan High Speed Rail Corporation.</li> </ul>	<ul style="list-style-type: none"> <li>Chairman, Angel Hearts Family Social Welfare Foundation.</li> <li>Chairman, New Mainstream Cultural Foundation.</li> </ul>	None	None	None	-
Independent Director	Swiss Confederation	Josef Felder	Male 61-65	2019.06.21	2022.06.20	2007.06.20	500,000	0.06%	500,000	0.06%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>Graduate of Advance Management Program (AMP), Harvard Business School, Boston</li> <li>Deputy Director Crossair, Basel</li> <li>Chief Executive Officer, FIG (Flughafen-Immobilien- Gesellschaft), Zürich</li> <li>Chief Executive Officer, Flughafen Zürich AG, Zürich</li> </ul>	<ul style="list-style-type: none"> <li>Independent Vice-Chairman AMAG Group AG, Zürich</li> <li>Independent Vice-Chairman Luzerner Kantonalbank AG, Luzern</li> <li>Independent Director Flughafen Zürich AG, Zürich</li> <li>Independent Director Careal Property Group AG, Cham</li> <li>Independent Director Gebrüder Knie Schweizer National-Circus AG, Rapperswil-Jona</li> <li>Independent Chairman of Musikpunkt Hug Holding AG, Bülach</li> <li>Independent Director Schiffahrtsgesellschaft Vierwaldstättersee (SGV) AG, Luzern</li> </ul>	None	None	None	-

(Continued)

Title (Note 1)	Nationality/ place of Registration	Name	Gender, age	Date Elected	Term Expires	Date First Elected	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions held concurrently in the company and/ or any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	Remarks
Independent Director	USA	Vincent Thai	Male 56-60	2019.06.21	2022.06.20	2019.06.21	0	0.00%	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>UC Berkeley, Ca., USA</li> <li>USC Undergrad Marketing, Ca., USA</li> <li>Founder of Fun Creation, Inc</li> <li>President of Placo Toys, Inc</li> <li>General Manager of Best Consumer Products, Inc</li> <li>Manager of M &amp; D Toys, Inc</li> <li>Chairman of Toy Plus Far East Ltd</li> </ul>	<ul style="list-style-type: none"> <li>Founder &amp; Chairman of Playmind Ltd</li> <li>Founder &amp; Chairman of National Products Ltd</li> <li>Founder &amp; Chairman of Sweet N Fun Ltd, world leader in gumball banks</li> </ul>	None	None	None	-

Note1: Major shareholders of Corporate Shareholders: Not applicable.  
 Note2: To expediting decision-making for more dynamic execution, the Chairwoman concurrently serves as the CEO and no more than half of the directors will serve as employees and managers, so as to strengthen the supervision function of the Board of Directors.

(Concluded)

### 3.1.2 Independence Analysis of Professional qualifications of Directors and Independence of Independent Directors

Qualification		2022.04.19	
Name	Professional Qualifications and Experience	Independence Analysis	No. of other public companies at which the person concurrently serves as an independent director
Chairwoman Cher Wang		N/A	0
Director HT Cho		N/A	0
Director Wen-Chi Chen	For the Professional Qualifications and Experience of the Directors, please refer to “3.1.1 Directors” in this annual report. None of the Directors has any conditions specified in Article 30 of the Company Law (Note 1).	N/A	0
Director David Bruce Yoffie		N/A	0
Independent Director Chen-Kuo Lin		All Independent Directors meet the following conditions: (1) Meet the relevant provisions of Article 14-2 of the Securities and Exchange Act and “ Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies ” (Note 2) promulgated by the Financial Supervisory Commission.	0
Independent Director Josef Felder		(2) A person (or under the name of another) and the person’s spouse and minor children do not hold any shares of the company. (3) No amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.	0
Independent Director Vincent Thai			0

Note 1:

A person who is under any of the following circumstances shall not act as a managerial personnel of a company. If he has been appointed as such, he shall certainly be discharged:

1. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
2. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
3. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon;
4. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges;
5. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet; or
6. Having no or only limited disposing capacity.
7. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note 2:

1. Not a government, a juristic person, or a representative thereof in Article 27 of the Company Act
2. Number of Independent Directors serve as other public corporations, no more than three.
3. During the two years before being elected or during the term of office, an independent director of a public company may not have been or be any of the following:
  - (1) An employee of the company or any of its affiliates.
  - (2) A director or supervisor of the company or any of its affiliates.
  - (3) A natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
  - (4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
  - (5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
  - (6) If a majority of the company’s director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
  - (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
  - (8) A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
  - (9) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

### 3.1.3 Board Diversity and Independence

#### (1) Board Diversity

The Company has stipulated the board diversity policy in the “Corporate Governance Practice Principles”: the directors of the Company have diverse professional backgrounds and rich experience in business management, leadership decision-making, industry knowledge, international outlook, and financial and accounting analysis.

Composition of the Company’s 9th Board of Directors complies with HTC’s “Articles of Incorporation”; nominated candidates are selected, nominated, and elected through the rigorous processes stipulated in the Company’s “Rules for the Election of Directors”. HTC pays attention to gender equality among board members. At present, there is a female Director who constitute 14% of the Board. No more than 30% of directors serve as employees are the target. The Directors’ educational background, gender, professional qualifications and working experience, please refer to the corporate governance report 3.1.1 the Information on the Company’s Directors.

There are 7 Directors in the ninth Board of Directors; 3 of them are Independent Directors. The tenures of independent directors is one director who has served for three years, two directors over nine years. Our current directors are all industrial or academic experts with management experience in listed

and global companies or in government institutes. Apart from possessing leadership and decision-making capabilities, an international outlook, and crisis management capabilities, our 3 independent directors also have expertise in finance and accounting, industrial knowledge, and operational insights: Independent Director Chen-Kuo Lin served as the Minister of Ministry of Finance, Executive Yuan, Independent Director Josef Felder drawing on more than 20 years of experience in the aviation industry, and Independent Director Vincent Thai has experience in leading companies. Additionally, of the other 4 Directors, Chairwoman Cher Wang and Directors HT Cho, and Wenchi Chen all have significant management experience as a chairperson or president of listed companies; David Yoffie is a Max and Doris Starr Professor at Harvard Business School; they therefore possess capabilities relating to marketing, technology, management, industrial knowledge, and operational insight.

#### (2) Board Independence

All Directors are elected following nomination, with nomination election, and other compliance matters adhering fully to the relevant regulations of securities authorities. The Board of Directors comprises of seven members, including three seats for independent directors who constitute 43% of the Board. There is no government agency or a single legal person organization and its subsidiaries that account for more than one-third of the Board of Directors.

### 3.1.4 General Manager, Assistant General Managers, Deputy Assistant General Managers, and Managers of all divisions and branch units:

Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	Remarks
Chairwoman & CEO	Republic of China	Cher Wang	Female	2020.09.02	32,272,427	3.91%	22,391,389	2.71%	0	0.00%	<ul style="list-style-type: none"> <li>Bachelor in Economics, University of California, Berkeley.</li> <li>General Manager of the PC Division, First International Computer, Inc. (FIC)</li> </ul>	<ul style="list-style-type: none"> <li>Chairwoman and CEO, HTC Corporation</li> <li>Chairwoman (Representative), H.T.C. (B.V.I) Corp.</li> <li>Chairwoman (Representative), HTC Investment One (BVI) Corporation</li> <li>Chairwoman (Representative), HTC Investment Corporation</li> <li>Chairwoman (Representative), Viveport Digital Corporation</li> <li>Chairwoman (Representative), REIGN Technology Corporation</li> <li>Director (Representative), High Tech Computer Asia Pacific Pte. Ltd.</li> <li>Director, VIA Technologies, Inc.</li> <li>Director, (Representative), Xander International Corp.</li> <li>Director (Representative), VIA Labs, Inc.</li> <li>Director (Representative), TVBS Media Inc.</li> <li>Director, Formosa Plastics Corporation</li> <li>Director, Way-Chih Investment Co., Ltd.</li> <li>Director, Hsin-Tong Investment Co., Ltd.</li> <li>Director, Kun-Chang Investment Co, Ltd.</li> <li>Director, CW &amp; ET Link Inc</li> <li>Director, Hon-Mou Investment Co., Ltd.</li> <li>Director, Chuan Te Investment Co., LTD</li> <li>Director, Li Way Investment Co., LTD</li> </ul>	Director	Wen-Chi Chen	Spouse	(Note 1)

2022.04.19 Unit: Share; %

(Continued)

Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	Remarks
Chief Financial Officer and Accounting Officer	USA	Peter Shen	Male	2016.06.20	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>• M.S. in Business Administration, University of Colorado</li> <li>• Chief Financial Officer, Inotera Memories, Inc.</li> <li>• Vice President, Finance, Micron Technology, Inc.</li> <li>• Financial Director, Jabil Circuit</li> </ul>	<ul style="list-style-type: none"> <li>• Director (Representative), HTC Investment Corporation</li> <li>• Director (Representative), HTC Investment (BVI) Corp.</li> <li>• Director (Representative), HTC VIVE Holding (BVI) Corp.</li> <li>• Director (Representative), HTC VIVE Investment (BVI) Corp.</li> <li>• Director (Representative), DeepQ Holding (BVI) Corp.</li> <li>• Director (Representative), HTC VR Content (BVI) Corp.</li> <li>• Director (Representative), HTC (Thailand) Limited</li> <li>• Chairperson (Representative), HTC Communication Co., Ltd.</li> <li>• Director (Representative), HTC Holding Cooperatief U.A</li> <li>• Chairperson (Representative), HTC Communication Technologies (Shanghai) limited</li> <li>• Director (Representative), S3 Graphics Co, Ltd.</li> <li>• Chairperson (Representative), HTC Electronics (Shanghai) Co., Ltd.</li> <li>• Chairperson (Representative), HTC Communication Technology (Beijing) Co., Ltd</li> <li>• Director (Representative), HTC EUROPE CO. LTD.</li> <li>• Director (Representative), HTC NIPPON Corporation</li> <li>• Director (Representative), HTC Communication Canada, Ltd.</li> <li>• Director (Representative), HTC Communication Solutions Mexico, S.A DE C.V.</li> <li>• Director (Representative), HTC Servicios DE Operacion Mexico, S.A DE C.V.</li> <li>• Director (Representative), HTC America Holding, Inc.</li> <li>• Director (Representative), HTC America Inc.</li> <li>• Director (Representative), HTC VIVE TECH (BVI) CORP.</li> <li>• Chairperson (Representative), HungXu Technology Corp.</li> <li>• Director (Representative), HTC VIVE TECH (HK) Limited</li> <li>• Director (Representative), HTC VIVE TECH (Beijing) Co. Limited</li> <li>• Director (Representative), DeepQ (BVI) Corp.</li> <li>• Chairperson (Representative), DeepQ Technology Corp.</li> <li>• Chairperson (Representative), DeepQ Technology (Beijing) Co., Ltd</li> <li>• Chairperson (Representative), Uomo Vitruviano Corp.</li> </ul>	None	None	None	
General Counsel and Corporate Governance Officer (Note 2)	Republic of China	ChiaTe Lu	Male	2020.11.09	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>• Bachelor of Arts, Diplomacy, National Chengchi University</li> <li>• Master of Laws (JD equivalent), National Chiao Tung University School of Law (Technology Law)</li> <li>• Master of Laws, Georgetown University Law Center, with WTO Certificate (International Legal Studies)</li> <li>• Master of Laws, Berkeley School of Law (Intellectual Property)</li> </ul>	<ul style="list-style-type: none"> <li>• Director (Representative), High Tech Computer Asia Pacific Pte. Ltd.</li> <li>• Director (Representative), HTC Investment Corporation</li> <li>• Director (Representative), HTC VIVE Holding (BVI) Corp.</li> <li>• Director (Representative), HTC VIVE Investment (BVI) Corp.</li> <li>• Director (Representative), DeepQ Holding (BVI) Corp.</li> <li>• Director (Representative), HTC Smartphone (BVI) Corp.</li> <li>• Director (Representative), HTC VR Content (BVI) Corp.</li> <li>• Director (Representative), HTC (Australia and New Zealand) PTY LTD</li> <li>• Director (Representative), PT. High Tech Computer Indonesia</li> <li>• Director (Representative), HTC (Thailand) Limited</li> <li>• Director (Representative), HTC India Private Limited</li> <li>• Director (Representative), HTC Malaysia Sdn. Bhd.</li> <li>• Director (Representative), HTC Communication Co., Ltd.</li> <li>• Director (Representative), HTC HK, Limited</li> <li>• Director (Representative), HTC Communication Technologies (Shanghai) limited</li> <li>• Director (Representative), HTC Myanmar Company Limited</li> <li>• Director (Representative), HTC Vietnam Services One Member Limited Liability Company</li> <li>• Director (Representative), S3 Graphics Co, Ltd.</li> </ul>	None	None	None	

(Continued)

Title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Principal work experience and academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	Remarks
												<ul style="list-style-type: none"> <li>• Executive Director (Representative), HTC Corporation (Shanghai WGQ)</li> <li>• Director (Representative), HTC Electronics (Shanghai) Co., Ltd.</li> <li>• Director (Representative), HTC EUROPE CO. LTD.</li> <li>• Director (Representative), HTC NIPPON Corporation</li> <li>• Director (Representative), HTC France Corporation</li> <li>• Director (Representative), HTC Nordic ApS</li> <li>• Director (Representative), HTC Germany GmbH</li> <li>• Director (Representative), HTC Poland sp z o.o.</li> <li>• Director (Representative), HTC Communication Canada, Ltd.</li> <li>• Director (Representative), HTC Luxembourg S.a.r.l.</li> <li>• Director (Representative), HTC Middle East FZ-LLC</li> <li>• Director (Representative), HTC Communication Solutions Mexico, S.A DE C.V.</li> <li>• Director (Representative), HTC Servicios DE Operacion Mexico, S.A DE C.V.</li> <li>• Director (Representative), HTC America, Inc.</li> <li>• Director (Representative), One &amp; Company Design, Inc.</li> <li>• Director (Representative), HTC America Content Services, Inc.</li> <li>• Director (Representative), Dashwire, Inc.</li> <li>• Director (Representative), Inquisitive Minds, Inc.</li> <li>• Director (Representative), HTC VIVE TECH (BVI) Corp.</li> <li>• Director (Representative), HTC VIVE TECH Corp.</li> <li>• Director (Representative), HTC VIVE TECH (HK) Limited</li> <li>• Director (Representative), HTC VIVE TECH (UK) Limited</li> <li>• Director (Representative), DeepQ Technology (Beijing) Co., Ltd</li> <li>• Director (Representative), DeepQ (BVI) Corp.</li> <li>• Director (Representative), DeepQ Technology Corp.</li> <li>• Director (Representative), Uomo vitruviano Corp.</li> <li>• Director (Representative), Viveport Digital Corporation</li> <li>• Director (Representative), REIGN Technology Corporation</li> </ul>				
Chief Technology Officer	Republic of China	WH Liu	Male	2008.06.01	168,675	0.02%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>• Master in Electronic Engineering, National Taiwan University of Science and Technology.</li> <li>• The Chinese University of Hong Kong EMBA</li> <li>• Senior Manager, WM System Architecture Design.</li> </ul>	<ul style="list-style-type: none"> <li>• Director (Representative), HTC Communication Technologies (Shanghai) Limited</li> </ul>	None	None	None	
Senior VP	Republic of China	Adrian Tung	Male	2018.07.16	288,250	0.03%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>• Master in Electrical and Control Engineering, National Chiao Tung University</li> </ul>	None	None	None		
Senior VP	Republic of China	Raymond Pao	Male	2018.07.16	80,000	0.01%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>• Master in Electrical Engineering, University of Southern California</li> <li>• Master in Mechanical Engineering, National Taiwan University</li> </ul>	None	None	None		
Chief Global Management Officer	Republic of China	Caleb OuYang	Male	2018.06.08	90,000	0.01%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>• Bachelor in Marine Engineering, National Taiwan Ocean University</li> </ul>	<ul style="list-style-type: none"> <li>• Director (Representative), HTC (Australia and New Zealand) PTY LTD</li> <li>• Director (Representative), HTC India Private Limited</li> <li>• Director (Representative), HTC Communication Co., Ltd.</li> <li>• Director (Representative), HTC Electronics (Shanghai) Co., Ltd.</li> <li>• Director (Representative), HTC NIPPON Corporation</li> <li>• Director (Representative), HungXu Technology Corp.</li> <li>• Director (Representative), HTC VIVE TECH (HK) Limited</li> <li>• Director (Representative), DeepQ Technology Corp.</li> <li>• Director (Representative), Uomo vitruviano Corp.</li> </ul>	None	None	None	

Note1: To expediting decision-making for more dynamic execution, the Chairwoman concurrently serves as the CEO and no more than half of the directors will serve as employees and managers, so as to strengthen the supervision function of the Board of Directors.

Note 2: Appointed as Corporate Governance Officer on 2021.04.28..

(Continued)

## 3.2 Remuneration to Directors (Including Independent Directors), President, Vice Presidents, and Others in the Most Recent Year

### 3.2.1 Remuneration to Directors

2021; Unit: NT\$ thousands

Remuneration paid to Directors												Remuneration received by directors for concurrent service as an employee								
Title	Name	Base compensation (A)		Retirement pay and pension (B)		Director profitsharing compensation (C)		Expenses and perquisites (D)		Sum of A+B+C+D and ratio to net income		Salary, rewards, and special disbursements (E)	Retirement pay and pension (F)	Employee profit-sharing compensation (G)				Sum of A+B+C+D+E+F+G and ratio to net income	Remuneration received from investee enterprises (G) subsidiaries or from the parent company	
		HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities	HTC	All Consolidated Entities			HTC		All Consolidated Entities				
Chairwoman	Cher Wang	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Director	HT Cho	3,500	3,500	0	0	0	0	0	0	-0.11	-0.11	0	0	0	0	0	0	-0.11	-0.11	0
Director	Wen-Chi Chen	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Director	David Bruce Yoffie	11,224	11,224	0	0	0	0	0	0	-0.37	-0.37	0	0	0	0	0	0	-0.37	-0.37	0
Independent Director	Chen-Kuo Lin	3,500	3,500	0	0	0	0	0	0	-0.11	-0.11	0	0	0	0	0	0	-0.11	-0.11	0
Independent Director	Josef Felder	8,769	8,769	0	0	0	0	0	0	-0.29	-0.29	0	0	0	0	0	0	-0.29	-0.29	0
Independent Director	Vincent Thai	1,459	1,459	0	0	0	0	0	0	-0.05	-0.05	0	0	0	0	0	0	-0.05	-0.05	0

1. Please describe policies, systems, standards, and structures for independent director remuneration, and connection between remuneration amounts and borne duties, risks, time invested, and other factors:

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

2. Remuneration paid to Corporation directors by all companies included in financial statements for services (e.g. providing consulting services as a non-employee of parent company/all consolidated entities/non-consolidated affiliates) other than disclosed in the table above: None.

\* Compensation information disclosed in this statement differs from the concept of income under the Income Tax Act. This statement is intended to provide information disclosure and not tax-related information.

### 3.2.2 Remuneration paid to General Manager and Assistant General Managers

2021; Unit: NT\$ thousands

Title	Name	Salary (A) (Note 1)		Retirement pay and pension (B) (Note 2)		Rewards and special disbursements (C) (Note 3)		Employee profit-sharing compensation (D) (Note 4)				Sum of A+B+C+D and ratio to net income (Note 5)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 7)	
		HTC	All Consolidated Entities (Note 6)	HTC	All Consolidated Entities (Note 6)	HTC	All Consolidated Entities (Note 6)	HTC		All Consolidated Entities (Note 6)		HTC	All Consolidated Entities (Note 6)		
								Cash	Stock	Cash	Stock				
Chief Financial Officer and Accounting Officer	Peter Shen														
General Counsel and Corporate Governance Officer (Note a)	ChiaTe Lu														
Chief Technology Officer	WH Liu	42,791	45,484	951	1,163	16,086	20,344	0	0	0	0	-1.95%	-2.18%	None	
Senior VP	Adrian Tung														
Senior VP	Raymond Pao														
Chief Global Management Officer	Caleb OuYang														

Note 1: The most recent year's salary of the general manager and deputy general manager, salary increase, severance payment.

Note 2: Pensions funded according to applicable law.

Note 3: Various awards, bonuses, transportation allowances, special allowances, special subsidies, accommodations, and personal cars by General Manager and Assistant General Managers in the most recent fiscal year. The appropriated employee incentive and retention bonuses are estimated amount.

Note 4: The amount proposed to distribute to General Manager and Assistant General Managers as employee compensation (including stock and cash), as passed by the Board of Directors prior to the Shareholders' Meeting for the most recent fiscal year.

Note 5: The net loss after-tax in 2021 was NTD 3,073,132 thousands.

Note 6: Total amount of all remunerations paid to General Manager and Assistant General Managers by all consolidated entities (including HTC).

Note 7: Remunerations refer to salary, compensation, employee bonuses, and allowances relating to the conduct of business received by General Manager and Assistant General Managers in their capacity as director, supervisor, or managerial officer of a non-subsidiary affiliate.

Note 8: The chart above contains the personnel who have served as HTC's General Manager and Assistant General Managers on December 31, 2021.

Note a: Appointed as Corporate Governance Officer on 2021.04.28

\* Compensation information disclosed in this statement differs from the concept of income under the Income Tax Act. This statement is intended to provide information disclosure and not tax-related information.

### Remuneration paid to General Manager and Assistant General Managers

Ranges of remuneration paid to each of the Company's managers	Name	
	HTC	All Consolidated Entities
Less than NT\$ 1,000,000		
NT\$ 1,000,000 - NT\$ 2,000,000		
NT\$ 2,000,000 - NT\$ 3,500,000		
NT\$ 3,500,000 - NT\$ 5,000,000	1 (Note 1)	1 (Note 1)
NT\$ 5,000,000 - NT\$ 10,000,000	4 (Note 2)	4 (Note 2)
NT\$ 10,000,000 - NT\$ 15,000,000		
NT\$ 15,000,000 - NT\$ 30,000,000	1 (Note 3)	1 (Note 3)
NT\$ 30,000,000 - NT\$ 50,000,000		
NT\$ 50,000,000 - NT\$ 100,000,000		
NT\$100,000,000 or above		
<b>Total</b>	<b>6</b>	<b>6</b>

Note 1: Caleb OuYang

Note 2: WH Liu, ChiaTe Lu, Adrian Tung, Raymond Pao

Note 3: Peter Shen



### 3.2.3 The individual remuneration paid to each of its top five management

2021; Unit: NT\$ thousands

Title	Name	Salary (A) (Note 1)		Retirement pay and pension (B) (Note 2)		Rewards and special disbursements (C) (Note 3)		Employee profit-sharing compensation (D) (Note 4)				Sum of A+B+C+D and ratio to net income (Note 5)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 7)
		All Consolidated Entities (Note 6)		All Consolidated Entities (Note 6)		All Consolidated Entities (Note 6)		HTC		All Consolidated Entities (Note 6)		All Consolidated Entities (Note 6)		
		HTC		HTC		HTC		Cash	Stock	Cash	Stock	HTC		
Chief Financial Officer and Accounting Officer	Peter Shen	15,365	18,508	446	658	6,947	11,205	0	0	0	0	-0.74%	-0.97%	None
Vice President	Daniel O'Brien	0	10,600	0	301	0	4,163	0	0	0	0	0.00%	-0.49%	None
Vice President (Note a)	Drew Bamford	0	4,542	0	322	0	5,560	0	0	0	0	0.00%	-0.34%	None
Vice President	Praveen Gupta	0	7,792	0	290	0	694	0	0	0	0	0.00%	-0.29%	None
Vice President	Amir Khorram	0	6,127	0	0	0	2,472	0	0	0	0	0.00%	-0.28%	None

Note 1: Refers to the salaries, duty allowances, and severance pay paid to the managerial officers with the top five remuneration amounts in the most recent year.

Note 2: Pensions funded according to applicable law to the remuneration paid to the managerial officers with the top five remuneration amounts.

Note 3: Refers to the remuneration paid to the managerial officers with the top five remuneration amounts, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc., in the most recent year.

Note 4: Refers to the amount of employee compensation approved by the Board of Directors for managerial officers with the top five remuneration amounts in the most recent year.

Note 5: The net loss after-tax in 2021 was NTD 3,073,132,442 thousands.

Note 6: The total remuneration paid by all companies in the consolidated statements (including the Company) to the managerial officers with the top five remuneration amounts in the most recent year.

Note 7: Remunerations refer to salary, compensation, employee bonuses, and allowances relating to the conduct of business received by managerial officers with the top five remuneration amounts in their capacity as director, supervisor, or managerial officer of a non-subsiary affiliate.

Note a: Released on March 19, 2021. The above amounts are actual annual remuneration.

\* Compensation information disclosed in this statement differs from the concept of income under the Income Tax Act. This statement is intended to provide information disclosure and not tax-related information.

### 3.2.4 Employee Profit Sharing Granted to Management Team

None.

### 3.2.5 Total remuneration as a percentage of net income as paid by the company, and by each other company included in the consolidated financial statements, during the past two fiscal years to its Directors, Supervisors, the General Manager, and Assistant General Managers, and description of remuneration policies, standards, packages, procedures for setting remuneration, and linkage to performance.

Total remuneration as a percentage of net income as paid by the company, during the past two fiscal years to its Directors, Supervisors, General Manager, and Assistant General Managers.

Title	Total remuneration as a percentage of net income			
	2020 (Note)		2021 (Note)	
	HTC	All Consolidated Entities	HTC	All Consolidated Entities
Directors	-0.50%	-0.50%	-0.93%	-0.93%
Supervisors	-	-	-	-
President and Vice Presidents	-1.70%	-2.03%	-1.95%	-2.18%

Note: FY2021 net loss was NT\$ 5,949,942 thousands, and FY2022 net loss was NT\$ 3,073,132.

Remuneration policies, standards, packages:

HTC's reward programs and policies are designed to support HTC's business strategy and the focus of

performance differentiation. Our reward program and package is designed to be competitive within the markets to engage and motivate our people for the long term successes. In addition to country's fix bonuses (two-month salary in Taiwan for example), the Board of Directors hold the review and approval for extra performance bonus by reflect the company's performance when applicable.

#### Remuneration setting:

The remuneration for insiders are based on high-tech industry market data, their role and responsibilities, along with their contribution to the organization. The company's operating results and individual performances will also be taken into consideration to ensure that each insider is being paid a reasonable remuneration.

#### Business performances and future risks:

The remuneration of the insider is based on the operating results and individual contribution and performances of the year. Insider's remuneration will be reviewed by the compensation committee before provided to the board of directors for discussion and approval of the overall remuneration. The structure and system will be reviewed in a timely manner to ensure compliance with relevant regulations.

## 3.3 The State of the Company's Implementation of Corporate Governance:

### 3.3.1 The state of operations of the Board of Directors:

A total of 5 meetings of the board of directors were held in 2021. Director attendance status is shown as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate (%)	Remarks
Chairwoman	Cher Wang	5	0	100%	
Director	HT Cho	5	0	100%	
Director	Wen-Chi Chen	5	0	100%	
Director	David Bruce Yoffie	4	1	80%	
Independent Director	Chen-Kuo Lin	5	0	100%	
Independent Director	Josef Felder	4	1	80%	
Independent Director	Vincent Thai	5	0	100%	

#### Other matters required to be recorded:

1. If any of the following circumstances occur during board meetings, the date of said meeting, session number, proposal content, all independent director opinions, and the Corporation's responses to said independent director opinions:

(1) Items listed according to Article 14-3 of the Securities and Exchange Act:

Board of Director	Agenda Content	Independent Director Opinions	The Company's responses to Independent Director Opinions	Resolutions
2021.03.17 (9-10)	Report on Company's derivative transactions for fourth quarter 2020  Proposal to amend the "Procedures for the Acquisition or Disposal of Assets" of the Company	Approved	Not applicable	Approved by all directors in attendance.
2021.04.28 (9-11)	Report on Company's derivative transactions for first quarter 2021	Approved	Not applicable	Approved by all directors in attendance.
2021.07.28 (9-13)	Report on Company's derivative transactions for second quarter 2021  Proposal to amend the "Internal Control System" and "Internal Audit Implementation Rules" of the Company	Approved	Not applicable	Approved by all directors in attendance.
2021.11.01 (9-14)	Report on Company's derivative transactions for third quarter 2021  Proposal on the Company's 2022 Deloitte & Touche CPA service fee and evaluation of the independence and eligibility of the CPA	Approved	Not applicable	Approved by all directors in attendance.

(2) Other instances where an independent director expressed objections or reservations on record or through written opinions regarding board meeting proposals, apart from the aforementioned matters: None.

2. There was no Directors' abstention from discussion due to conflicts of interests in 2021.

3. The Company's Board of Directors self- (or peer) evaluation cycle and period, scope of evaluation, evaluation method, and evaluation content are as follows: HTC's Board of Directors approved the "Rules for Performance Evaluation of the Board of Directors" in November 2018 to enhance the function of Board of Directors. The Company completed self-assessments of Board performance in 2021 and reported the results to the Board of Directors at its first quarter meeting in 2022 for review and improvement. In Summary, the board of directors' operating well and will continue to strengthen based on the evaluation results to enhance the effectiveness of corporate governance.

### The Implementation of Board of Directors' Evaluation

Evaluation Cycle	Evaluation period	Scope of Evaluation	Method of Evaluation	Evaluation content
Implemented every year.	2021	Included performance evaluations of the Board, individual directors	Internal self-evaluations were conducted on the Board, Board directors, and functional committees.	Assessment items for Board performance evaluations included five main aspects participation in corporate operations, enhancement of Board decision-making quality, Board composition and structure, director elections and continued training, and internal control.
Implemented every year.	2021	Performance evaluations of the Audit committee	Audit committee performance self-evaluation	Assessment items for functional committee performance evaluations included five main aspects participation in corporate operations, recognition of functional committee responsibilities, enhancement of functional committee decision-making quality, composition of functional committees and election of committee members, and internal control.
Implemented every year.	2021	Performance evaluations of the Remuneration committee	Remuneration committee performance self-evaluation	Assessment items for functional committee performance evaluations included four main aspects participation in corporate operations, recognition of functional committee responsibilities, enhancement of functional committee decision-making quality, composition of functional committees and election of committee members

#### 4. Measures taken to strengthen the functionality of the Board of Directors and the status of implementation during current and preceding fiscal years:

- (1) The Company has elected Independent Directors. In order to establish a well board governance system, sound supervision function and strengthen management functions, the Company has established the regulations governing procedure for Board of Directors' Meetings according to the provisions of the securities authority. The main matters for discussion, operating procedures, matters to be recorded in the proceedings, the announcements and other matters to be followed shall be handled in accordance with the provisions of this code.
- (2) In accordance with the provisions of the securities regulatory authority, the Company passed the resolution of the Board of Directors on Jun. 21, 2019 and set up the Audit Committee to replace Supervisors and has held 4 meetings in 2021 to submit the resolutions of the Board of Directors to the implementation of corporate governance

### 3.3.2 The operational Information of the Audit Committee

A total of 4 meetings of the board of directors were held in 2021 as follows:

Title	Name	No. of meetings attended in person	No. of meetings attended by proxy	In-person attendance rate (%)	Remarks
Independent Director (Convener)	Chen-Kuo Lin	4	0	100%	
Independent Director	Josef Felder	4	0	100%	
Independent Director	Vincent Thai	4	0	100%	

### Other matters required to be recorded:

1. If any of the following circumstances occur during Audit Committee meetings, the date of Audit Committee meeting, session number, proposal content, Independent Directors' objections, reservations or major recommendations, and the Corporation's responses to Audit Committee opinions:

#### (1) Items listed according to Article 14-5 of the Securities and Exchange Act:

Audit Committee meeting's Date Session (Term-Sitting)	Agenda Content	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
2021.03.16 (1-7)	Report on Company's derivative transactions for fourth quarter 2020 Submission of the Company's consolidated financial reports for 2020 Proposal to amend the "Procedures for the Acquisition or Disposal of Assets" of the Company	The members of the Audit Committee approved all the proposals, and the Board of Directors approved all proposals in accordance with the recommendations of the Audit Committee.
2021.04.27 (1-8)	Report on Company's derivative transactions for first quarter 2021 Submission of the Company's consolidated financial reports for first quarter 2021	
2021.07.27 (1-9)	Report on Company's derivative transactions for the second quarter 2021 Adoption of the Company's consolidated financial reports for the second quarter 2021 Proposal to amend the "Internal Control System" and "Internal Audit Implementation Rules" of the Company	
2021.10.29 (1-10)	Report on Company's derivative transactions for the third quarter 2021 Adoption of the Company's consolidated financial reports for the third quarter 2021 Proposal on the Company's 2022 Deloitte & Touche CPA service fee and evaluation of the independence and suitability of the CPA	

- (2) There was no other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2021.

2. There were no recusals of independent directors due to conflicts of interests in 2021.
3. Annual work focus of the Audit Committee: Review the Company's financial reports; accounting and internal control systems; transactions of major assets or derivatives; offering and issuance of securities; appointment, dismissal, or compensation of Certified Public Accountants (CPAs); matters involving director conflicts of interest; and appointment, dismissal and performance of financial, accounting, or internal audit directors.
4. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2021 (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

- (1) The Company's internal audit managers periodically present internal audit reports to the Audit Committee and fully communicate status and results of audit implementation follow-up of improvements to defects. Internal audit managers not only periodically provide independent directors with written audit reports, but also present business reports based on suggestions from independent directors.
- (2) CPAs periodically present annual and quarterly audits of financial reports and audit reports to the Audit Committee, and also communicate other matters according to relevant laws.
- (3) The aforementioned internal audit managers and CPAs also communicate with independent directors via email, phone, or face-to-face meetings as necessary.

The communications between the independent directors, the internal auditors, and the independent auditors are listed in the table below.

Meeting Dates	Communications between the Independent Directors and the Internal Auditors	Communications between the Independent Directors and the Independent Auditors
2021.03.16 (1-7)	The 2020 Q4 Internal Auditor's report.	The 2020 financial reports.
	The Company's 2020 Internal Control Self-Assessment.	Matters of communication with governance
2021.04.27 (1-8)	The 2021 Q1 Internal Auditor's report.	The 2021 Q1 consolidated financial reports.
		Matters of communication with governance.
2021.07.27 (1-9)	The 2021 Q2 Internal Auditor's report.	The 2021 Q2 consolidated financial reports.
		Matters of communication with governance.
2021.10.29 (1-10)	The 2021 Q3 Internal Auditor's report.	The 2021 Q3 consolidated financial reports.
	The 2022 audit plans.	2022 Deloitte & Touche CPA service fee for auditing and signing off Company's financial statements. Matters of communication with governance.

Result: all of above matters were reviewed and/or approved by the Audit Committee whereupon independent directors raised no objection.

### 3.3.3 Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation Status		Summary description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO		
1. Has the Company established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	v		In 2014, HTC adopted the "HTC Corporate Governance Principles". Its provisions are based on the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and are announced in the English and Chinese investor relations websites.	None
2. Shareholding Structure & Shareholders' Rights				
(1) Does the Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	v		To protect shareholders' interests, HTC has appointed spokesperson and have dedicated staff to properly handle any questions or suggestions involving shareholders.	None
(2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	v		The Company has a good understanding of its major shareholders through shareholder registers provided by stock agents at book closures. A list of shareholders holding more than 5% of the shares in each quarter is declared and disclosed in accordance with the regulations.	None
(3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliates?	v		The division of responsibilities between HTC and its affiliates with respect to management of personnel, resources, and finances is clear. Risk assessments are rigorously performed and appropriate firewalls have been established. HTC conducts business with affiliates based on the principles of fairness and reasonableness and fully observe the operating Procedures for transactions with Specific Companies, Enterprise Groups and Related Parties and other related regulations. Terms and conditions, pricing, and payment methods are clearly prescribed in contracts to avoid non-arms-length transactions and financial tunneling.	None
(4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information?	v		The company has adopted the "Operational Procedures for Handling Material Inside Information and Preventing Insider Trading" which stipulate that all employees, managers and directors of the Company must abide by the provisions of the Securities and Exchange Act, and any trade of securities conducted using undisclosed information is prohibited.	None
3. Composition and Responsibilities of the Board of Directors				
(1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	v		The Company has stipulated the board diversity policy in the "Corporate Governance Practice Principles": the directors of the Company have diverse professional backgrounds and rich experience in business management, leadership decision-making, industry knowledge, international outlook, and financial and accounting analysis. HTC pays attention to gender equality among board members.	None

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
			<p>At present, there is a female Director who constitute 14% of the Board. No more than 30% of directors serve as employees are the target. The Directors' educational background, gender, professional qualifications and working experience, please refer to the corporate governance report 3.1.1 the Information on the Company's Directors. There are 7 Directors in the ninth Board of Directors; 3 of them are Independent Directors. The tenures of independent directors is one director who has served for three years, two directors over nine years. Our current directors are all industrial or academic experts with management experience in listed and global companies or in government institutes. Apart from possessing leadership and decision-making capabilities, an international outlook, and crisis management capabilities, our 3 independent directors also have expertise in finance and accounting, industrial knowledge, and operational insights: Independent Director Chen-Kuo Lin served as the Minister of Ministry of Finance, Executive Yuan, Independent Director Josef Felder drawing on more than 20 years of experience in the aviation industry, and Independent Director Vincent Thai has experience in leading companies. Additionally, of the other 4 Directors, Chairwoman Cher Wang and Directors HT Cho, and Wenchi Chen all have significant management experience as a chairperson or president of listed companies; David Yoffie is a Max and Doris Starr Professor at Harvard Business School; they therefore possess capabilities relating to marketing, technology, management, industrial knowledge, and operational insight.</p> <p>Overall, the Company's Board of Directors possesses capabilities aligned with the Company's future development, and our policy of board diversification has been well implemented. For details on the implementation status of our board diversification policy, please refer to Chapter 3.1.3 Board diversity and independence.</p>	
(2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee?	v		<p>HTC's Board of Directors approved the "Rules for Performance Evaluation of the Board of Directors" in November 2018 to enhance the function of Board of Directors. The Company has set up a remuneration committee after the resolution of the Board of Directors on December 22<sup>nd</sup>, 2011. The Board of Directors also resolved on June 21st, 2019 to set up the Audit Committee in accordance with Article 14-4 of Securities and Exchange Act. HTC established an ESG committee, with the chairwoman serving as the chairman of the committee and appointing first Chief Sustainability Officer, SVP Madeline Chen. Also setup the ESG Office as a full-time operation unit. Chief Sustainability Officer will report sustainable development (ESG) operations including execute performance to the Board at least once a year.</p>	None

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
(3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	v		<p>The Board of Directors approved the "Rules for Performance Evaluation of the Board of Directors" in November 2019. Through self-assessment surveys via questionnaire, performance evaluation will be annually completed by the Board as a whole, by individual directors, by the Audit Committee and by compensation Committee.</p> <p>The Board of Directors are assessed on the following five aspects: 1. Involvement in the Company's operation 2. Enhancement of the quality of the Board's decision-making 3. Makeup and structure of the board 4. Election of Board members and continuing knowledge development 5. Internal controls</p> <p>The individual Directors are assessed on the following six aspects: 1. Understanding of the Company's goals and mission 2. Awareness of director's duties 3. Involvement in the Company's operations 4. Internal relationship and communication 5. Director's professionalism and continuing knowledge development 6. Internal controls</p> <p>The Audit Committee is assessed on the following five aspects: 1. Involvement in the Company's operation 2. Awareness of the Audit Committee's duties 3. Enhancement of the quality of the Audit Committee's decision-making 4. Makeup of the Audit Committee and election of its members 5. Internal controls</p> <p>The Compensation Committee is assessed on the following four aspects: 1. Involvement in the Company's operation 2. Awareness of the Compensation Committee's duties 3. Enhancement of the quality of the Compensation Committee's decision-making 4. Makeup of the Compensation Committee and election of its members</p> <p>The Company completed self-assessments of Board performance in 2021 and reported the results to the Board of Directors at its first quarter meeting in 2022 for review and improvement. In Summary, the board of directors' operating well and will continue to strengthen based on the evaluation results to enhance the effectiveness of corporate governance.</p>	None
(4) Does the Company regularly evaluate its external auditors' independence?	v		<p>The Audit Committee regularly assesses the independence and suitability of CPAs regularly every year and these assessments shall be submitted to the Board of Directors. The results of the 2021 evaluation were be submitted to the Board of Directors on November 1, 2021, confirming that the CPAs Chi-Ming Hsu and Kuo-Tyan Hong of Deloitte &amp; Touche both fulfilled the assessment standards for independence and competency (Note 1), and a letter of declaration was provided by Deloitte and Touche (Note 2).</p>	None

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	v		The Board of Directors appointed ChiaTe Lu, the General Counsel as the Corporate Governance Officer. The Corporate Governance Officer is in charge of assisting in related affairs, including handling of matters relating to Board, Audit Committee, Compensation Committee and Shareholders' meetings in compliance with law, assistance in on boarding and continuing education of directors, provision of information required for performance of duties by directors, and assistance in directors' compliance of law, etc. Training undertaken by the Corporate Governance Officer in 2021, please refer to Note 3.	None
5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	v		HTC provides detailed contact information, including telephone numbers and email addresses, in the "contact us" section of its corporate website. We also have personnel in place to exclusively deal with messages to the spokesperson and investor mailboxes so that various interested parties will have channels to communicate with HTC. Please refer to 3.10 Sustainable Development (ESG)-Diversified Channels for Transparent Information Disclosure of the annual report.	None
6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	v		The Company has delegated CTBC Bank Co., Ltd. to be the shareholder service agency for handling AGM affairs.	None
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status?	v		The Company's website has an "Investor Relations" section which disclose information regarding the Company's finances, business matters, and corporate governance. This information is updated periodically and in a timely manner.	None
(2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	v		HTC has English and Chinese investor relations websites. Dedicated personnel have been assigned to collect and update information to websites. Chief Financial Officer has been appointed spokesperson and a spokesperson email address has been established.	None
(3) Does the company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	v		The Company follows relevant laws and regulations to announce and report the annual financial statements, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline. Please refer to Market Observation Post System for the aforementioned disclosure.	None

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
8. Other important information helpful to understanding HTC's corporate governance practices (including but not limited in employee rights and interests, employee care, investor relations, supplier relations and rights of Stakeholders, professional development of the Board of Directors, Supervisors, and managerial officers, status of implementation of risk management policies and standards for measurement of risk, status of customer-protection policy implementation, and liability insurance provided by HTC to the Board of Directors and Supervisors) :	v		(1) Employee rights and interests and employee care Please refer to "5.5 Labor Relations Management" of this Annual Report.  (2) Investor relations HTC carries out its responsibility in the area of investor relations by endeavoring to enhance the transparency and timeliness of information disclosure. In addition to immediate announcement of material information and information disclosure.  In addition to the regularly scheduled information disclosures above, HTC also participates in investment seminars held by local and overseas securities firms and investor/press conferences; and arranges meetings with domestic and foreign investors in order to further explain financial figures and operational results that have already been publicly released.  (3) Supplier relations and rights of interested parties HTC has adopted "Procedures for Transactions with Specific Companies, Group Enterprises, and Related Parties and Supplier Integrity Commitment Letter" to guarantee the rights and interests of HTC and interested parties. Purchasing contracts are also signed with suppliers to govern to transactions and cooperative efforts to protect the lawful rights and interests of all parties.  (4) Director training programs in 2021 please refer to Note 3 for details.  (5) Status of implementation of risk management policies and standards for measurement of risk: HTC has adopted relevant risk management policies and standards for measurement of risk, and has established a dedicated unit to carry out risk management and risk measurement. With respect to implementation, HTC has reassessed its business risks after transitioning into a brand company. Risk factors are also reflected in financial statement items such as bad debts and warranty reserves which are reviewed by Audit Committee and CPAs to ensure they are reasonable and appropriate.  HTC's management of potential risk associated with promotion of its global brand is explained below: 1. Exchange rate risk: Foreign exchange movements are monitored and managed / hedged by dedicated personnel. Reserves for on-book liabilities are valued at the exchange rate on the balance sheet date, reducing as much as possible the effects of currency fluctuations on HTC's business and finances.	None

(Continued)

Evaluation item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	YES	NO	Summary description	
			2. Receivables risk: Receivables risk is managed effectively by the finance department to ensure receivables quality and lower the risk of bad debt.	None
			3. Management of idle inventory: In addition to enhancing supplier management and demand forecast, idle inventory is attended to early and reserves for loss taken in an appropriate manner.	
			4. Global tax risk: To comply with global tax compliance, our company engaged with international tax advisory for periodical review.	
			5. Product design quality: To ensure quality of design, HTC has established a department for design quality, which is exclusively responsible for control and management of quality in hardware and software, product safety, and conformance with environmental regulations around the world. The department provides a complete range of product testing and certification.	
			(6) Status of customer-protection policy implementation: HTC strictly abides by the contracts it signs with customers to protect consumer rights and interests. Regular deliberation on and assessment of the Product Warranty Reserve for after-sales services ensures that allocations made to such reserves are reasonably sufficient and warranty responsibilities of the Company are adequately expressed.	
			(7) Liability insurance provided by HTC to the Board of Directors and Supervisors: Currently, HTC has purchased Liability Insurance for the Board of Directors, Supervisors, and key personnel (please refer to Note 4 for details), thereby transferring the risk arising from erroneous or improper conducts by Directors, or Officers.	
9.			Please indicate the improvement of the results of the Corporate Governance Evaluation System issued by the Company's Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd. in the last year and provide priority measures and measures for those who have not yet improved. The company's 2021 corporate governance evaluation has improved from the fourth level of 36%-50% to the third level of 21-35%.	

(Concluded)

**Note 1: Independence assessment indicators of CPA**

Item	Evaluation Items	Yes	No
1.	Up to the latest certification practice, there's no such circumstance with working for the company for seven years in a row.	v	
2.	No major financial interested relationship with the client.	v	
3.	Avoiding any improper relationship with the client.	v	
4.	The accountant should supervise their assistants to strictly comply with honesty, justice and independence.	v	
5.	The accountant is prohibited from auditing certification for the company's financial report where he/she has served in within the previous two years.	v	
6.	The accountant's identification is forbidden to be infringed by another individual.	v	
7.	The accountant does not hold any shares in the company or in its subsidiaries.	v	
8.	The accountant does not owe any debt to the company or its subsidiaries.	v	
9.	The accountant is not in any joint investment or benefit-sharing relationship with the company or its subsidiaries.	v	
10.	The accountant is not employed and paid regularly by the company or its subsidiaries.	v	
11.	The accountant does not interfere with any management function towards decision-making in the company or its subsidiaries.	v	
12.	The accountant does not run any business which will probably deprive him/her of audit independence.	v	
13.	The accountant is not related to any of the company's management personnel in the following relations: Spouse, blood-related relatives, direct relatives by affinity, second-degree of blood-related re	v	
14.	The accountant does not receive any commission which is occupational-related.	v	
15.	Up to now, the accountant hasn't been punished for violating any audit independence principle.	v	
16.	Obtain a "declaration of independence letter" issued by the certified public accountant.	v	

**Note 2: Letter of declaration from Deloitte & Touche**

October 14, 2021

HTC Corporation

Gentlemen:

WE HAVE BEEN ENGAGED TO AUDIT THE FINANCIAL STATEMENTS OF HTC CORPORATION AS OF DECEMBER 31, 2021 AND FOR THE YEAR ENDED. THE AUDIT ENGAGEMENT TEAM MEMBERS MAKE THE DECLARATION OF COMPLYING WITH THE INDEPENDENCE REQUIREMENTS GOVERNED BY THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS OF THE REPUBLIC OF CHINA.

1. The audit engagement team members, their spouses and dependents do not participate in the following conditions:
  - a. Holding a direct or material indirect financial interests with HTC Corporation.
  - b. Having a close business relationship which may impair independence with HTC Corporation and its director, supervisor or officer.
2. During the period of the audit engagement, the audit engagement team members, their spouses and dependents are not appointed as HTC Corporation director, Supervisor, officer or in any key position having a direct and significant influence over the audit work.
3. The audit engagement team members do not have a relationship with HTC Corporation director, Supervisor, or officer or their immediate family or second degree relatives.
4. The audit engagement team members do not accept gifts or hospitality from HTC Corporation or its director, Supervisor, officer or major stockholder where the value is clearly significant.
5. The audit engagement team members execute necessary procedures and are not aware of any violation of independence or conflicts of interest.

Very truly yours,  
DELOITTE & TOUCHE

Chi-Ming Hsu  
Partner



Kuo-Tyan Hong  
Partner

**Note 3: Continuous Education/Training of the Board of Directors and Corporate Governance Officer**

Title	Name	Date of Training		Organization	Training	Hours	Notes
		From	To				
		2021.11.22	2021.11.22	Securities and Futures Institute	Global Risk Trends in the Post-Pandemic Era	3	
Chairwoman	Cher Wang	2021.11.22	2021.11.22	Securities and Futures Institute	The value of information security in the Post-Pandemic Era and the U.S.-China trade war	3	
		2021.12.27	2021.12.27	Securities and Futures Institute	Sustainable Challenges and Opportunities under the Development of Science and Technology	3	
Director	HT Cho	2021.12.17	2021.12.17	Taiwan Corporate Governance Association	Legal Issues to be aware of insider ownership management and share transaction	3	
Director	Wen-Chi Chen	2021.12.07	2021.12.07	Taiwan Stock Exchange Corporation	2021 Cathay Sustainable Finance and Climate Change Summit	3	
		2021.12.27	2021.12.27	Securities and Futures Institute	Sustainable Challenges and Opportunities under the Development of Science and Technology	3	
Independent Director	Chen-Kuo Lin	2021.12.17	2021.12.17	Taiwan Corporate Governance Association	Legal Issues to be aware of insider ownership management and share transaction	3	
		2021.12.27	2021.12.27	Securities and Futures Institute	Sustainable Challenges and Opportunities under the Development of Science and Technology	3	
Independent Director	Vincent Thai	2021.12.17	2021.12.17	Taiwan Corporate Governance Association	Legal Issues to be aware of insider ownership management and share transaction	3	
		2021.12.27	2021.12.27	Securities and Futures Institute	Sustainable Challenges and Opportunities under the Development of Science and Technology	3	
General Counsel and Corporate Governance Officer	ChiaTe Lu	2021.12.17	2021.12.17	Taiwan Corporate Governance Association	Legal Issues to be aware of insider ownership management and share transaction	3	
		2021.12.27	2021.12.27	Securities and Futures Institute	Sustainable Challenges and Opportunities under the Development of Science and Technology	3	
		2021.12.28	2021.12.29	Securities and Futures Institute	Practical Course for Directors and Supervisors (including Independent Directors) and Corporate Governance Officer	12	

**Note 4: Directors' and Officers' Liability Insurance**

No	Insured Object	Insurance Company	Insured Amount	Insurance Period	Notes
1	All Directors, Supervisors and juristic person directors' representatives at investee companies and key personnel appointed by HTC	Fubon Insurance Co., Ltd.	US\$: 35,000,000	From: 2020.03.15 To: 2021.03.15	Renewal
2	All Directors, Supervisors and juristic person directors' representatives at investee companies and key personnel appointed by HTC	Fubon Insurance Co., Ltd.	US\$: 35,000,000	From: 2021.03.15 To: 2022.03.15	Renewal



### 3.3.4 Formation, scope of duties and operation of the Compensation Committee

#### Compensation Committee Members' Information

2022.04.19

Title	Name	Professional Qualifications and Experiences	Independence Situation	Number of Independent Directors serve as Compensation Committee of other public corporations
Independent Director (Convener)	Chen-Kuo Lin	<p><b>Current</b> Chairman, Angel Hearts Family Social Welfare Foundation. Chairman, New Mainstream Cultural Foundation.</p> <p><b>Experiences</b> Chairman, Board of Tunghai University. Minister, Ministry of Finance, Executive Yuan. Chairman, Taiwan External Trade Development Council.(TAITRA) Chairman, Taiwan Asset Management Corporation. Professor, Department of Economics in National Taiwan University. Chairman, Taiwan-Hong Kong Economic and Cultural Cooperation Council Independent director and Compensation Committee member, Taiwan High Speed Rail Corporation</p> <p><b>Education</b> Bachelor in Economics, National Taiwan University. Advanced study at the Department of Economics, Oklahoma State University. Advanced study at the Department of Economics, Harvard University.</p>	All the Compensation Committee members meet the following situations: 1. Satisfy the requirements of Article 14-6 of "Securities and Exchange Act" and the requirements of "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" (Note) issued by Taiwan's Securities and Futures Bureau	None
Independent Director	Vincent Thai	<p><b>Current</b> Founder &amp; Chairman of Playmind Ltd Founder &amp; Chairman of National Products Ltd Founder &amp; Chairman of Sweet N Fun Ltd, world leader in gumball banks</p> <p><b>Experience</b> Founder of Fun Creation, Inc President of Placo Toys, Inc General Manager of Best Consumer Products, Inc Manager of M &amp; D Toys, Inc Chairman of Toy Plus Far East Ltd</p> <p><b>Education</b> UC Berkeley CA. USA USC Undergrad Marketing CA. USA</p>	2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any HTC shares  3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service"	None
Member	Yeong-Cheng Wu	<p><b>Experiences</b> Vice President, VIA Technologies Senior Director, Advantech Technologies Sales Manager, Cisco Taiwan</p> <p><b>Education</b> NTU, Master of MS NTU, Department of Electrical Engineering</p>		Serving Two other public companies concurrently as a Compensation Committee member

Note: During the 2 years before being appointed or during the term of office, the committee member meets the below situations:

- not an employee of the company or any of its affiliates.
- not a director or supervisor of the company or any of its affiliates.

- not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the company or ranking in the top 10 in shareholding.
- not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two sub paragraphs.
- not a director, supervisor, or employee of a corporate shareholder that directly holds 5 percent or more of the total number of issued shares of the company, or that ranks in the top 5 in shareholding, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
- not a director, supervisor, or employee of a corporate which a majority of the company's director seats or voting shares are controlled by the same company.
- not a director, supervisor, or employee of a corporate of which the chairman or general manager (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
- not a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.
- Other than serving as a compensation committee member of the company, not a professional individual or spouses who, or an owner, partner, director, supervisor of a sole proprietorship, partnership, company, or institution that provides audit,commercial, legal, financial, accounting or related services to the company or any affiliate of the company, or the spouse thereof, or the services that provides to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000

#### The Operations of the Compensation Committee

- The Corporation's Remuneration Committee is composed of three people, and committee members are appointed in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter". Following election of Board members by the shareholders' general meeting on June 21, 2019, the 9<sup>th</sup> committee members will serve until June 20, 2022. The Independent Director Chen-Kuo Lin was elected as convener by all committee members. The committee operates according to the "Charter of the Remuneration Committee" and convenes at least twice every year.
- The main duties and annual tasks of the committee include formulating and regularly reviewing policies, systems, standards, and structure of evaluations on director and manager performance, salaries, and compensation, as well as regular assessment and formulation of director and manager salaries and compensation.

The Remuneration Committee convened 2 times in 2021, and the operational status of the committee is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person(%) (Note)	Notes
Independent Director (Convener)	Chen-Kuo Lin	2	0	100%	
Independent Director	Vincent Thai	2	0	100%	
Other	Yeong-Cheng Wu	2	0	100%	

Other matters to be included:

- There was no suggestion recommended by the Compensation Committee not being accepted or being amended by the Board of Directors during the preceding fiscal year.
- There was no Compensation Committee member expressing opposition or reservation with respect to any Compensation Committee meeting during the preceding fiscal year, and no written record or written statement of related resolutions.

### 3.3.5 Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Pushing Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		<p>HTC has a CSR dept. - the Quality and Sustainability Management Department, which is planning and implementation of HTC's CSR activities and follows the initiative of the "Responsible Business Alliance (RBA)".</p> <p>In early 2022, we upgraded CSR Committee to ESG (Environment, Social, and Governance) Committee, with the chairman serving as the chairman of the committee and appointing first Chief Sustainability Officer, SVP Madeline Chen. Also setup the ESG Office as a full-time operation unit, responsible for planning and guiding the company's "sustainable development (ESG)" related implementation operations, and also regularly reports to the ESG Committee on the trends, impacts and performance. Chief Sustainability Officer will report sustainable development (ESG) operations including execute performance to the board at least once a year.</p> <p>Please refer to 3.10 of the annual report or "ESG Management" of the HTC ESG Report.</p>	None
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		<p>Please refer to the "HTC Material Issues and Boundary" and "Management Approach and Its Components" section of the HTC ESG Report</p>	None
3. Environmental Issues				
(1) Has the Company set an environmental management system designed to industry characteristics?	V		<p>HTC adopts the international standard ISO14001 environmental management system, ISO14064-1 greenhouse gas inventory and ISO 50001 energy management system to establish relevant management standards, and continues to obtain and maintain the validity of the certificates. In 2021, the company's Taiwan business unit has continued to obtain ISO14001: 2015 version, ISO 50001: 2018 version and ISO 14064-1: 2006 version certificate, and is expected to obtain ISO 14064-1: 2018 version certificate in 2022. Related Certification URL: <a href="https://www.htc.com/tw/esg/certificate-report/">https://www.htc.com/tw/esg/certificate-report/</a></p> <p>Please refer to "Sustainable Environment" of the HTC ESG Report.</p>	None
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		<p>HTC has set up a "Sustainable Agenda" from five aspects: "sustainable environment, design, processes, product, and Supplier chain", we have put this concept of environmental sustainability into action, have positive control, and are reducing the impact of our operations on the natural environment.</p>	None

(Continued)

Pushing Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		<p>Sustainable Environment - HTC products combine new models of operation, life, work, study, and travel to help users save energy and reduce carbon emission. To this end, we have devised a dual-aspect strategy composed of "adopting an energy management system" and "performing energy-saving practice". On one hand, we strive for optimizing our management system to reduce energy consumption, and on the other, we use energy saving technology to improve the energy efficiency of our products.</p> <p>Sustainable Design - HTC starts from the product life cycle, analyzes the product process in detail, and adopts different measures at various stages through innovative thinking, especially in the product design and development stage, it uses the concept of The Precautionary Principle to carefully select the ones with lower environmental risks. Reduces the environmental impact of products, and develops sustainable products that are more environmentally friendly.</p> <p>Sustainable manufacturing process - HTC's main manufacturing business is the assembly of smartphones and virtual reality devices. We process and dispose of waste according to our self-regulated "Process for Removal and Handling Business Waste" and practice good resources recycling to ensure cleanliness of the working environment and reduce environmental impact.</p> <p>Please refer to "Sustainable Agenda" of the HTC ESG Report.</p>	None
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		<p>The company continuously monitors electricity, water and waste information, and discloses greenhouse gas emissions, water consumption and total waste weight in the sustainability report every year. We have a green management vision: medium and long-term planning to reduce carbon emissions by 5-8% in 2025 (with 2020 as the base year)</p> <p>In terms of greenhouse gas information, both in 2020 and 2021 were verified by third parties and obtained ISO14064-1 certificate; water and waste information was verified by SGS and disclosed in the ESG report.</p>	None

(Continued)

Pushing Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons																							
	Yes	No	Summary description																								
			<p>The greenhouse gas emissions, water use, and total weight of waste in Taiwan in 2020 and 2021 are as follows</p> <table border="1"> <thead> <tr> <th rowspan="3">Year</th> <th colspan="2">Greenhouse Gas Emissions (t-CO<sub>2</sub>e)</th> <th colspan="3">Total weight of waste (Tons)</th> </tr> <tr> <th>Scope 1</th> <th>Scope 2</th> <th>Water usage (Degree)</th> <th>Hazardous substances</th> <th>Non-hazardous substances</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>372,0549</td> <td>9,513,1854</td> <td>130,911</td> <td>17,392</td> <td>711,463</td> </tr> <tr> <td>2021</td> <td>199,4583</td> <td>8,124,9297</td> <td>81,206</td> <td>8,186</td> <td>500,207</td> </tr> </tbody> </table> <p>Please refer to "Climate Change Risk Management", "Sustainable Environment" and "Sustainable Manufacturing Process" of the HTC ESG Report.</p>	Year	Greenhouse Gas Emissions (t-CO <sub>2</sub> e)		Total weight of waste (Tons)			Scope 1	Scope 2	Water usage (Degree)	Hazardous substances	Non-hazardous substances	2020	372,0549	9,513,1854	130,911	17,392	711,463	2021	199,4583	8,124,9297	81,206	8,186	500,207	
Year	Greenhouse Gas Emissions (t-CO <sub>2</sub> e)		Total weight of waste (Tons)																								
	Scope 1	Scope 2	Water usage (Degree)		Hazardous substances	Non-hazardous substances																					
	2020	372,0549	9,513,1854	130,911	17,392	711,463																					
2021	199,4583	8,124,9297	81,206	8,186	500,207																						
<b>4. Social Issues</b>																											
(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		<p>HTC follows the Responsible Business Alliance Code of Conduct, we attach great importance to the human rights of labor, and the principle of equality and anti-discrimination is our core concept for multicultural employees. We provide equal and fair employment opportunities for employees. There is no race, gender, age, physical and mental disabilities, religion, ethnicity, or any other form of discrimination protected by relevant laws.</p> <p>HTC is committed to the highest standard of social care, environmental protection, and ethical integrity. We fully respect human rights and workplace rights. We have zero tolerance of any form of abusive labor conditions. HTC requires all suppliers to maintain the same standard of corporate responsibility and announces the "Modern Slavery Act Transparency Statement". We collaborate with suppliers to abide by the latest statement to embody justice and human rights.</p> <p>We place great importance on employee integrity and uphold high ethical standards. The company has established the "HTC Code of Conduct" as the prime directive that directs all our employees in the performance of their work. Labor-management coordination meetings are held regularly, and labor representatives elected by employees hold regular meetings, in which labor rights and interests are discussed.</p> <p>New employees undergo an orientation training session on the same day they report for duty. They learn about the HTC corporate policy, the Code of Conduct for employees, ESH policy and ESG and anti-corruption, sexual harassment and human right issues such as Prevent illegal violations of duties courses were also included. An e-learning program for new employees is also provided that explains the HTC corporate principles using exemplary cases.</p> <p>Please refer to "Staff Management" of the HTC ESG Report.</p>	None																							
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		<p>HTC is committed to fulfilling the needs of its employees and provides all kinds of appropriate welfare measures as well as attractive and motivating compensation and benefits programs. We encourage our employees to do their best and share the growing profits of the company.</p> <p>HTC hires new employees through open selection procedures, with candidates offered positions and appropriate wages based on</p>	None																							

(Continued)

Pushing Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>academic background, professional years and market standards. The amount of performance bonuses received by employees is based on the company's performance and its work performance and contribution to encourage employees and affirm their contributions and achievements. We promise no discrimination based on ethnicity, skin color, social status, language, religion, political affiliation, country/region of origin, gender, sexual orientation, marital status, appearance, disability, professional association membership or other similar considerations not relevant to job performance.</p> <p>What's more, the performance evaluation system is implemented yearly. Wage will be adjusted and bonuses will be given based on employees' performance, work commitment, accountability, level of dedication and development in the future. In this way, employees' wage and development will be assured. Performance evaluation system can be integrated into corporate finance to encourage employee's persistent devotion and innovation.</p> <p>Please refer to "Salary and Welfare" of the HTC ESG Report.</p>	
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		<p>To ensure a safe and healthy workplace for our employees and to implement our safety and health policies &amp; internal communication effectively, HTC has established our own Occupational Safety Department, a specialized unit in compliance with the regulations that is responsible for the integration and execution regarding occupational safety &amp; health as well as the energy administration system. Other than that, providing assistance for all sites in regard to facilitating occupational safety &amp; health management &amp; environment management system and forming an occupational safety &amp; health committee of representatives from relevant units jointly are a part of the department's responsibilities as well. Develop an occupational safety and health management plan every year based on the state of safety and health management. The implementation focuses include: compliance with safety and health regulations, hazard identification and risk assessment to reduce operational risks, standardization of hazardous chemical labeling and general rules, implementing contractor management, formulating the registration and monitorization of hazardous operations (elevated, sudden noise and confined space management, etc.), disseminate safety &amp; health information, etc., in order to implement Occupational Safety &amp; Health Management, Occupational Safety &amp; Health Education / Training, Standard Operating Procedures and Work Safety Analysis, Automatic Occupational Safety &amp; Health Inspection, Emergency Response, Health Management / Promotion, Occupational Safety &amp; Health Activities. These efforts aim to achieve full employee involvement and to reduce safety &amp; health risks.</p> <p>HTC adopts the international standard ISO45001 occupational safety and health management system to establish relevant management standards, and continues to obtain and maintain the validity of the certificates. In 2021, the company's Taiwan business unit has continued to obtain ISO45001:2018 certificate.</p>	None

(Continued)

Pushing Item	Implementation Status		Summary description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
			<p>Related certification URL: <a href="https://www.htc.com/tw/esg/certificate-report/">https://www.htc.com/tw/esg/certificate-report/</a></p> <p>Please refer to “Occupational Health and Safety” of the HTC ESG Report.</p>	
(4) Has the Company established effective career development training programs for employees?	V		<p>HTC attaches great importance to the cultivation and development of talents. In order to fulfill the promise of making employees and the company grow together, we construct a systematic learning and development blueprint to provide a comprehensive learning environment for the leadership team and all colleagues. The courses cover leadership management knowledge, personal effectiveness development and other categories, and provide external training subsidies, etc., to encourage employees to continue to grow and pursue their dreams.</p> <p>Please refer to “Talent Cultivation and Development” of the HTC ESG Report.</p>	None
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		<p>HTC makes a promise of “Strict observation of contractual obligations and confidentiality commitment” to all customers. All information we provide to our customers is subject to clear policies and a system of strict internal control. In addition to technical data and hardware and software, information related to patents and other intellectual property rights of customers may be incorporated into our controlling system. We complete confidentiality agreements with all customers and suppliers in advance to maintain the absolute security of all the confidential information belonging to our corporate customers.</p> <p>HTC introduced the Personal Information Management System (PIMS) in 2018 to protect personal information during the product and internal management processes. HTC pays close attention to privacy protection laws in different countries (such as the EU, USA, Taiwan, China, Japan, Australia, and New Zealand), the relevant guidelines released by different authorities (such as regulations regarding cookies or other similar tools), and verdicts made in courts in other nations (such as verdicts regarding cross-border privacy rules in European courts).</p> <p>HTC has obtained ISO 27001 information security management system and ISO 27701 personal data privacy information management system certification in 2021.</p> <p>Please refer to “Risk Management”, “Customer Management” and “Sustainable Design” of the HTC ESG Report.</p>	None
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		<p>HTC follow the Responsible Business Alliance Code of Conduct and formulated an “HTC Supplier Code of Conduct”, which aims to protect the environment with our supply chain partners, safeguard the human rights of our workers, their ethics, safety and health, and extend this social responsibility to the supply chain system. And organize irregular supplier meetings every year to promote relevant topics. In addition, HTC also conducts a regular assessment of the implementation of the Code as the basis for our further selection of business partners.</p>	None

(Continued)

Pushing Item	Implementation Status		Summary description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No		
			Please refer to “Sustainable Supplier Chain” of the HTC ESG Report.	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?		V	HTC Publish HTC CSR/ ESG Report since 2012, Report follow the Global Reporting Initiative(GRI) guidelines/ Standards have passed AA1000 verification by an impartial third-party and received the confirmation statement.	None
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company’s operations: HTC follows the HTC ESG Policy and has yet to define a Sustainable Development Principle. For Sustainable Development operational status, please refer to HTC ESG Report and Sustainable Development related information in our website: <a href="http://www.esg.htc.com/">http://www.esg.htc.com/</a>				
7. Other important information to facilitate better understanding of the company’s promotion of sustainable development: Please refer to Sustainable Development related information in our website: <a href="http://www.esg.htc.com/">http://www.esg.htc.com/</a>				

Concluded

### 3.3.6 Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation Status		Summary description	Deviations from Ethical Corporate Management Best Practice Principles For TWSE/ TPEX Listed Companies and Reasons
	Yes	No		
1. Establishment of Ethical Corporate Management Policies and Programs				
(1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?		V	<p>HTC Code of Conduct is a guideline to provide high ethical standards for all employees in conducting HTC business activities. This Code includes three major sections: the General Moral Imperative, Vendors/ Suppliers and Customers Relationship, Conflict of Interests, Impeach which covers HTC’s ethical management policy. This Code is disclosed in the Annual report and on the investor website.</p> <p>The Board of Directors and the executive management all place the greatest importance on adopting the highest standards of integrity and ethics in corporate management and employee work conduct. Bribery, corruption, deception, and all other forms of improper conduct are prohibited.</p>	<p>Although HTC’s Ethical Corporate Management Principle has not been officially formulated (but in the planning now), related policies were already formulated and implemented throughout business operations out of HTC’s integrity management spirit.</p>

(Continued)

Evaluation item	Implementation Status		Summary description	Deviations from Ethical Corporate Management Best Practice Principles For TWSE/ TPEX Listed Companies and Reasons
	Yes	No		
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/ TPE Listed Companies?	V		The Code of Conduct describes Corporate Confidentiality, Protection of HTC's Property and Personal Information, Fair Trade, Prohibition of Infringing Intellectual Property Rights, Product Quality and Safety, Prohibition of Offering or Accepting Improper Benefits, Competition, Inside Trading, impeach to prevent unethical conduct. HTC also provides dedicated e-mail for Corruption incident report .	None
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		During the induction training for new employees, courses such as employee code of conduct, confidentiality obligations and prevention of insider trading are given to new employees	None
<b>2. Ethical Management Practice</b>				
(1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V		When signing purchasing or engineering contracts with suppliers, HTC consistently requires the suppliers to cooperate by signing an Integrity Policy Statement or Supplier Integrity Commitment Letter, to expressly provide that its business partners will uniformly comply with national laws and refrain from using unethical conduct to gain advantages in business or work (for example by offering kickbacks, entertainment, or other improper benefits). The signed terms and conditions expressly stipulate that HTC will voluntarily terminate its dealings with any cooperating firm that violates the Integrity Policy. HTC will seek compensation for damages if any breach of commitment happens due to the violation of the policy in order to consistently maintain a relationship of integrity between HTC and its business counterpart.	None
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?	V		To achieve sound ethical corporate management, HTC's Board of Directors performs the related responsibilities of supervising the corporate conduct and ethics compliance practice through the Audit Committee the Compensation Committee and internal audit division. The legal division would be responsible for establishing the ethical corporate management policies supervising the implementation and reporting the performance to the Board of Directors should be at least once a year. Under the supervision of the Board of Directors, it is ensured that Company's ethical management would be concretely implemented.  Ethical corporate management policies would be led and promoted by the legal division. Meanwhile, the human resources division would be in charge of promoting the awareness and educational activities with respect to ethics policies. Through division of responsibility and collaborated exercise of each departments within HTC to have company's ethical management policy thoroughly implemented. In addition, the internal audit division would be responsible for auditing the compliance of related ethical management policies and reporting the audit results to the Board of Directors.	None

(Continued)

Evaluation item	Implementation Status		Summary description	Deviations from Ethical Corporate Management Best Practice Principles For TWSE/ TPEX Listed Companies and Reasons
	Yes	No		
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		HTC has set out high ethical standards in its employee code of conduct, employees are prohibited from offering or accepting improper benefits. In addition, in its employment agreements and employee handbook, it expressly stipulates non-competition provisions for the period of employment, to prevent conflicts of interest.  Also, in its Rules of Procedure for Board of Directors Meetings, it has duly set out a system for recusal and avoidance of conflicts of interest by directors, for compliance in the operations of the board of directors.  We have a special mailbox for reporting corruption incidents: anti-corruption@htc.com, for employees and outsiders to report employees' violation of the employee code of conduct or other dishonest or improper behavior	None
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		HTC has established an accounting system that takes into account the characteristics of its industry and is based on applicable laws and regulations and generally accepted accounting principles. The system provides a basis for compliance in HTC's accounting affairs (including the types and formats of accounting evidence, account books, accounting classifications, and financial statements, and the rules and procedures for handling various kinds of accounting matters). The system enables the regular provision of reliable accounting information for reference by the management. The implementation of the operational procedures and rules of the accounting system ensures that HTC's business operations proceed according to rigorous procedural rules, with mutual checking and reconciliation between various operations, to prevent any occurrence of abuses, ensuring the security of HTC's assets.  HTC has taken into account its overall operational activities in designing and faithfully implementing its internal control system. It regularly reviews the internal control system to ensure the continuous effectiveness of its design and implementation in light of changes in HTC's internal and external environment. The internal auditors conduct regular or irregular site audits of audited units according to annual audit plans based on the results of risk assessment, and may require audited units to present documents, accounting books, and supporting evidence for document audits; special audits on specific matters may be conducted as well when necessary. Those audit projects are reported periodically to the board of directors.	None
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		During the induction training for new employees, courses such as employee code of conduct, confidentiality obligations and prevention of insider trading are given to new employees. The Code of Conduct is also published on the company's internal website for colleagues' reference at any time.	None

(Continued)

Evaluation item	Implementation Status		Summary description	Deviations from Ethical Corporate Management Best Practice Principles For TWSE/ TPEX Listed Companies and Reasons
	Yes	No		
<b>3. Implementation of Complaint Procedures</b>				
(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?	V		HTC employee handbook specifically provides that an employee who commits fraud, accepts bribes, misappropriate funds, or violates employment period non-competition clauses will be sanctioned by dismissal from employment. Complaints can be channeled through HTC's internal division supervisors, human resources division, and internal auditors. Disciplinary measures are administered by the human resources department. HTC has a special mailbox for reporting corruption incidents: anti-corruption@htc.com, for employees and outsiders to report employees' violation of the employee code of conduct or other dishonest or improper behavior, and we will keep the identity of the whistleblower confidential to prevent the whistleblower from being mistreated due to the whistleblower incident.	None
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	V		HTC clearly lists the procedures for reporting corruption incidents in the anti-corruption section of the official website. After the whistleblower provides specific evidence and makes a report, we will carry out an investigation. The investigation process and results will be kept confidential, and it is forbidden to disclose the identity of the whistleblower; As a result, if it involves a violation of the company's internal regulations, it will be dealt with in accordance with the company's regulations.	None
(3) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?	V		HTC has a special mailbox for reporting corruption incidents: anti-corruption@htc.com, for employees and outsiders to report employees' violation of the employee code of conduct or other dishonest or improper behavior, and we will keep the identity of the whistleblower confidential to prevent the whistleblower from being mistreated due to the whistleblower incident. The above processing principles are listed on the company's official website ( <a href="https://www.htc.com/tw/esg/strategy-management/anti-corruption/">https://www.htc.com/tw/esg/strategy-management/anti-corruption/</a> )	None
<b>4. Strengthening Information Disclosure</b> Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?	V		HTC discloses its Code of Conduct on its Corporate Social Responsibility's website both in Chinese and English, the Corporate Responsibility webpage also discloses Supplier Code of Conduct to require supplier's business shall be ethical.	None
5. HTC does not produce an Ethical Corporate Management Best Practice Principles per the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies. HTC adopted Code of Conduct to provide high ethical standards for all employees in conducting HTC business activities. The scope of application includes all employees of HTC Crop., and contents include confidentiality obligations, protection of company assets and personal data, fair trade, prohibition of infringement of intellectual property rights, product quality and safety, prohibition of offering or accepting illegitimate benefits, competition, insider trading, report, etc., in addition to being published on the company's internal and external websites, and as part of the training course for new employees, the actual operation is good.				
6. Other important information helpful to understanding HTC's exercise of good faith in management: HTC has always upheld the five major ideals of honesty, humble, simplicity, energy, and innovation as its highest criteria for operations. Everyone within the company, from the highest levels to the lowest, is asked to strictly uphold the spirit of these five ideals, as well as abiding by all laws, regulations, and rules. HTC has also formulated internal rules to ensure the exercise of good faith in management and the observance of laws and regulations.				

Concluded

### 3.3.7 For information on HTC's Guidelines for Corporate Governance and other codes of practice, please refer to the HTC website at [www.htc.com](http://www.htc.com).

### 3.3.8 Other important information helpful to understanding HTC's corporate governance:


All material information is published on the MOPS in accordance with regulations, and information relating to the Corporation's finances, business matters and corporate governance is also regularly updated to our corporate website in a timely manner.

Certification details of employees whose jobs are related to the release of the company's financial information

Certification	Number of Employees	
	Finance and Accounting Division	Internal Audit
Certified Public Accountants (CPA)	3	2
US Certified Public Accountants (US CPA)	-	1
China Certified Public Accountants (China CPA)	-	1
Certified Internal Auditor (CIA)	-	4
Chartered Financial Analyst (CFA)	-	-
Financial Risk Manager (FRM)	2	-
Certified Fraud Examiner (CFE)	-	1

### 3.3.9 The state of implementation of HTC's internal control system

#### (1) Statement on Internal Control




HTC Corporation  
Internal Control Statement


Date: March 7, 2022

HTC Corporation (HTC) states the following with regard to its internal control system for the year 2021, based on the findings of a self-assessment:


- HTC is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. HTC has established such a system aimed at providing reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability, timeliness, transparency of reporting, and the compliance with applicable laws, regulations and bylaws.
- An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in the environment or circumstances. Nevertheless, the internal control system of HTC contains self-monitoring mechanisms, and HTC takes corrective actions as soon as a deficiency is identified.
- HTC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each key element further contains several items. Please refer to the Regulations for details.
- HTC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- Based on the findings of the evaluation mentioned above, HTC believes that as of December 31, 2021, its internal control system (including its supervision and management of subsidiaries), which encompasses internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency of reporting, and compliance with applicable laws, regulations and bylaws, was effectively designed and operating, and reasonably assured of achieving the above-stated objectives.
- This Statement will become a major part of the content of HTC's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- This statement has been passed by the Board of Directors in their meeting held on March 7, 2022, in which 0 of the 7 attending directors expressing dissenting opinions, and the remainder all affirmed the content of this Statement.




HTC Corporation  
Chairwoman:



(signature)



President:



(signature)

#### (2) External auditors' opinion on HTC's internal control: Not applicable.

3.3.10 For the most recent fiscal year and during the current fiscal year up to the date of printing this annual report, there were no sanctions imposed upon the Company or its internal personnel.

3.3.11 Material Resolutions of the 2021 Shareholders Meeting and Board of Directors Meetings during the most recent fiscal year and the current fiscal year up to the date of printing of this annual report.

#### Material Resolutions of the Shareholders Meeting

Date	Material resolutions	Implementation Status:
2021.07.20	1. Adoption of the Fiscal 2020 deficit compensation proposal.	Adopted according to the resolution, no dividends were distributed.
	2. Adoption of the Fiscal 2020 Business Report and Financial Statements.	The Fiscal 2020 Business Report and Financial Statements are submitted to the competent authority for reference and announcement in accordance with relevant regulations.
	3. Approved the amendment to the "Procedures for the Acquisition or Disposal of Assets" of the Company.	It was processed according to the revised.
	4. Approved the amendment to the "Rules of Procedure for Shareholders Meetings" of the Company.	It was processed according to the revised.
	5. Approved the amendment to the "Bylaws for the Election of Directors" of the Company.	It was processed according to the revised.

#### Material Resolutions of the Board of Directors Meetings

Date	Material resolution
2021.03.17	1. HTC Board of Directors approved the 2020 consolidated financial statements 2. HTC Board of Directors approved the deficit compensation of 2020 3. HTC Board of Directors approved the convening of 2021 Annual General Shareholders Meeting
2021.04.28	1. HTC Board of Directors approved the 2021 first quarter consolidated financial statements 2. HTC Board of Directors approved the appointment of the Corporate Governance Officer of the Company
2021.06.29	1. HTC Board of Directors approved to change the date and venue of 2021 Annual Shareholder's Meeting in accordance with the instructions announced by FSC
2021.07.28	1. HTC Board of Directors approved the 2021 second quarter consolidated financial statements 2. HTC Board of Directors approved the record date of exercising employee stock option certificates
2021.11.01	1. HTC Board of Directors approved the 2021 third quarter consolidated financial statements 2. HTC Board of Directors approved the record date of exercising employee stock option certificates
2022.03.07	1. HTC Board of Directors approved the 2021 consolidated financial statements 2. HTC Board of Directors Approved the Deficit Compensation of 2021 3. HTC Board of Directors Approved the Convening of 2022 Annual General Shareholders Meeting 4. HTC Board of Directors approved the reorganization plan of the Company's overseas subsidiaries 5. HTC Board of Directors approved the record date of exercising employee stock option certificates

**3.3.12** Where, during the most recent fiscal year and current fiscal year up to the date of printing of this annual report, there was no Board of Director or Supervisor expressing a dissenting opinion with respect to a material resolution passed by the Board of Directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof

**3.3.13** A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer

## 3.4 Information on Certified Public Accountants (CPAs) Fees

### 3.4.1 Scale of information on CPA professional fees

Amount unit: NT\$ thousands						
Name of accounting firm	Name of CPAs	Period covered by the CPA audit	Audit fees	Non-audit fees	Total	Remarks
Deloitte & Touche	Chi-Ming Hsu Kuo-Tyan Hong	2021.01.01-2021.12.31	5,200	600	5,800	Transfer pricing report and international tax consultation

**3.4.2** The company does not change its accounting firm.

**3.4.3** Audit fees paid for the current year are lower than those for the previous fiscal year by 10 percent or more: Not applicable.

## 3.5 The Company Replaces Its Certified Public Accountant Within the Last Two Fiscal Years

### 3.5.1 Information regarding the former CPAs

Date of replacement	2020.05.07 (Date of Board Resolution)		
Reason for replacement and explanation	Due to internal adjustment of Deloitte & Touche, CPA Hsu Wen-Ya and CPA Casey Lai are replaced by CAP Chi-Ming Hsu and CPA Kuo-Tyan Hong as from the first quarter of 2020		
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Parties		
	Circumstances	CPAs	Appointer
	Terminated the engagement	Not applicable	Not applicable
	No longer accepted (discontinued) the engagement	Not applicable	Not applicable
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	None		
Disagreement with the Company?	Yes	Accounting principles or practices	
		Disclosure of financial reports	
		Audit scope or steps	
		Other	
	No	√	
	Specify details		
Other disclosures (To be disclosed in accordance with Article 10.5(1).(iv) of the Regulations Governing Information to be Published in Annual Reports of Public Companies)	None		

### 3.5.2 Successive Certified Public Accountant

Accounting Firm	Deloitte & Touche
Name of CPAs	Chi-Ming Hsu and CPA Kuo-Tyan Hong
Date of engagement	2020.05.07 (Date of Board Resolution)
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	None
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	None



**3.5.3** The former CPA’s written response to the matters referred to in Article 10.6(1) and 10.6(2) (iii) of the “Regulations Governing Information to be Published in Annual Reports of Public Companies” : None.

**3.6** The Company’s Chairperson, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Has Not in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm

**3.7** Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent During the Most Recent Fiscal Year and the Current Fiscal Year up to the Date of Printing of This Annual Report

### 3.7.1 Changes in shareholdings of Directors, Supervisors, Managers, and Major Shareholders

Unit: Shares

Title	Name	2021		2022.01.01-2022.04.19	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Chairwoman & CEO	Cher Wang	0	0	0	0
Director	HT Cho	0	0	0	0
Director	Wen-Chi Chen	0	0	0	0
Director	David Bruce Yoffie	0	0	0	0
Independent Director	Chen-Kuo Lin	0	0	0	0
Independent Director	Josef Felder	0	0	0	0
Independent Director	Vincent Thai	0	0	0	0
Chief Finance Officer and Accounting Officer	Peter Shen	0	0	0	0
General Counsel and Corporate Governance Officer (Note)	ChiaTe Lu	0	0	-	-
Chief Technology Officer	WH Liu	0	0	0	0
Senior VP	Adrian Tung	365,000	0	(300,000)	0
Senior VP	Raymond Pao	0	0	0	0
Chief Global Management Officer	Caleb OuYang	90,000	0	0	0

Note: Appointed as Corporate Governance Officer on 2021.04.28.

**3.7.2** Stock transfer with related party: None

**3.7.3** Stock Pledged with related party: None

### 3.8 Relationships Among the Top 10 Shareholders

2022.04.19

Name (Note 1)	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2 <sup>nd</sup> degree (Note 2)	Relationship	Remarks
	Shares	%	Shares	%	Shares	%			
Way-Chih Investment Co., LTD. (Representative: Su-Lan Chiang)	43,819,290	5.31%	0	0.00%	0	0.00%	Way-Lien Technology Inc., Hon-Mou Investment Co., Ltd., Kun-Chang Investment Co, Ltd.	Same Chairwoman Same Chairwoman Same Chairwoman Director Director	
Way-Lien Technology Inc. (Representative: Su-Lan Chiang)	38,588,231	4.68%	0	0.00%	0	0.00%	Way-Chin Technology Inc., Hon-Mou Investment Co., Ltd., Kun-Chang Investment Co, Ltd.	Same Chairwoman Same Chairwoman Same Chairwoman Director Director	
Cher Wang	32,272,427	3.91%	22,391,389	2.71%	0	0.00%	Way-Chin Technology Inc., Way-Lien Technology Inc., Hon-Mou Investment Co., Ltd., Kun-Chang Investment Co, Ltd. Wen-Chi Chen	Director Director Director Director Spouse	
Hon-Mou Investment Co., Ltd.	23,197,081	2.81%	0	0.00%	0	0.00%	Way-Chin Technology Inc., Way-Lien Technology Inc., Kun-Chang Investment Co, Ltd.	Same Chairwoman Same Chairwoman Same Chairwoman Director Director	
Wen-Chi Chen	22,391,389	2.71%	32,272,427	3.91%	0	0.00%	Way-Chin Technology Inc., Way-Lien Technology Inc., Hon-Mou Investment Co., Ltd., Kun-Chang Investment Co, Ltd. Cher Wang	Director Director Director Director Spouse	
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	10,104,301	1.22%	0	0.00%	0	0.00%	None	None	
Kun-Chang Investment Co, Ltd.	9,322,824	1.13%	0	0.00%	0	0.00%	Way-Chin Technology Inc., Way-Lien Technology Inc., Hon-Mou Investment Co., Ltd., Cher Wang Wen-Chi Chen	Same Chairwoman Same Chairwoman Same Chairwoman Director Director	

(Continued)

Name (Note 1)	Shareholding		Shareholding of spouse and minor children		Total shareholding by nominee arrangements		Specify the name of the entity or person and their relationship to any of the other top 10 shareholders with which the person is a related party or has a relationship of spouse or relative within the 2 <sup>nd</sup> degree (Note 2)	Relationship	Remarks
	Shares	%	Shares	%	Shares	%			
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	9,249,079	1.12%	0	0.00%	0	0.00%	None	None	
Citibank (Taiwan) in custody for the investment account of Polunin Developing Countries Fund, LLC	7,046,204	0.85%	0	0.00%	0	0.00%	None	None	
Jian-Kai Property Management Co., Ltd.	5,147,000	0.62%	0	0.00%	0	0.00%	None	None	

Note 1: The top 10 shareholders shall all be listed; for institutional shareholders, the name of the entity and the name of its representative shall be listed separately.

Note 2: Mutual relationships of shareholders, including judicial and natural persons, shall be disclosed.

Concluded

### 3.9 Total Number of Shares and Total Equity Stake Held in the Same Enterprise by the Company, its Directors and Supervisors, Managers Directly or Indirectly

#### Comprehensive shareholding ratio

2022.03.31 Unit: thousands Shares; NTD thousands; %

Long-term investments (Note)	Investments by HTC Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
H.T.C. (B.V.I.) Corp.	1,476,202 thousands Shares	100%	0	0%	1,476,202 thousands Shares	100%
High Tech Computer Asia Pacific Pte. Ltd.	562,534 thousands Shares	100%	0	0%	562,534 thousands Shares	100%
HTC Investment Corporation	30,000 thousands Shares	100%	0	0%	30,000 thousands Shares	100%
PT. High Tech Computer Indonesia	2 thousands Shares	1%	186 thousands Shares	99%	188 thousands Shares	100%
HTC Holding Cooperatief U.A.	NTD13 thousands	0.01%	NTD6,815,370 thousands	99.99%	NTD6,815,383 thousands	100%
HTC Investment One (BVI) Corporation	333,733 thousands Shares	100%	0	0%	333,733 thousands Shares	100%
HTC Investment (BVI) Corp.	26,000 thousands Shares	100%	0	0%	26,000 thousands Shares	100%
HungXu Holding (BVI) Corp.	7,000 thousands Shares	100%	0	0%	7,000 thousands Shares	100%
HTC VIVE Investment (BVI) Corp.	10,000 thousands Shares	100%	0	0%	10,000 thousands Shares	100%

(Continued)

Long-term investments (Note)	Investments by HTC Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
DeepQ Holding (BVI) Corp.	16,500 thousands Shares	100%	0	0%	16,500 thousands Shares	100%
HTC Smartphone (BVI) Corp.	33 thousands Shares	100%	0	0%	33 thousands Shares	100%
HTC VR Content (BVI) Corp.	1,710 thousands Shares	100%	0	0%	1,710 thousands Shares	100%
REIGN Technology Corporation	4,000 thousands Shares	100%	0	0%	4,000 thousands Shares	100%
Viveport Digital Corporation	10,000 thousands Shares	100%	0	0%	10,000 thousands Shares	100%
East West Artists, LLC	0	0%	1,200 thousands Shares	30%	1,200 thousands Shares	30%
Steel Wool Games Inc	0	0%	10,822 thousands Shares	49%	10,822 thousands Shares	49%
Surgical Theater, LLC	0	0%	46 thousands Shares	16.3%	46 thousands Shares	16.3%
MOR Museum Inc.	0	0%	437 thousands Shares	25%	437 thousands Shares	25%
Engage XR Holdings PLC	0	0%	48,284 thousands Shares	16.64%	48,284 thousands Shares	16.64%
HTC (Australia and New Zealand) Pty. Ltd.	0	0%	400 thousands Shares	100%	400 thousands Shares	100%
HTC Philippines Corporation	0	0%	859 thousands Shares	100%	859 thousands Shares	100%
HTC (Thailand) Limited	0	0%	10,000 thousands Shares	100%	10,000 thousands Shares	100%
HTC India Private Limited	0	0%	500 thousands Shares	100%	500 thousands Shares	100%
HTC Malaysia Sdn. Bhd.	0	0%	25 thousands Shares	100%	25 thousands Shares	100%
HTC HK, Limited	0	0%	37,626 thousands Shares	100%	37,626 thousands Shares	100%
S3 Graphics Co., Ltd.	0	0%	386,339 thousands Shares	100%	386,339 thousands Shares	100%
HTC Servicios DE Operacion Mexico, SA DE CV.	0	0%	50 thousands Shares	100%	50 thousands Shares	100%
HTC Netherlands BV.	0	0%	143,882 thousands Shares	100%	143,882 thousands Shares	100%
HTC South Eastern Europe LLC.	0	0%	0.15 thousands Shares	100%	0.15 thousands Shares	100%
HTC Communication Solutions Mexico, SA DE CV.	0	0%	50 thousands Shares	100%	50 thousands Shares	100%
HTC EUROPE CO., LTD.	0	0%	104,061 thousands Shares	100%	104,061 thousands Shares	100%
HTC Belgium BVBA/SPRL	0	0%	18.55 thousands Shares	100%	18.55 thousands Shares	100%
HTC NIPPON Corporation	0	0%	56 thousands Shares	100%	56 thousands Shares	100%
HTC France Corporation	0	0%	11,000 thousands Shares	100%	11,000 thousands Shares	100%
HTC Nordic ApS	0	0%	80 thousands Shares	100%	80 thousands Shares	100%
HTC Italia SRL	0	0%	NTD51,056 thousands	100%	NTD51,056 thousands	100%
HTC Germany GmbH	0	0%	25 thousands Shares	100%	25 thousands Shares	100%
HTC Iberia, S.L.U.	0	0%	3 thousands Shares	100%	3 thousands Shares	100%
HTC Poland sp. z o.o.	0	0%	4.7 thousands Shares	100%	4.7 thousands Shares	100%
HTC Communication Canada, Ltd.	0	0%	1,500 thousands Shares	100%	1,500 thousands Shares	100%

(Continued)

Long-term investments (Note)	Investments by HTC Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Investments directly or indirectly controlled by directors, supervisors, and managers of HTC		Total investments	
	Shares/Investment Amount	%	Shares/Investment Amount	%	Shares/Investment Amount	%
HTC Communication Sweden AB	0	0%	1,000 thousands Shares	100%	1,000 thousands Shares	100%
HTC Middle East FZ-LLC	0	0%	3.5 thousands Shares	100%	3.5 thousands Shares	100%
HTC America Holding, Inc.	0	0%	371,617 thousands Shares	100%	371,617 thousands Shares	100%
HTC America, Inc.	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
One & Company Design, Inc.	0	0%	60 thousands Shares	100%	60 thousands Shares	100%
HTC America Innovation, Inc.	0	0%	1 thousands Shares	100%	1 thousands Shares	100%
Dashwire, Inc.	0	0%	0.1 thousands Shares	100%	0.1 thousands Shares	100%
HTC America Content Services, Inc.	0	0%	31 thousands Shares	100%	31 thousands Shares	100%
Inquisitive Minds, Inc.	0	0%	0.1 thousands Shares	100%	0.1 thousands Shares	100%
HungXu Technology (BVI) Corp.	0	0%	3,000 thousands Shares	100%	3,000 thousands Shares	100%
HungXu TECH Corp.	0	0%	100 thousands Shares	100%	100 thousands Shares	100%
VIVE Arts Limited	0	0%	6,000 thousands Shares	100%	6,000 thousands Shares	100%
DeepQ (BVI) Corp	0	0%	164,700 thousands Shares	100%	164,700 thousands Shares	100%
DeepQ Technology Corp.	0	0%	39,521 thousands Shares	100%	39,521 thousands Shares	100%
VRChat, Inc.	0	0%	79,257 thousands Shares	36.2%	79,257 thousands Shares	36.2%
HTC VIVE TECH (HK) Limited	0	0%	68,000 thousands Shares	100%	68,000 thousands Shares	100%
Uomo Vitruviano Corp.	0	0%	5,000 thousands Shares	100%	5,000 thousands Shares	100%

Note: Investments accounted for using the equity method.

(Concluded)

### 3.10 Sustainable Development (ESG)

As an international brand and to fulfill its corporate social responsibilities and respect for international human rights, HTC following the Responsible Business Alliance Code of Conduct, and taking actual practice as the practice of corporate social responsibility in daily operations. To ensure effective discussion and treatment of CSR issues, HTC has run a CSR Committee since 2012, and has also set up a dedicated team, Quality and Sustainability Management, for formulating CSR policies, drawing up related action plans, performing cross-department coordination, and handling communication with, and feedback from, the external stakeholders and our key suppliers. Every year the HTC CSR Committee conducts discussions based on our sustainability goals set by each department and major sustainability issues of the year. The HTC CSR Committee holds quarterly meetings where each department reports the implementation results of CSR-related issues, and the committee authorizes the leader of each department regarding the direction of their follow-up action and tracks/monitors their results. Report to the audit committee

under the board of directors at least once a year regarding the CSR annual performance and the execution goals for the next year. After the FSC officially launched the Corporate Governance 3.0 - Sustainable Development Blueprint, HTC, in addition to our existing corporate social responsibility, has also incorporated economic, environmental, and social-related issues to respond to the expectations of stakeholders.

In March 2022, HTC established the ESG Committee with the President as the chairman of the committee, SVP Madeline Chen as Chief Sustainability Officer (CSO), and members of executives as ESG committee members. We established dedicated working groups to respond to various ESG issues and founded the ESG Office to assist in formulating sustainable strategies, connect sustainable development issues from various departments, and continue to promote sustainable development responsibilities. We hope to implement the sustainable operations of our corporation by striking a balance between the economy, environment, society, etc. areas. With a clear organization and division of labor, relevant departments can be included in management actions through interdepartmental meetings, thereby driving the overall sustainable development and innovation of HTC and ensuring that relevant policies and initiatives are incorporated into the company’s daily operations.

**The HTC Environment, Social, and Governance (ESG) Policy**

HTC is committed to observing all the International and Regional laws in the countries where it operates and to do business with honesty and integrity. We will continue to provide innovative and quality products, protect the environment, care for the health, safety and human rights of our employees, and positively maintain our stakeholders’ rights and interests.

This ESG policy helps HTC maintain social responsibility and realize the vision of sustainable development. All our related business partners advocate and share this policy with us and in this way, we all protect and enhance the rights and interests of our internal and external stakeholders.

- (1) Using Responsible Business Alliance Code of Conduct as a reference for code of conduct, developing HTC as a good corporate citizen and participating in international Initiatives
- (2) Promotion of energy efficiency, carbon-reduction practices and various environmental protection activities
- (3) Sustainable innovation from creation to development
- (4) Sustainable supply chain management
- (5) Be a responsible corporate citizen, with the highest ethical standards

**Diversified Channels for Transparent Information Disclosure**

Stakeholder	Concerned Issues	Communication channel / Frequency and response method	Appeal channel
Investors	<ul style="list-style-type: none"> <li>• Finance &amp; business information disclosure</li> <li>• Compliance with laws and regulations</li> <li>• Operation Status</li> <li>• Corporate governance</li> <li>• Risk management</li> </ul>	<ol style="list-style-type: none"> <li>1. Shareholder conference- Yearly</li> <li>2. Annual report- Yearly</li> <li>3. Monthly revenue statement- Monthly</li> <li>4. Visiting investors- Irregular</li> <li>5. Market Observation Post System- Irregular</li> <li>6. Investor Relationship Website- Standing</li> <li>7. Spokesperson- Standing</li> </ol>	<ul style="list-style-type: none"> <li>• Investor Liaison : Telephone: +886-2-8912-4138 E-mail: ir@htc.com</li> <li>Company spokesperson and investor relations: spokesman@htc.com</li> </ul>
Enterprise customers	<ul style="list-style-type: none"> <li>• Product quality</li> <li>• Service quality</li> <li>• Price competitiveness</li> <li>• On-time delivery</li> <li>• Green products</li> <li>• Carbon footprint/ carbon disclosure</li> <li>• Restricted substance management</li> <li>• Corporate social responsibility</li> <li>• Human rights</li> </ul>	<ol style="list-style-type: none"> <li>1. Business review with key customers (QBR meeting). - Quarterly</li> <li>2. Reply to customer inquiries. - From time to time</li> <li>3. Customer audit and replies to customer’s questionnaires. - By customer request</li> <li>4. Meeting the customer requirements about environmental and social responsibilities. - By customer request</li> </ol>	E-Mail: esg@htc.com
Consumers	<ul style="list-style-type: none"> <li>• Pre-sales consulting</li> <li>• After-service</li> <li>• Product quality</li> <li>• Service quality</li> </ul>	<p>Daily ongoing -</p> <ol style="list-style-type: none"> <li>1. Local service contact channels in 11 languages to provide customers with real-time communication and assistance.</li> <li>2. Websites in different languages for customers to give feedback and to access information in a real-time manner (59 established)</li> <li>3. Dedicated email boxes for different functions (Support, Copyright, Security, etc.) to provide convenient customer contact with HTC</li> <li>4. Automated support survey invitations to collect customer satisfaction feedback</li> <li>5. Immediate corrective actions in place based on customer’s insights</li> </ol>	<p>Customer service hotline: 0809-090-166, please call: 02-2162-6788</p> <p>Set up local customer service hotlines in 22 countries around the world</p> <p>Build more than 20 websites in different countries</p>
Employees	<ul style="list-style-type: none"> <li>• Learning &amp; growth</li> <li>• Working environment /labor conditions</li> <li>• Wage/welfare</li> <li>• Health &amp; safety</li> <li>• Career development</li> <li>• Work-life balance</li> </ul>	<ol style="list-style-type: none"> <li>1. Department quarterly meeting. - Irregular</li> <li>2. One-on-one interview with supervisors. - Irregular</li> <li>3. Annual performance appraisal/ interview. - 2/ Yearly</li> <li>4. New employee seminar. - Weekly</li> <li>5. Employee assistance hotline and mailbox, Health Center, Employee Aid Scheme.- From time to time</li> <li>6. Labor-management meeting. - Quarterly</li> </ol>	<p>manufacturing employees of the production line company extension 38585</p> <p>Other general employees company extension 28585</p> <p>Employee helpline e-mail HelpMe_8585@htc.com</p>
Suppliers	<ul style="list-style-type: none"> <li>• Raw material quality</li> <li>• Price competitiveness</li> <li>• Continuously stable supply</li> <li>• Supply chain management</li> <li>• Compliance with various regulations</li> <li>• Technical capability</li> <li>• Cooperation with logistics/transportation providers to conduct effective packing</li> <li>• Working environment &amp; health</li> <li>• Machine/equipment safety</li> <li>• Carbon management training and contests</li> </ul>	<ol style="list-style-type: none"> <li>1. Supplier communication conference- Irregular</li> <li>2. Guidance and audit for suppliers- Yearly</li> <li>3. Cooperation project with suppliers for addressing CSR and greenhouse gas issues- Yearly</li> </ol>	E-Mail: esg@htc.com
Contractors	<ul style="list-style-type: none"> <li>• Construction safety &amp; health</li> </ul>	<ol style="list-style-type: none"> <li>1. Induction training. - Weekly</li> <li>2. Patrol inspection in the facility. -Daily</li> </ol>	E-Mail: esg@htc.com

(Continued)

Stakeholder	Concerned Issues	Communication channel / Frequency and response method	Appeal channel
Governmental Agencies	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Compliance with laws and regulations</li> <li>Innovative products and services</li> <li>Human Rights</li> <li>Energy and climate change</li> </ul>	<ol style="list-style-type: none"> <li>Official document, E-mail, Visit. -Irregular</li> <li>Meeting such as Forums, Seminars ... etc.-Irregular</li> </ol>	E-Mail: esg@htc.com
Local Communities	<ul style="list-style-type: none"> <li>Environmental impact</li> <li>Shaping the Corporate image</li> <li>Economic contribution</li> <li>Social concerns</li> <li>Public welfare</li> <li>Cultivation of talent</li> </ul>	<ol style="list-style-type: none"> <li>Positive employee engagement in public interest activities. - Irregular</li> <li>HTC cooperation with governmental agencies and non-profit organizations in eco, environmental and other public welfare activities. - Monthly</li> </ol>	E-Mail: esg@htc.com

(Concluded)

### 3.10.1 Employee Health and Care

Employees are HTC's most cherished assets. We are devoted to creating a safe and comfortable workplace that stimulates creativity of our employees, trying our best to satisfy and take all of our employees' needs into consideration regarding work. HTC is aware that letting employees remain professional and passionate about their participation in the company's development is vital for the company to move toward success and sustainable development. Thus, balancing life and work as a way of maintaining employees' physical and mental health has always been a goal that HTC pursues.

### Valuing Employee Health

We regard employees' health as the key to showing care to our employees. We work our best in providing a healthy and cozy workplace for all our employees and have been specifically working on four main directions such as "Health Management", "Health Promotion", "Occupational Health", and "Employee Assistance Programs (EAP)". We have planned out related response procedures for major infectious diseases that are prone to spread, ensuring that related resources and supports are in place for effective actions while taking solid measures to safeguard the health of every employee.

Noting that stress from work can easily make employees neglect the harm it has on health, the health center in accordance with the requirements of the Occupational Safety and Health Law and health protection rules. For employees with mid-to-high level risk of health problems according to their health check results, the clinic will arrange doctors to assist with diagnosis and tracking, and will provide assistance through related necessary health courses, information for proper health management, and forming of normal personal living style for employees, as a way of building up employees' ability to self-manage their health and implementing a complete health care system.

HTC has been working with the Hsinchu Lifeline Association since February 2009 to provide employees with psychological counseling and guidance with respect to working career, relationships, family and parenting, gender sentiments, mental illness, and physical and mental stress. Each year, employees can

enjoy unlimited telephone consultations and 6 free face-to-face consultation services, which are paid in full by the company. In 2021, 905 employees used the telephone consultation services. The analysis and recommendation on employee consultation topics are reported regularly to the Occupational Safety and Health Committee.

### Valuing Female Employees and Maternal Health Protection Plan

HTC regards the female workforce as very important. In view of the increasingly large number and influence of working women, we have continued to improve our software and hardware, in the hope that a diverse culture based on gender equity will help HTC become more competitive. The physical and mental caring mechanisms we provide for our female employees include:

- (1) A female cancer-screening program is part of the annual health check. This includes the choice of a pap smear, a breast ultrasound exam, or a mammogram.
- (2) Consideration for the physiological needs of female workers, providing a comfortable environment for rest, the loan of free hot pads, menstrual pain assessment, health knowledge and education, physician consultation or referrals and so on.
- (3) A friendly environment for breastfeeding. We provide a warm and comfortable nursing environment, ultraviolet milk bottle disinfection devices, microcomputer thermos, and comfortable sofa, refrigerator for breast milk storage, and infant breast-feeding-related publications and light music. HTC has 7 Breastfeeding room in Taiwan that was visited 7,818 person-times in 2021.
- (4) When safety and health hazard factors exist in the workplace, there may be adverse effects on pregnancy and breastfeeding. When female employees' presence in the workplace is indispensable, the importance of the protection of maternal health is highlighted. HTC has since June 2016 launched the Motherhood Health Protection Program, which includes all female employees one year after childbirth or breastfeeding women as protected subjects. In accordance with the Program, the list survey, risk identification, individual medical consultations, work assignment and work/ return to work, and other procedures were carried out. By the end of 2021, 11 employees completed the risk classification and protective measures, indicating the considerably safe work enjoyment and contents.

### Creating a Happy Workplace

We offer employees diverse interface, provide them subsidies and incentives to participate in group activities, and encourage them to develop interest in sports and recreation during their leisure time to enhance their experience with living. We hold various events, and art shows. Through recreation and social gatherings, employees could get in sync and understand each other better. Employees could enjoy a better resting when they walk around the building and enhance their creativity at work through the colors and lights from these art pieces.

Due to the outbreak of COVID-19 in 2021, the openings of some HTC Gallery exhibitions were canceled. However, given that the HTC Gallery exhibitions create an artistic ambiance in the workplace which is in

line with our vision to increase employee satisfaction – our commitment to this remains.

Combining the traditional ink techniques from Chit Yeung and the modern acrylic / composite media creation of the emerging artist Jyun-Han Lu, HTC Gallery’s latest exhibition Land in the Microscope in February 2021 focuses on cross-media cooperation. Through the brushstrokes of the two artists with very different styles, we invite the audience to see the beauty of Taiwan’s mountain scenery and landscape texture. In November, after the on-site exhibition has resumed for the gallery, we invited the award-winning young artist Yu-kai Chen. With his unique ways of art creation, including picking, dismantling and percussion, he provided us with a new angle to look at the “Rebirth” artworks. Just like Taiwan and HTC, we find the strength to rebirth under unforgiving environments.

## A Five Star Gym

In order to encourage and promote the sports atmosphere and allow employees to develop good exercise habits, HTC has set up a fully equipped professional fitness space in office buildings, Various modern fitness equipment including free weight training equipment and weight training mat floor. HTC has commissioned professional fitness management consulting firms and professional suppliers to manage the gym and to provide full-time services. These include onsite fitness instruction, fitness curriculum planning, and advice about the prevention of sports injuries. Six coaches with an emergency card or sports injury protection license were on shifts at the site. This provides employees with the best health consulting services and the environment, and the establishment of positive sports safety and healthcare. Also, the 17<sup>th</sup> floor in Taipei office with a 10-meter-high ceiling that can be used for basketball or badminton. In addition, the gym also plans a variety of themed courses, such as aerobic courses every two months, covering static yoga, Pilates, flywheel, core muscle TRX, and boxing aerobic, muscle sculpture, etc; and It is easy to operate through online registration.

In consideration of the 2021 COVID-19 pandemic, we have made new arrangements for gym in order to provide our staff with an environment where they can train and be free of risks associated with the pandemic. Including managing available training areas and machines to maintain social distancing, limiting the capacity, making sure all surfaces are disinfected and providing sanitizer, as well as sterilized the entire site, including the floor mats. A total of 14,664 people used the gym in 2021. Due to COVID-19, although the gym is kept open, HTC hope colleagues can have era to maintain exercise habits and promote health, but avoid gatherings and reduce classes quantity.

## Environmental Maintenance and Green Landscaping

With the policy of dedication to sustainable environments, HTC is committed to deliver landscaped green spaces in both our headquarters and Taipei offices. In the green area of the Taipei office, more than 260 native trees and large arbor trees of Taiwan, such as eucalyptus, fragrant, pine, pine, and cherry trees; in Taoyuan headquarters area, there are around 131 tree species native to Taiwan on the grounds, such as Camphor and the Taiwan Golden-rain Tree.

In order to improve the quality of work environment and green ecology of employees, plant pots that can purify indoor air quality and reduce carbon dioxide concentration in the office. Potted plants such as eucalyptus, Dracaena, Aglaonema and Peace Lily are placed in the Taipei office. In the headquarters, potted plants such as Peperomia obtusifolia, Snake Plant, Lime pothos, and Philodendron. Different plants are added according to different festivals to enhance the atmosphere of different festivals and provide a fresh office environment for employees. The annual management fees for our green environment maintenance amounts to NT\$ 1.42 million which is used to provide a fresh and green office environment for HTC employees.

In order to improve the quality of the employees and the nearby resident, HTC is committed to the cleanliness of the building and its surrounding environment, regularly applying drugs every quarter to eliminate dengue fever and pest control, and spraying the environment indoors and outdoors with the ditch to reduce the density index of the vector mosquitoes. In 2021, the total investment amounted to NT\$30.11 million in environmental cleansing, hygienic medicine, planting and greening, and other horticultural maintenance costs.

## 3.10.2 Environment, Safety and Health

In order to achieve our commitment to protect the safety and health of our employees, HTC has established the exclusively responsible unit for environmental issues and the occupational safety dept. in accordance with the law, and are responsible for the implementation of the entire safety, health and energy management system. It also assists the various factories in continuing to promote occupational safety and health management and environmental management systems.

Every year, we also formulate an occupational safety and health management plan based on the state of safety and health management. The implementation focuses include: compliance with safety & health regulations, hazard identification and risk assessment to reduce operational risks, standardization of hazardous chemical labeling and general rules, implementing contractor management, formulating the registration and monitorization of hazardous operations (elevated, sudden noise and confined space management, etc.), disseminate safety & health information, etc., in order to implement Occupational Safety & Health Management, Occupational Safety & Health Education / Training, Standard Operating Procedures and Work Safety Analysis, Automatic Occupational Safety & Health Inspection, Emergency Response, Health Management / Promotion, Occupational Safety & Health Activities. These efforts aim to achieve full employee involvement and to reduce safety & health risks. We have emergency response plans that will be implemented in the event of an emergency caused by human error or natural disasters, such as fire, explosion, typhoon, an accidental leak, mechanical injury, infectious disease, or an earthquake. As identification of the nature of the emergency, taking the necessary measures and examination of standard operating procedures. In addition, personnel evacuation drills are held regularly. In 2021, the Taipei Office and Taoyuan Factory will hold self-defense fire-fighting group training and building evacuation drills in accordance with laws and regulations, in order to minimize the impact on the health and safety of relevant personnel and company property.

## Environment Protection, Occupational Safety, Health and Energy Policy

HTC strives to provide a safe and healthy working atmosphere for all of our employees while adhering to sustainability best practices which protect our environment. HTC follows the guidelines below to achieve sustainable development and to ensure a better quality-working environment for our employees, customers, suppliers and contractors.

- (1) We regard environment, safety, health, productivity, quality and effective energy management with equal importance.
- (2) We regard the safety and health of employees, customers, suppliers and contractors with equal importance.
- (3) We require our employees to observe all guidelines regarding safety, operating procedures, environmental protection, hygiene, health and energy management.
- (4) We are committed to preventing foreseeable dangers and loss control.
- (5) We are committed to ensuring the organization establishes and implement a process for consultation and participation of workers.
- (6) We follow required laws and regulations.
- (7) We are committed to giving priority to green products.
- (8) We will continue to practice and improve on our environment, safety, health and energy management systems.

HTC has introduced its management system for occupational safety and health to realize its commitment for continuous improvement through putting operation of the management system in full practice. We placed our focus on “management on safety and health”, “education and training for safety and health”, “SOP and work safety analysis”, “work safety check”, “emergency response”, “management and promotion for health”, and “activities for safety and health” to fully prevent occupational hazards from taking place.

To ensure a safe and healthy workplace, we invite inspection agencies recognized by Ministry of Labor to conduct inspections on operating environment every half a year and post the results at easily accessible areas for employees to know about. Since start of the inspection, all results for HTC have been better than the standards from those related regulations of permissible exposure limits.

Quality of the drinking water directly affects employee’s health and management of the drinking water are closely related to the quality of the water. It is part of the daily life not to be missed. To implement standard and norms for the drinking water, HTC has adopted a complete plan for inspecting the drinking fountains, through which periodic maintenance, inspection on water quality, and disclosure of the records are to be carried out thoroughly according to the Drinking Water Management Act. The drinking fountains are to be maintained by EPA (Environmental Protection Administration)-approved professional agencies who will collect samples and check quality of the water every three months. They will inform in detail about the records maintained and the outcome of water inspection. This information will be posed in areas near the drinking fountains.

To strengthen our employees’ concepts about safety and health, During the new employee training

included in the onboarding process and the job-change training for current employees, we educate and train our employees on general safety & health, how to handle dangerous substances and hazardous substances, as well as other education or training courses required by laws and regulations. For employees engage in operations involve handling hazardous substances or under risky working environment (such as: handling organic solvents, operating in an environment that lacks oxygen, etc.), they should be provided with safety & health education and training of operation supervisors before operating; for special operations (forklifts, etc.), the employees should be provided with safety & health education for the operators. and for employees on-the-job, related training will be provided according to regulations, risk acknowledgement of dangerous chemicals, and workplace right infringement prevention. In 2021, our employees had a 67% completion rate. Firefighting drill held every half a year, and will be carried out in accordance with the emergency response procedure to reinforce their ability in responding to emergencies. In 2021, the participation rate of Taipei Office was 79%, and that of our factory in Taoyuan is 92%.

HTC is focused on techniques from the core business and hopes to foster development of industries through cooperation with vendors of various professions. For the long-stayed vendors, we also care about the safety of work for these vendors, in addition to mutual learning. We believe a win-win future which would be only built under protection measure on full consideration. Thus, HTC will annually incorporate the related measures into the company’s plan for managing occupational safety and health according to the outcome of its vendors’ management on safety and health, in its effort to fully prevent occupational hazards from taking place.

Key points of safety and health management for our vendors include observance of all regulations related to safety and health, develop an occupational safety and health management plan every year based on the state of safety and health management. The implementation focuses include: compliance with safety and health regulations, hazard identification and risk assessment to reduce operational risks, standardization of hazardous chemical labeling and general rules, implementing contractor management, formulating the registration and monitorization of hazardous operations (elevated, sudden noise and confined space management, etc.), disseminate safety and health information, etc., in order to implement Occupational Safety & Health Management, Occupational Safety & Health Education / Training, Standard Operating Procedures and Work Safety Analysis, Automatic Occupational Safety and Health Inspection, Emergency Response, Health Management / Promotion and Occupational Safety and Health Activities. These efforts aim to achieve full employee involvement and to reduce safety & health risks. Subcontractors of construction have been informed and educated about the hazards before entering the plant for work so that they can learn about the working environment and process safety rules and getting familiar with use of the fire equipment.

At present, HTC adopts the international standard ISO14001 environmental management system and ISO45001 occupational safety and health management system and continuously maintains the validity of the certificate. Through the development of environmental protection and occupational safety and health policies, to be implemented and educated within the plant. It requires that the policy would be the basis for setting corresponding goals, systematically carrying out tasks related to environment control, and then putting them into daily management practice.

### 3.10.3 Sustainable Agenda

As a global leader in the innovative design of virtual reality and smart phone, HTC recognizes that by minimizing the environmental impact of our manufacturing processes we, and our vast number of consumers, can make a contribution to the well-being of our planet. To this end, HTC has set up a “Sustainable Agenda” from five aspects: “a sustainable environment, design, processes, product, and Supplier chain” we have put this concept of environmental sustainability into action, have positive control, and are reducing the impact of our operations on the natural environment.

## 1. Sustainable Environment

### • Energy and Climate Change

HTC implemented the ISO 50001 energy management system in 2011 to gain a full picture of internal energy use, the relevant regulatory requirements and the energy baseline to provide a reference for our energy performance indicators as well as set short-, mid- and long-term improvement goals. In 2009, HTC introduced the GHG emission inventory and disclosure for factories and offices throughout Taiwan. To this end, we have devised a dual-aspect strategy composed of adopting an energy management system and performing energy-saving practices. On one hand we strive to optimize our management system to reduce energy consumption, and on the other we use energy-saving technology to improve the energy efficiency of our products.

We even did it through active supply chain management and strengthening green design of products to reduce use of hazardous and wrapping materials. Use the influence of positive support to help smart mobile device users around the globe and go toward smarter and lower carbon tasks and mode of living step by step. The significance assessment and inspection of greenhouse gas according to ISO 14064-1:2018. In 2021, the total emissions of direct and indirect greenhouse gas was 10,053.764 t-CO<sub>2</sub>e(scope1-3).The majority of emitted gas were CO<sub>2</sub>. The cooling and air-conditioning systems in HTC's buildings all use environment friendly coolant R-134a to further preserve the ozoneosphere.

HTC is not a heavy energy consumer. However, within a manageable range of its operations, it is taking initiatives in realizing the concepts of energy-efficiency and reduction of carbon emission by utilizing renewable energy.

Apart from the regular annual GHG emission inventory and verification, HTC also reports our planning and systems for carbon risk and carbon management on an annual basis in accordance with the requirements of the Carbon Disclosure Project (CDP). We voluntarily disclose information about our climate risks, future development opportunities, emissions, and strategic management mechanisms. HTC was rated as Management level B- (Global average is level B-) for 2021 CDP climate change questionnaire.

In the 2021 CDP Supplier Engagement Rating (SER), HTC was rated as Management level B (Global average is level B-). The Supplier Engagement Rating uses the responses of the company's CDP climate

change questionnaire in terms of governance, objectives, scope 3 emissions, and value chain participation to evaluate the performance of supplier engagement.

In addition, HTC continues to launch a supplier GHG emission survey, actively contributing its corporate influence, and calling on its supply chain partners to work together in carrying out further assessments and actions for climate change. The supplier response rate in 2021 reached 100%.

### • Green Plant

In 2013, HTC's Taipei office received the green building mark from Ministry of the Interior and the golden LEED (Leadership in Energy & Environmental Design) certification from the U.S. Green Building Council (USGBC), offering its employees an excellent and comfortable low-carbon work environment. The requirement for energy-efficient design and use of high-efficiency equipment was implemented during project planning, design, and construction phases. Examples included the full use of LED lighting, ice storage system, energy-regenerating elevators, e-Tag smart parking management system, etc. The fully-integrated energy management system was utilized to attain a full real-time management and improve energy efficiency. In 2021, reach 1,666 t-CO<sub>2</sub>e and the total amount accumulated for reduction in carbon emission since inauguration of the building has reached 17,814 t-CO<sub>2</sub>e. Issues are discovered through cross referential comparisons between the data measured and data from currently-available database, and the analysis for improvement is then conducted in order to adopt a better plan on energy efficiency. Issues are categorized into design-oriented, operation-oriented, and management-oriented, which are then traced back to the original system for improvement and assessment on economic effectiveness in order to achieve continuous improvement on energy efficiency, with the EUI (Energy Usage Intensity) of Taipei office amounted to only 164 KWH/m<sup>2</sup> Yr in 2021.

In Taoyuan Factory, after simulation and analysis on energy, the design on energy efficiency contributed to 346,135 degree of reduction, and the total amount of reduction in carbon emission was 168 t-CO<sub>2</sub>e during 2021. (The CO<sub>2</sub> carbon emission coefficient is calculated on a basis of the 0.502 kg/kWh standard announced by the Bureau of Energy.)

Targeting the construction of a new parking shed in the headquarters, HTC used its roof to build a solar power generation system, replacing the metal roof of the parking shed with solar panels, a total generating capacity of 180KW. By means of internal line parallel series, the power was sold in bulk and included in Taiwan Power Company's power supply system, thereby relieving Taiwan's power load and supply constraints and reducing carbon dioxide emissions. The devices was completed in September 2018 and put into trial operation, and began to sell electrical energy in bulk. From the trial operation to December 2021, the cumulative total power generation has reached 518,048 degrees.

### • Water Resource Management

Climate change due to global warming has become increasingly evident making the storage and distribution of water resources an important issue. At HTC, even though our production processes are not water intensive, we still strive to reduce water consumption during routine consumption encouraging our people to maintain good water management, recycling, and reuse.



Since dry process is used on the production line in our plant, there would be no industrial waste water generated and all water use would be from office and the dormitory where our colleagues live in. With a large area inside the plant used for greenery and tree planting, HTC aims to water those plants and greenery using the recycled and reprocessed water without increase in use of running water. Total amount of domestic waste water treated in 2021 was 42,019 tons, and the amount of recycling for the treated waste water was 8,843 tons.

Since implementation of the water-saving plan in 2014, the accumulated total amount of waste water recycled for watering and gardening plants reached 1,141,662 tons, about 457 standard swimming pools. (The standard swimming pool is calculated at 2,500 tons) The system was set up for recycling rainwater and condensed water from air conditioning. The water is then used in toilets and plants watering for effective water use.

## 2. Sustainable Design

HTC’s thinking on the development of sustainable products is to starts from the product life cycle, analyzes the product process in detail, and adopts different measures at various stages through innovative thinking, especially in the product design and development stage, it uses the concept of The Precautionary Principle to carefully select the ones with lower environmental risks. And cooperate with external third-party certification companies to confirms that it complies with the internationally Restriction of Hazardous Substances Directive, reduces the environmental impact of products, and develops sustainable products that are more environmentally friendly.

HTC’s sustainable design concept for products mainly emphasize three areas: (1) Enhancement of energy efficiency, (2) Recyclability, and (3) Reduction of hazardous substances with the serious intention to make our products truly ‘green’ and competitive.

### • Enhancement of Energy Efficiency







We concentrate on energy-saving from the early design and research and development phase. All power supplies used for HTC products must comply with the relevant international energy consumption specifications, including Energy Star (U.S.), California Energy Commission (U.S.), Energy-related Products and are approved with energy efficiency verification by third-party verification companies. All of their energy efficiency meet the criteria of Level VI which is the highest and defines the standby power shall be less than 0.1W. And in fact, the standby power of our chargers is less than 0.004W which is much less than the 0.1W criteria.

As for the energy consumption during battery charging process, we took the regulations of the US Department of Energy (DOE) and the California Energy Commission (CEC) as the standards to improve the efficiency of charging and reduce the loss of energy after the battery is fully charged as much as possible, allowing the overall energy consumption to reach minimum. While complying with the current regulatory requirements, the latest VIVE Focus 3 model in 2021 will not only increase in battery capacity,

but have its recharging performance effectively improved so as to reduce energy consumption. The other new mode - VIVE Tracker 3.0 is equipped with the latest power management technology, which will increase the battery life of the product by 75% and greatly extend the hours it can last before needing to be charged again. The improved charging feature greatly reduce energy consumption and waste of power.

### • Recyclability Design

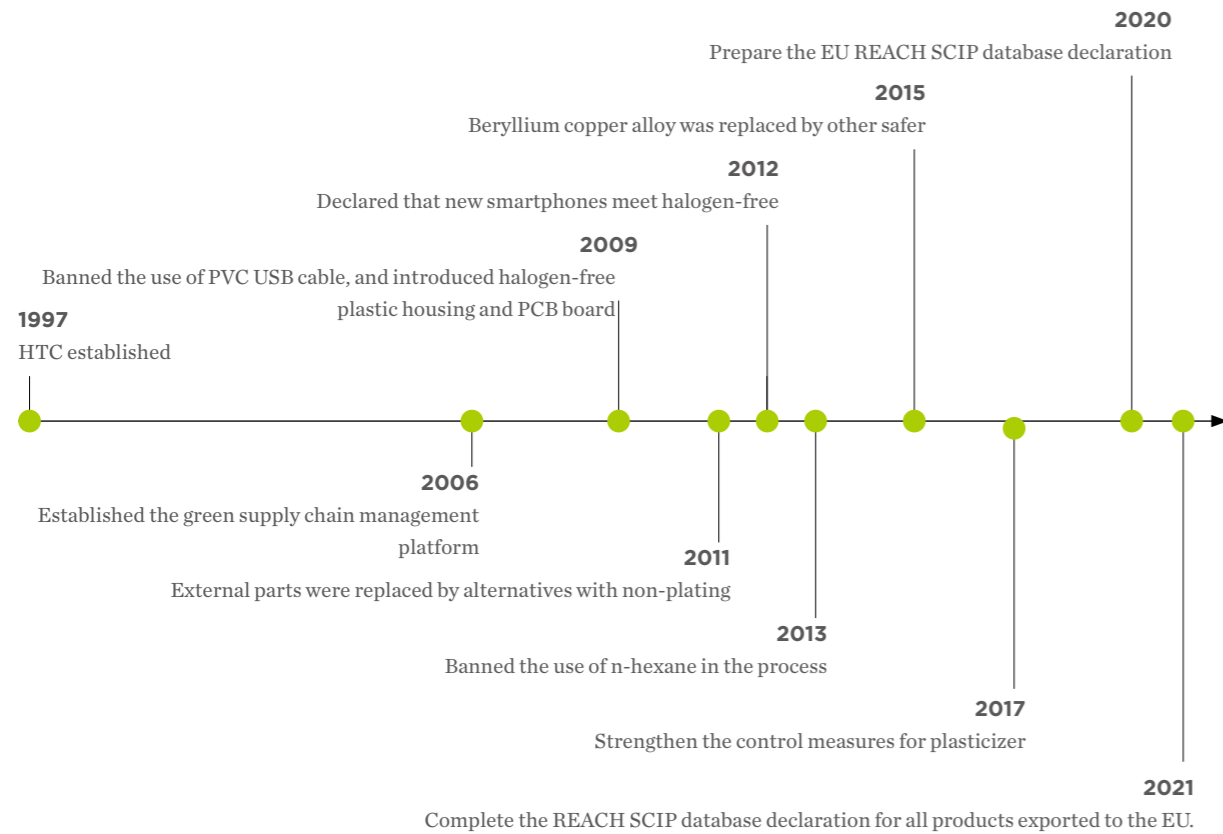
In the early stage of product development, we consider waste reduction and resource reuse, and conduct a complete evaluation of the product’s recyclable design status. Through product disassembly and material simulation, the material composition ratio and relative recovery rate of the product are estimated, and the product is dismantled and analyzed by a third-party authoritative organization to verify the recyclability of the material. . The recyclability rate of all our products, including VR and mobile phones, is largely superior to the standard of the same category set up by the EU WEEE regulations (55%). In the future, as a principle, we will continue to design our new products in the direction of decreasing the weight and increasing the recyclability rate.

	VIVE Tracker	VIVE HMD	Phone Desire Series
2021 new generation			
	VIVE Tracker 3.0 Material Recycling Rate 87.2%	VIVE Pro2 Material Recycling Rate 75.5%	Desire 21 Pro 5G Material Recycling Rate 90%
last generation			
	VIVE Tracker Material Recycling Rate 75.3%	VIVE Pro Material Recycling Rate 75.2%	Desire 20 Pro Material Recycling Rate 89.5%

### • Reduction of Hazardous Substances

Right from the designing phase of a product, HTC has taken the environmental impact our manufacturing process may have and the potential risk it may pose to the user into consideration. Therefore, every component, module, and material we used comply with the regulations on the HTC Restricted Substance List. Our list covers not only the 10 substances that are listed in the Restriction of the use of Certain Hazardous Substances Directive (RoHS) but international environmental laws and the regulations of international customers as well (for example, PVC restrictions and Halogen-Free Brominated Flame-Retardant Standards). Among our manufacturing process, there’s no gaseous pollutant or wastes that could have an impact on the environment or the ecosystem. Zero Pollution, Eco-Friendly, and Sustainable Operation are goals that are always on our minds. And to ensure customers’ health and the environment are risk-free from hazardous substances, we hold our suppliers and distributors to the same regulations and restrictions we comply with.

### HTC Hazardous Substance Control schedule



### 3. Sustainable manufacturing process

#### • Management of Waste and Hazardous Substances

HTC’s main production process is the assembly of smartphones and virtual reality products. The production process produces no hazardous waste. We have strengthened our waste management and disposal model in accordance with the internal “Industrial Waste Disposal and Management Procedure”. We also practice through recycling and education. Proper disposal of waste ensures the cleanliness of the work environment and reduces environmental impact.

On the management level, we adhered to government regulations in contracting licensed waste disposal companies for proper waste disposal. Contractor disposal sites are also checked at irregular intervals.

In addition, active promotion of concept of waste reduction through concrete measures like classification, recycling and management at the front end for employees to reduce waste generation as well as setting dedicated areas for general garbage, resource recycling, and kitchen waste to facilitate resource recycling and reuse, reduce amount of waste produced, and improve on the cleanliness of the environment. In 2021,

our recycled resources reached 434 tons and the benefit of recycling reached \$NTD 0.91 million, waste recycling rate rose from 56.89% in 2011 to 86.9% in 2021. By 2021 the accumulated savings and earnings from the recycling of waste had reached NT\$91.06 million.

Also in progress were promotion and enhancement of employees’ concept and awareness of environmental protection. Through plural interfaces the idea of environmental protection had been in wide promotion and presented in expedient, interactive and clear forms of information to make employees witness HTC’s efforts in environmental protection and then provide them with support in concrete ways to make them internalized in their daily routines.

### 4. Sustainable Product

Taking circular economy as the direction for development.

In order to achieve the goal of sustainable development, the thinking of circular economy is adopted to design and manufacture HTC products. We think about how to use the limited resources of the earth cautiously so that maximum efficiency can be generated, and the effectiveness can be maintained within the industrial system to achieve sustainable operation. The following are some of our practices:

- Easy to recycle product design
- Extend the lifetime of products, including continuous software updates and good after-sales service
- Product energy saving design
- Use recycled materials for manufacturing and packaging
- Reduce the environmental impact of the manufacturing process, use recycled water and renewable energy

#### Carbon Footprint and Lifecycle Assessment Related Planning and Reporting Memorabilia

HTC has been analyzing the environmental influence of our products via life cycle evaluation since 2010. The action schemes in these years are as follows:

- a) In 2010, HTC participated in the “Guidance Program of Information Disclosure for Environmental Product” held by the Industrial Development Bureau, Ministry of Economic Affairs, and completed Environmental Product Declaration (EPD) in cooperation with 19 suppliers.
- b) In 2011, HTC participated in the “Guidance Program of Low Carbon Product Design System”, and completed guidance of carbon footprint analysis and low carbon design for 15 main suppliers.
- c) In 2013, HTC cooperated with 11 suppliers to complete the ISO/TS14067 product carbon footprint examination.














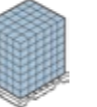
HTC One has become the leading smartphone to complete the international standards for carbon footprint and life cycle assessment of products such as ISO / TS 14067: 2013, PAS 2050: 2011, ISO 14040: 2006 and ISO 14044: 2006.

- d) In 2014, the main action scheme directly focused on providing detailed data of life cycle examination analysis to main suppliers for setting up the objective to reduce carbon and the action scheme.
- e) In 2015, HTC cooperated with 8 suppliers to complete the ISO/TS14067 product carbon footprint examination again.
- f) Completed analysis and checking of water footprint in its products in 2016.
- g) In 2016, the supplier's GHG auto-investigation was initiated. In the first half of each year, suppliers were required to submit GHG inventory data; in 2021, the response rate reached 100%.
- h) In 2018 & 2019, HTC became a CDP supplier chain program member. In the first year, major key suppliers were invited to participate in the CDP Climate Change Questionnaire, with a response rate of 48%. In 2019, the response rate reached 61%.

• **Environmentally friendly with sustainable packaging**

All packaging materials HTC uses for its products fully comply to EU and US regulations on packaging (EU 94/62/EC and Model Toxics in Packaging Legislation of USA). In addition, all printing ink used on HTC product packaging are low volatile or soy ink that comply to standards from American Soy Association, as are required for minimizing impact of the product packaging to the environment.

**HTC use the recyclable materials and design the lightweight package for VR.**

	2015 Rigid Box	2016 Pizza Box	2017 Pizza Box	2018 Pizza Box	2019 / 2020 Pizza Box	2021 Pizza Box ( FOCUS 3 )	2021 Rigid Box (VIVE Flow)
Photos							
Volume	574x420x212 mm	415x295x181 mm	532x344x185 mm	418x338x188 mm	520x302x182 mm	375x338x126.5 mm	184x91x123(H) mm
Weight (g)	3000g	1800g	2250g	1200g	1570g	820g	240g
Number of transportation pallets	6pcs 	24pcs 	20pcs 	30pcs 	24pcs 	54pcs 	420pcs 
ECO features	<ul style="list-style-type: none"> <li>• Used dual colors for printing and decreased use of ink</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced 55% in volume</li> <li>• Reduced 40% in weight</li> <li>• Used dual colors for printing and decreased use of ink</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the ink use</li> <li>• Packaging sharing</li> <li>• Avoid New Packaging Materials</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the ink use</li> <li>• Design the lightweight package</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the use of inner packaging plastic</li> <li>• Use a higher proportion of recycled material on the box</li> </ul>	<ul style="list-style-type: none"> <li>• Our new packaging uses more recycled materials.</li> <li>• Uses of corrugated board make it lighter and more durable.</li> <li>• Implement optimal pallet stacking that can reduce our carbon footprint.</li> </ul>	<ul style="list-style-type: none"> <li>• Printings made in minimalistic monochrome and features explained with simple illustrations highlight the elegance and quality of the product.</li> <li>• Minimal space configurations and light-weight product with a compact look. Changes the bulky impression the market has on VIVE products.</li> </ul>

**5. Sustainable supply chain**

Suppliers are vital to the continued success of HTC and are also important partners in supporting our sustainable development. HTC is committed to fairness and legal compliance in all its conduct towards both consumers and suppliers and has invested consistently in building a win-win partnership with suppliers through mutual sharing, learning, and growth.

HTC was founded in Taiwan and is a Taiwanese company whose operations and procurement drives developments of related sectors. Except for certain key parts and components, our general procurement policy is to use raw materials and equipment originating in Taiwan to the greatest extent possible. In 2021, the amount of local procurement of raw materials will account for 62.88%. We not only require our suppliers to provide quality services and products, but also measure our supply chain against stringent ethical and environmental standards.

• **The HTC Supplier ESG Assessment and Audit**

HTC has formulated an “HTC Supplier Code of Conduct” according to Responsible Business Alliance Code of Conduct, with the aim of working with our supply chain partners to protect the environment, uphold the human rights of our workers, their ethics, safety and health, management system and extend this social responsibility to the supply chain system. A part from requiring suppliers to sign the HTC Supplier Code of Conduct, and HTC implemented CSR compliance audits for high-risk suppliers in accordance with the “HTC Supplier Code of Conduct” and relevant regulations governing of supplier factories. Also, our audit team provided with the latest information on labor conditions, environment, health and safety with a view to elevating them to first-rate sustainable suppliers.

**A Quick Look at the HTC Supply Chain Management**

Definition of HTC Critical Supplier	Owing to differences of industry characteristics and supplier category, HTC identifies critical supplier and major audit for reference by following two principles: 1. Suppliers’ annual amount of transaction representing more than 10% of total purchase. 2. According to the mechanical components which vary based on technology, markets and purchase annually, ESG Office and sourcing departments define critical suppliers of current year based on different situations every year.	
Management Mechanism	Self-assessment Survey	<ul style="list-style-type: none"> <li>• All candidate suppliers are required to fill in the Self-assessment. Since 2016, the weight of ESG-related questions in the Self-assessment survey for new suppliers was increased. During each quarterly supplier review meeting, the ESG-related performance of major suppliers will be checked and the results will act as the reference for the supplier screening process.</li> <li>• For new suppliers, are required to fill in the ESG self-assessment questionnaire. The content of the questionnaire designed according to the five major aspects of the HTC Supplier Code of Conduct-Labor, Environment, Health, Safety, Ethics and Management System, and supporting information is required for inspection.</li> </ul>
	On-site Audit	<ul style="list-style-type: none"> <li>• “Supply Chain CSR Compliance Audit” has been implemented since 2011. Every year, HTC will based on initial risk determination (including geographic, location, products, news etc.) to execute “Supply Chain CSR Compliance Audit”.</li> <li>• In 2017, an addition was made in the manufacturing process. According to the RoHS and REACH directives, hazardous substances subject to control are required to be audited.</li> <li>• In 2021, 106 suppliers have been assessed for risk, and 6 high-risk suppliers have been selected for on-site audit. Due to the COVID-19 epidemic, the implementation will be postponed to 2022Q1-Q2. As of the end of March, the on-site audit for 4 suppliers had been completed.</li> </ul>

### The Green Supply Chain Management System

HTC set up its own management platform for green supply chain in 2006, helping RD engineers to select green materials that comply to international regulations and customer requirements from the product database. With introduction of the green materials from the source of its designing, reliability of the green products and the related schedule of its verification would be greatly enhanced. Since the end of 2007, HTC's Taoyuan factory and the Taipei building have regularly passed all audits conducted by the international certification agencies, also obtained and maintained certificates of IECQ QC080000 Hazardous Substance Process Management.

Since 2018, the CDC (Component Data Collection) subsystem has been added to the Supplier Portal System to address the issues required by the Supplier Code of Conduct, such as conflict minerals, banned and restricted substances, and greenhouse gases Emissions, etc., set the annual supplier targets, tracked and summarized through the system.

The survey of new suppliers shall comply with the HSF scoring standard. As for the existing suppliers, the HSF performance evaluation was added to the Supplier Performance Management System since 2016. Improvements are reviewed and checked via the implementation of the quarterly supplier meeting.

From 2022, it is planned to add ESG management mechanisms and improvement plans in supplier performance evaluation, and simultaneously increase the proportion of scores, in order to work together with supply chain partners to maintain the global environment.

### Responsible Procurement of Minerals

In 2012, the issue of Conflict Minerals was included in HTC supplier CSR audits. On the purchase of mineral ores, HTC supports the use of non-conflict minerals; HTC and our suppliers do everything possible to ensure that metals such as Gold (Au), Tantalum (Ta), Tin (Sn) and Tungsten (W) used by HTC do not come from mines located in the conflict region of the Congo Republic.

HTC supports the U.S. "Dodd-Frank Wall Street Reform and Consumer Protection Act" (H.R. 4173). We have also joined the joint Responsible Mineral Initiative setup by the RBA as well as the Global e-Sustainability Initiative (GeSI), and participate in the RBA /GeSI Responsible Minerals Assurance Process, (RMAP, formerly conflict-free smelter program). At HTC, we require suppliers to conform with our conflict mineral purchasing policy to reduce the use of conflict minerals. Based on Conflict Minerals Reporting Template, HTC set up KPI, tracking the progress of sign-back, in order to effectively manage the supply chain and reduce the risk of breaching the contract.

HTC will continue to push for responsible ore purchasing and look forward to our suppliers communicating our conflict mineral-free purchasing policy to upstream suppliers.

### 3.10.4 Prevention and Control of COVID-19

#### HTC Office's Principles of Pandemic Prevention of COVID-19

In response to the COVID-19 pandemic in 2021, HTC has strengthened our internal pandemic management. In addition to checking the body temperature of our employees every day, utilizing the TEAMS video conference system instead of meeting face-to-face when it's possible, wearing masks when having a conversation in the conference room in close range, installing partitions in the conference room, we also make sure the sanitation and disinfection of the public environment are being done properly. Our janitors have gotten used to clean the buttons / panels inside and outside of the elevator, the door handles of the conference rooms as well as the table top of the sofa area on the first floor with alcohol or bleach. The company is thoroughly disinfected with bleach and alcohol every two weeks.

In terms of personnel control, other than asking the employees to fill out a Health Declaration Card, allowing them to WFH and attend meetings through the TEAMS video conference systems when the pandemic gets worse, we have also implemented a staff rotation system that is to divide our staff into groups that have different working hours. This is an effective way to relieve the people traffic during peak hours, reducing crowd gathering situations as well as decreasing carbon emissions created from transportation. Employees returning from abroad to Taiwan are asked to self-quarantine at home and work from home for 14 days. If they show any respiratory symptoms or have a fever, they are obligated to notify the on-site clinic for follow-up and are advised to seek medical assistance as soon as possible and be well-rested. In addition, we advise our employees to work from home.

Also, depending on the situation of the pandemic, the medical professionals of Cardinal Tien Hospital were commissioned to enter the company multiple times to carry out rapid screening tests for our employees when the pandemic gets severe. All test results turned out to be negative. This not only makes our employees feel safer to work here, but also something we can do to protect our families, loved ones and all employees. The on-site clinic has quick-screening reagents in stock free for the employees to use and screen themselves if they are worried about any health condition they might have. When visitors and contractors enter the company, quick-screening tests are also performed. Only after confirming that the screening results are all negative, they are allowed inside the work environment.

#### The technology aid for pandemic prevention - HTC is there with you.

##### The Linebot "Disease Control Butler 3.0" against COVID-19.

In response to the COVID-19 pandemic, HTC DeepQ joined forces with CDC in 2017, and developed "Disease Control Butler". The new function in Disease Control Butler 3.0 - Taiwan V-Watch Vaccination Report System in 2021 tracks whether people have adverse reactions after being vaccinated against COVID-19. The public can get information and report their health conditions after the vaccination easily with the official LINE@taiwandcdc from the CDC.

“Disease Control Butler “ has received media coverage from TVBS, TTV, CTS, etc. It has also been awarded the COVID-19 prevention medal, a certificate of appreciation from the Ministry of Health and Welfare, the 17<sup>th</sup> National Innovation Award for Pandemic Prevention Technology Innovation, etc. Our team has also won the 100 MVP Manager Award of 2020.

By the end of 2021, the total number of users has over than 10 million persons.

### 3.10.5 Social Engagement

#### Promotion of Character Education - HTC Foundation

The HTC Foundation defines “Character” as its core mission and strives to shape a character culture through character education. We start at the personal level to create a positive influence on the environment and society. In other words, character is used to improve our inner self, improve the social environment, and from there expand to include other people so that everyone can make a contribution to society and make the world a better place.

We engage in public interest activities to espouse humanitarianism and contribute to a peaceful and harmonious society. The Foundation plays an important part in community engagement and social services to instill the core values of integrity, honesty, care, love, positive thinking, and respect for natural resources.

#### Our accomplishments:

##### Character Town

HTC foundation not only launches character education in schools but also signs “Character Town” with various towns in Taiwan. Character Learning Course is launched every month with a way of character and setting a good example with our own conduct. Group discussion and experience sharing with different themes and related to work will be arranged timely. Participants include township police station public hospital fire department land office & household registration office-affiliated institutes. Parts of institutes turn into membership in the character association. Leaders in the institutes encourage good deed via communication and integration of thoughts, which becomes the internal operating mechanism.

“Character First” course emphasizes the concept definition and operational definition with the core value of nurturing the leader and team work. Besides, it is believed that people can lead in different kinds of situation. The main goal of these courses is to nurture groups of the cadre of basic level equipped with ethics and integrity.

#### Many Blessings Courses

The HTC Education Foundation is committed to the development of character education for young people. It hopes to shape character through joint efforts by schools, parents, and society. Following the principle of “lighting a candle rather than cursing the darkness”, “the foundation has established the “Many Blessings Course” for junior and senior high school students. These free courses each last for five weeks. They include three hours of training and activity per week. A total of 7 classes in four schools will be implemented in 2021, benefiting a total of 215 students. The students get the energy to move forward and make changes inspired by their instructors and volunteers. They are encouraged to become leaders who can actively serve the public and use their own power to change the world.

### Other social engagement and actions

#### 1. Blood Donation

HTC cooperates with the Taipei Blood Center and Hsinchu Blood Center to organize blood every year. Many hot-blooded employees have cultivated the habit of regular blood donation since 2006 so they always roll-up their sleeves when they hear that the blood donation bus is coming. The enthusiastic participation of HTC employees has led to the company being presented with a certificate of appreciation every year by the Hsinchu Blood Center. In 2021, employees responded enthusiastically to blood donation activities, and 109,250 c.c in total was accounted for the amount of blood donation.



## 2. The HTC Child Support Club

The HTC Child Support Club was founded in 2006 as a spontaneous association formed by HTC employees. Members of the association initiate donation activities and donate all the funds raised to the Taiwan Fund for Children and Families (TFCF) to adopt children in need. Since its establishment, the accumulative donation has reached 15.4 million. In 2021 the total sponsored a total of 43 children. The sponsored children included 35 children from Taiwan and 8 children from abroad. The children we've sponsored in foreign countries included Guatemala, Jordan, Philippines, Senegal, Sri Lanka, Kyrgyz and Paraguay.



An image that shows the "Sick Rose AR Audiobook" picture book combined with the puzzle ▲

## 3. Cross-border cooperation plan

### New original IP content: Frame-by-frame animation with VR technology, The Sick Rose

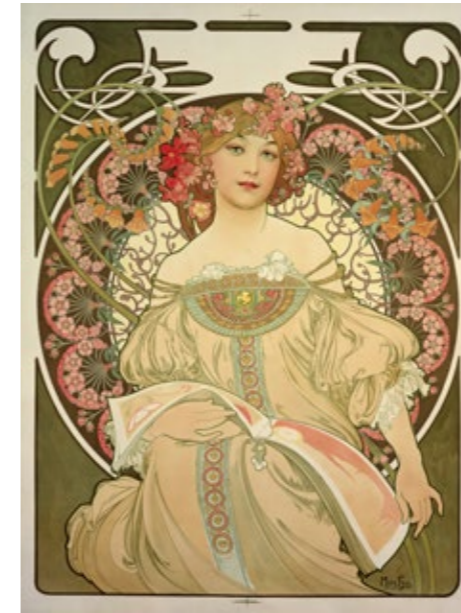
In 2021, VIVE ORIGINALS launches the world's first animation work - The Sick Rose, a combination of VR technology and stop-motion puppets. With the creativity of thinking out the box, integrating traditional craftsmanship and macro photography technology, the animation film presents the audience with a new look into the traditional stop-motion animation which stuns the world.

Not only was the animation selected for the "VIRTUAL REALITY IMMERSIVE STORY PROJECTS" in the 77<sup>th</sup> Venice Film Festival Venture Capital (VENICE GAP - FINANCING MARKET SELECTION 2020) in 2020, it was also shortlisted for major international film festivals in 2021. The VIVE ORIGINALS continue to perform well at international film festivals and let the world see how strong Taiwan's VR technology is.

- The 78<sup>th</sup> Venice Film Festival Venice VR Expanded Competition
- 2021 UK Raindance Immersive Competition
- The 50<sup>th</sup> Montreal Festival of New Cinema EXPLORE Competition
- 2021 Red Sea International Film Festival RED SEA: IMMERSIVE Competition
- 2022 SXSW Film Festival XR Experience Spotlight section

After the VR puppet animation The Sick Rose was debuted in a physical exhibition in Taiwan in November 2021, we'll be launching the Sick Rose AR stereo audiobook in 2022 with both the AR and VR versions from the SXSW Film Festival XR Competition. With this, we aim to continue increasing the popularity of The Sick Rose at international film festivals.

The "Sick Rose" AR stereo audiobook is based on the Kneading Puppet Stop-motion VR animation's soundtrack. This audiobook is a new product with cross-border and multi-forms; by combining puzzles, picture audiobook, games, AR technology and APP, this product cleverly integrates art and humanistic



education with a touch of technology. With the entry of the AR 3D audiobook Sick Rose into the retail channel, we expect it to provide the audience with the opportunity to experience both an AR 3D audiobook and a VR animation work at the same time while reading this original story about Taiwan's traditional craftsmanship which echoes with the global situation in a diverse way.

### Mucha Foundation and VIVE Arts joined forces to exhibit Mucha to Manga - The Magic of the Line

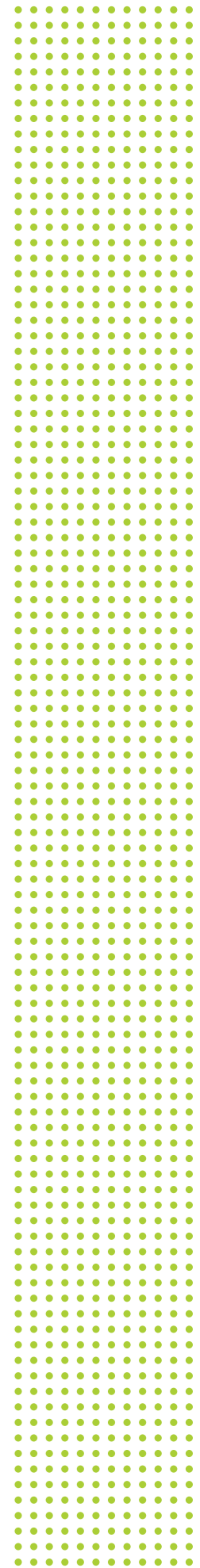
Mucha Foundation has partnered with VIVE Arts to appreciate the artistic work of Art Nouveau pioneer Alphonse Mucha in an immersive VR experience and to engage with the Mucha Foundation and the Mucha Family Collection. This event combines physical and virtual exhibitions. The exhibition will invite visitors to see the

development of Alphonse Mucha's signature linear style and how it has influenced subsequent generations

During the exhibition, you can link to the "Global NFT Artwork Trading Platform" through VIVE Arts' official website to purchase NFT collections. To commemorate the 110<sup>th</sup> anniversary of the completion of the first three paintings of Mucha's classic series "Slavic Epics", the platform will end in April 2022. Before, there will be a two-week NFT special auction, and the sales proceeds will be used to support the Mucha Foundation. In addition to Ethereum, VIVE Arts plans to support the more energy-efficient Proof of Stake (PoS) and Proof of Stake Authority (PoSA) blockchains in the future, creating a sustainable and environmentally friendly platform for digital arts.



# **CAPITAL AND SHARES**



# CAPITAL AND SHARES

## 4.1 Capital and Shares

### 4.1.1 Capitalization:

2022.04.19 Unit: Share; NT\$

Month/ Year	Price	Authorized		Paid-in		Sources of capital	Remark	
		Shares	Amount	Shares	Amount		Capital increase by assets other than cash	Other
03/2020	10	1,000,000,000	10,000,000,000	818,804,335	8,188,043,350	Capital reduction: Cancellation of Restricted Employee shares	None	Note 1 Note 2
08/2020	10	1,000,000,000	10,000,000,000	818,644,385	8,186,443,850	Capital reduction: Cancellation of Restricted Employee shares	None	Note 1 Note 2
07/2021	10	1,000,000,000	10,000,000,000	818,929,385	8,189,293,850	Issuance new shares of Employee Stock Ownership Plans	None	Note 3
11/2021	10	1,000,000,000	10,000,000,000	819,458,185	8,194,581,850	Issuance new shares of Employee Stock Ownership Plans	None	Note 3
03/2022	10	1,000,000,000	10,000,000,000	824,504,985	8,245,049,850	Issuance new shares of Employee Stock Ownership Plans	None	Note 3

Note 1: Approval Document No.: The 19 August 2015 Letter No. Financial-Supervisory-Securities-1040031777 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan

Note 2: Approval Document No.: The 19 August 2014 Letter No. Financial-Supervisory-Securities-1030031492 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan

Note 3: Approval Document No.: The 24 April 2019 Letter No. Financial-Supervisory-Securities-1080311185 of the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan

2022.04.19 Unit: Share

Type of stock	Authorized Capital			Remark
	Outstanding shares	Unissued Shares	Total	
Common Stock	824,504,985	175,495,015	1,000,000,000	Of our authorized capital, 80,000,000 shares are reserved for the exercise of stock warrants, preferred shares with warrants, or corporate bonds with warrants

### 4.1.2 Shareholder structure:

2022.04.19

Structure	Shareholder					Total
	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	
Number of shareholders	1	17	419	153,442	508	154,387
Shareholding	14	6,937,839	142,256,310	561,844,308	113,922,914	824,961,385
Holding percentage	0.00%	0.84%	17.24%	68.11%	13.81%	100.00%

### 4.1.3 Distribution of ownership:

2022.04.19 Each share has a par value of NT\$10

Common Stock Shareholder Ownership (Unit : share)	Number of Shareholders	Ownership	Ownership (%)
1 - 999	51,051	3,521,845	0.43%
1,000 - 5,000	86,552	165,878,850	20.11%
5,001 - 10,000	9,168	71,494,813	8.67%
10,001 - 15,000	2,712	34,873,492	4.23%
15,001 - 20,000	1,679	31,069,281	3.77%
20,001 - 30,000	1,194	30,729,504	3.72%
30,001 - 40,000	569	20,481,430	2.48%
40,001 - 50,000	366	16,992,383	2.06%
50,001 - 100,000	624	45,200,851	5.48%
100,001 - 200,000	236	32,615,999	3.95%
200,001 - 400,000	117	32,998,001	4.00%
400,001 - 600,000	43	21,268,598	2.58%
600,001 - 800,000	10	6,895,914	0.84%
800,001 - 1,000,000	9	8,075,950	0.98%
Over 1,000,001	57	302,864,474	36.70%
Total	154,387	824,961,385	100.00%

Preferred stock : None



#### 4.1.4 List of principal shareholders:

2022.04.19 Each share has a par value of NT\$10

Name of principal shareholders	Shares	
	Current Shareholding	Percentage
Way-Chih Investment Co., LTD.	43,819,290	5.31%
Way-Lien Technology Inc.	38,588,231	4.68%
Cher Wang	32,272,427	3.91%
Hon-Mou Investment Co., Ltd.	23,197,081	2.81%
Wen-Chi Chen	22,391,389	2.71%
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	10,104,301	1.22%
Kun-Chang Investment Co, Ltd.	9,322,824	1.13%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	9,249,079	1.12%
Citibank (Taiwan) in custody for the investment account of Polunin Developing Countries Fund, LLC	7,046,204	0.85%
Jian-Kai Property Management Co., Ltd.	5,147,000	0.62%

#### 4.1.5 Share prices for the past two fiscal years, the Company's net worth per share, earnings per share, dividends per share, and related information:

Unit: NT\$/ Thousand Shares

Item	Year	Year			
		2020	2021	2022.01.01-2022.03.31	
Market price per share	Highest market price	38.85	97.30	88.40	
	Lowest market price	25.40	27.70	55.10	
	Average market price	30.93	43.94	65.23	
Net worth per share (Note)	Before distribution	36.51	33.02	-	
	After distribution	36.51	Note	-	
Earnings (loss) per share	Weighted average shares (thousand shares)	818,731	819,721	-	
	Earnings (loss) per share	(7.27)	(3.75)	-	
Dividends per share	Cash dividends	-	-	-	
	Stock dividends	Dividends from retained earnings	-	-	-
		Dividends from capital surplus	-	-	-
	Accumulated undistributed dividend	-	-	-	
Return on investment	Price/Earnings ration	N/A	N/A	-	
	Price/Dividend ratio	N/A	N/A	-	
	Cash dividend yield	0%	0%	-	

Note : Pending on the approval of the 2020 Shareholders Meeting.

#### 4.1.6 Dividend policy and Implementation Status:

##### Dividend Policy in Articles of Incorporation

Since the Company is in the capital-intensive technology sector and growing, dividend policy is set with consideration to factors such as current and future investment climate, demand for working capital, competitive environment, capital budget, and interests of the shareholders, balancing dividends with long-term financial planning of the Company. Dividends are proposed by the Board of Directors to the Shareholders' Meeting on a yearly basis. Earnings may be allocated in cash or stock dividends, provided that the ratio of cash dividends may not be less than 50% of total dividends.

According to the Company's Articles of Incorporation, earnings shall be allocated in the following order:

- (1) To pay taxes.
- (2) To cover accumulated losses, if any.
- (3) To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital.
- (4) To recognize or reverse special reserve return earnings.
- (5) The board of directors shall propose allocation ratios for any remainder profit after withholding the amounts under subparagraphs 1 to 4 above plus any unappropriated retained earnings of previous years based on the dividend policy above and propose such allocation ratio at the shareholders' meeting.

##### Dividend distribution proposed at the most recent shareholder's meeting: (Proposal adopted by the Board pending approval by the Shareholders' Meeting.)

HTC will not distribute stock dividends at the 2022 Annual Shareholders' Meeting.

The dividend policy to be revised at this shareholders' meeting is as follows:

The Board of Directors of HTC proposed to amend the company's Articles of Incorporation, including: If there is a shortfall in the amount of "net increase in the fair value of investment real property accumulated in the preceding period" and "net reduction of other benefits accrued in the preceding period", the same amount of special reserve shall be proposed from the unallocated reserve in the preceding period prior to the distribution of the reserve, and if there is still a shortfall, it shall be credited to the current period for items other than net profit after tax after the current period.

Earning distribution is to be handled as follows: The distribution shall be made in accordance with the following provisions: when whole or part of the distributable dividends and bonuses, capital stock or statutory surplus stock, in accordance with Section 241(1) of Company Act, is distributed in the form of cash, such distribution shall be approved by the board of directors with a majority vote at a meeting attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting; and, when such dividends and bonuses, capital stock or statutory surplus stock are distributed in the form of issuing new shares, the distribution shall, in accordance with the Company Act, be made after the adoption by the shareholders' meeting.

#### 4.1.7 Impact of the stock dividend proposal on operational performance and earnings per share:

HTC will not distribute stock dividends at the 2022 Annual Shareholders' Meeting.

#### 4.1.8 Compensation of Employees, Directors, and Supervisors

##### Percentage and scope of employee, Director and Supervisor compensation as stipulated in the Company's Article of Incorporation.

If the Company makes profit for the current year, Company shall have minimum of 4% of such profit distributable as employees' compensation in the form of stock or in cash as resolved by the board of directors. Employees of parents or subsidiaries of the Company meeting certain specific requirements shall also be entitled to receive such stock or cash, certain specific requirements will be determined by the Board of Directors. Board of directors may resolve to distribute up to maximum of 0.25% of the profit of current year mentioned in preceding paragraph as remuneration to directors. Proposed distribution of profit as employees' compensation and remuneration to directors shall be presented at shareholders' meeting.

If the company has accumulated loss, the profit shall first be used to offset the loss. The remainder of the profit may then be distributed as employees' compensation and remuneration to directors based on preceding proposed ratios.

##### The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The basis for "estimating" the compensation of employees and directors is based on relevant laws, articles of incorporation and past experience. If the actual amounts differ from the estimated number, the differences are recorded and adjusted in the following (financial reporting) year as changes in accounting estimate.

##### Information on any approval by the board of directors of distribution of compensation:

HTC will not distribute Employee Compensation at the 2022 Annual Shareholders' Meeting; therefore it is not applicable.

##### The actual distribution of employee, director, and supervisor's compensation for 2020

No distribute for employee, director, and supervisor compensation in 2020.

#### 4.1.9 Buy-back of corporation shares: None

#### 4.2 Issuance of Corporate Bonds: None.

#### 4.3 Status of Preferred Shares: None.

#### 4.4 Global Depository Receipts

2022.04.19

Issue Date	2003.11.19		
Issuance and Listing	Luxembourg		
Total amount	USD 105,182,100.60		
Offering price per GDR	USD 15.4235		
Units issued	9,015,121 units (note)		
Underlying securities	Cash offering and common shares from selling shareholders		
Common shares represented	36,060,497 shares (note)		
Rights and obligations of GDR holders	Same as that of common share holders		
Trustee	Not applicable		
Depository bank	Citibank, N.A. – New York		
Custodian bank	Citibank Taiwan Limited		
GDRS outstanding	384,086 units		
Apportionment of expenses for issuance and maintenance	All fees and expenses such as underwriting fees, legal fees, listing fees and other expenses related to issuance of GDRS were borne by HTC and the selling shareholders in proportion to the actual sale of share, while maintenance expenses such as annual listing fees and accounting fees were borne by HTC.		
Terms and conditions in the deposit agreement and custody agreement	See deposit agreement and custody agreement for details		
Closing price per GDR	2021	High	USD 13.09
		Low	USD 3.96
	2022.01.01-2022.04.19	Average	USD 6.21
		High	USD 12.46
		Low	USD 6.50
		Average	USD 8.99

Note: The total number of units issued includes the 6,819,600 units originally issued (representing 27,278,400 shares of common stock) plus additional units issued in stock dividends in past years on common shares underlying the overseas depository receipts, as itemized below.

18 August 2004: dividends issued on common shares underlying the overseas depository receipts in the amount of 216,088 additional units (representing 864,352 common shares)

12 August 2005: dividends issued on common shares underlying the overseas depository receipts in the amount of 70,290 additional units (representing 281,161 common shares)

1 August 2006: dividends issued on common shares underlying the overseas depository receipts in the amount of 218,776 additional units (representing 875,107 common shares)

20 August 2007: dividends issued on common shares underlying the overseas depository receipts in the amount of 508,556 additional units (representing 2,034,224 common shares)

21 July 2008: dividends issued on common shares underlying the overseas depository receipts in the amount of 488,656 additional units (representing 1,954,626 common shares)

9 August 2009: dividends issued on common shares underlying the overseas depository receipts in the amount of 170,996 additional units (representing 683,985 common shares)

3 August 2010: dividends issued on common shares underlying the overseas depository receipts in the amount of 311,805 additional units (representing 1,247,223 common shares)

26 July 2011: dividends issued on common shares underlying the overseas depository receipts in the amount of 210,354 additional units (representing 841,419 common shares)

## 4.5 Employee Share Warrants

Employee share warrants are adopted to attract and retain important talent necessary for the company's development, and to increase employees' commitment and dedication to the company, so as to jointly benefit the company and its shareholders. The 3rd&4th, 5th and 6th Grants were approved by Financial Supervisory Commission, Executive Yuan on August 19, 2014, April 24, 2019 and July 12, 2019, the total quantities of the current issuance are 20,000,000, 20,000,000 and 10,000,000 units, respectively. Each stock warrant unit may be used to purchase one share of common stock of HTC. The share purchase price shall be the closing price of HTC common stock on the date of issuance of the employee stock warrants.

### 4.5.1 Issuance of employee share warrants and impact to shareholders' equity

2022.04.19 / Unit: share and NT\$

Employee Stock Options Granted	3 <sup>rd</sup> Grant	4 <sup>th</sup> Grant	5 <sup>th</sup> Grant	6 <sup>th</sup> Grant
Approval Date	August 19, 2014	August 19, 2014	April 24, 2019	July 12, 2019
Issue (Grant) Date	October 31, 2014	August 11, 2015	May 16, 2019	November 12, 2019
Number of Options Granted	19,000,000	1,000,000	20,000,000	10,000,000
Percentage of Shares Exercisable to Outstanding Common Shares	2.30%	0.12%	2.43%	1.21%
Option Duration	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.	The duration of the stock warrants is 10 years. The stock warrants and rights and interests therein may not be transferred, pledged, given to others, or disposed in any other manner, except by succession.
Source of Option Shares	New Common Share	New Common Share	New Common Share	New Common Share
Vesting Schedule(%)	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%	After 2 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Two full years have elapsed: 60% Three full years have elapsed: 100%	After 3 full years have elapsed from the time the stock warrant holder is allocated the employee stock warrants, the warrant holder may exercise the share purchase rights according to the schedule set out below. Percentage of share purchase rights that may be exercised according to the time elapsed since the allocation of the stock warrants (cumulative) Three full years have elapsed: 75% Four full years have elapsed: 100%
Shares Exercised	0	159,000	6,317,000	0
Value of Shares Exercised	NTD 0	NTD 8,665,500	NTD 224,253,500	NTD 0
Shares Unexercised (Note 2)	2,005,200 shares	90,000 shares	8,861,000 shares	8,536,000 shares
Adjusted Exercise Price Per Share	NTD 134.5	NTD 54.5	NTD 35.5	NTD 35.05
Percentage of Shares Unexercised to Outstanding Common Shares (Note 1)	0.24%	0.01%	1.07%	1.03%
Impact to Shareholders' Equity	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited	Dilution to shareholder's equity is limited

Note 1: The information is calculated based on the issued shares, 824,504,985.

Note 2: The number of invalid shares due to resignation was deducted.

## 4.5.2 Employee stock options granted to management team and to top 10 employees

2022.04.19 / Unit: share and NT\$

Title	Name	Number of Option Acquired	Number of Op-tion Acquired / Number of Op-tion Issued (Note1)	Exercised			Unexercised					
				Number of Option	Exercise Price per Shares (NTD)	Option amount	Number of Option Issued (Note1)	Number of Option	Unexercised Price per Shares (NTD) (Note 3)	Option amount	Number of Option Issued (Note 1)	
Managers	Chief Financial Officer and Accounting Officer	3,460,000 shares	0.42%	455,000 shares	NTD 35.5	NTD 16,152,500	0.06%	3,005,000 shares	NTD 134.5, NTD 54.5, NTD 35.5 and NTD 35.05	NTD 159,560,000	0.36%	
	General Counsel and Corporate Governance Officer											ChiaTe Lu
	Chief Technology Officer											WH Liu
	Senior VP											Adrian Tung
	Senior VP											Raymond Pao
	Chief Global Management Officer											Caleb OuYang
Employee (Note 2)	Alan Chen	4,585,000 shares	0.55%	1,094,000 shares	NTD 35.5	NTD 38,837,000	0.13%	3,491,000 shares	NTD 134.5, NTD 54.5, NTD 35.5 and NTD 35.05	NTD 143,801,750	0.42%	
	Alvin Graylin											
	Asii Wu											
	Charles Huang											
	Daniel Gong											
	Daniel O'Brien											
	James Liao											
	Joseph Lin											
	Madeline Chen											
	Richard Tsai											

Note 1: The information is calculated based on the issued shares, 819,458,185.

Note 2: The top 10 employees are granted employee stock options are without managerial position.

Note 3: The unexercised price per shares is calculated by the unexercised option amount to unexercised number of options.

## 4.6 New Restricted Employee Stock

### 4.6.1 Status of Employee Restricted Stock: None

### 4.6.2 Restricted employee stock to management team and to top 10 employees: None

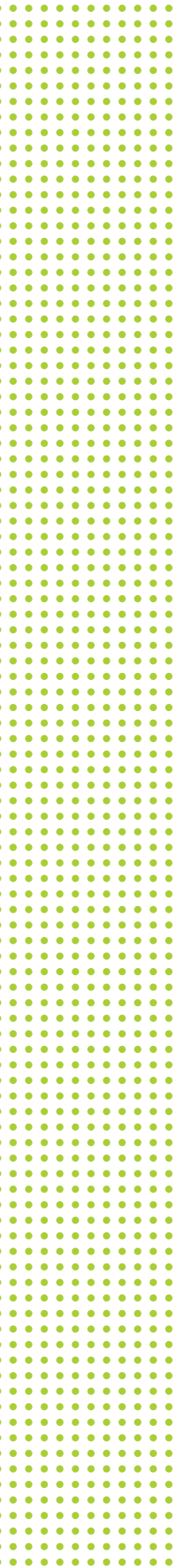
## 4.7 Issuance of New Shares for Mergers and Acquisitions:

None.

## 4.8 Implementation of the Company's capital allocation Plans: Not applicable



# **BUSINESS OPERATIONS**



# BUSINESS OPERATIONS

## 5.1 Business Activities

### 5.1.1 Business Scope

In 2021, HTC maintained its engineering and design edge, delivering high quality hardware, software, platforms and services to markets including enterprise, education, arts, entertainment and healthcare. HTC defined the key building block technologies underpinning this new world as VR/AR, artificial intelligence, blockchain, and high-speed connectivity such as 5G, and has made significant strategic investments in these areas. The resulting innovation drive positions HTC well in its transition to a complete metaverse company.

### VIVE Systems

The HTC VIVE VR Headset Edition was launched in February 2016, and product shipments were sent in April of that year. This made it the world's first VR headset featuring the leading Room-Scale VR technique. Since then, VIVE's growth not only took the entire VR industry into the next generation, but also led to even more flourishing prospects for the industry.

At the end of 2017, HTC released VIVE Focus, the first high-end all-in-one VR product that supports 6DoF, bringing the mobile VR experience to the consumer market and advertising and corporate all over the world in a convenient and powerful way.

In 2018, HTC released the VIVE Pro and the VIVE Wireless Adapter, winning over 29 awards at CES, including the Best of CES 2018 Awards and the Coolest VR Innovation at CES. VIVE Pro is designed for VR users who crave the ultimate experience. It features dual OLED lenses with an upgraded resolution that is 78% better than before, 3D surround sound, and ergonomics hardware design. This further strengthens VIVE's leading role in the VR ecosystem. On the other hand, for those who keen on the wireless feature, we heard you, and we listened. We released the VIVE Wireless Adapter powered by Intel® WiGig technology, allowing consumers to enjoy the limitless and ultimate experience without wires.

At CES 2019, HTC launched a range of brand-new products, including VIVE Pro Eye, VIVE Cosmos, VIVEPORT Infinity, and VIVE Reality System. The revolutionary hardware and software designs as well as the application content services we exhibited through these products have set a new standard for the

high-end VR experiences. This has received worldwide recognition and won multiple global awards. The latest achievements HTC has made in the development of high-end VR serve as an example of the industry leading technology and content we possess. HTC is dedicated to redefining how consumers and corporate user approach and experience VR. As commercial needs for VR grow and develop, the launch of VIVE Pro Eye pushes eye-tracking VR technology even further forward. Whether it's for making onboard training, more effective, or performing data analysis in a more perceptive way, VIVE Pro Eye provides a solution for professionals that continues to improve the ways we interact or work with VR.

Regarding all-in-one devices, the professional all-in-one VR we tailor-made for our business users, VIVE Focus Plus, entered its shipment phase in April 2019. VIVE Focus Plus is the new generation of our all-in-one VR devices; with the improved Focus Headset featuring a Duo 6DoF controller instead of the previous 6DoF, our users will be able to interact with VR surroundings seamlessly, as if they were using PC VR equipment.

Hardware isn't the only thing that matters for VR and AR; we believe that the platform and the software are crucial as well. At the beginning of 2019, we launched the world's first limitless, multi-brand VR subscription service, VIVEPORT Infinity, and the brand-new menu interface, VR VIVE Reality System. With these, we greatly enhanced the VIVE platform's originally plain menu interface. We introduced a brand-new UI, portrait interface, and way of sharing and displaying content. Every detail right from the moment you put your headset on and every small feature of the user interaction has been polished, to create a brand new, exclusive and comprehensive VR user experience for you.

In 2020, in order to provide VIVE Cosmos users with the same level of precision and tracking accuracy of the VIVE Cosmos Elite experience, you are now able to separately purchase the VIVE Cosmos External Tracking Faceplate. This allows VIVE Cosmos users to experience the mobility of the inside-out tracking system and the accuracy of the outside-in precision tracking feature. The VIVE Cosmos External Tracking Faceplate is suitable for the users' needs both at home and at work. The VIVE Cosmos External Tracking Faceplate is compatible with SteamVR Base Station 1.0, SteamVR Base Station 2.0, VIVE Controller 1.0, and VIVE Controller 2.0. Furthermore, it is fully supported by all VIVE accessories, including the VIVE Tracker and the VIVE Wireless Adapter. An extraordinary and limitless VR experience awaits!

At VIVECON 2021, HTC presented two types of new-generation VR headsets that are made in Taiwan and feature a 5K display resolution and a wide 120-degree field of view (FOV), showcasing HTC's determination to continue as a designer of the new era of VR applications. As a member of the multi-award winning VIVE Pro series, VIVE Pro 2 caters to the needs of enterprises and professional users, providing enjoyment such as high-end PC-based VR games, creation and experience. VIVE Focus 3 is the world's first flagship-level commercial standalone VR featuring a 5K resolution; it will provide total solutions for corporate VR applications. VIVE Pro 2, a flagship-level PC-based VR device and VIVE Focus 3, a flagship-level standalone VR device, are both made in Taiwan, evidencing Taiwan's strength in software and hardware design.

### VIVE Flow

VIVE Flow was announced in October 2021, which broke new ground by launching this portable VIVE Flow immersive glasses made for wellness and mindful productivity. The immersive VR glasses are designed to help people relax, refresh, and restore find moments throughout their daily lives. Compact and lightweight, VIVE Flow goes where you go.

At 189 grams, VIVE Flow elevated the portability and compatibility through a simple wireless connection to your phone. Use your connected phone as a controller or even an external power source to start your VR experience with simply Plug-and-VR. Adjustable diopter lenses and proprietary dual-hinge fit design ensure comfort and stability for different users.

VIVE Flow supports peerless graphics with a wide field of view up to 100 degrees, sharp 3.2K resolution, and a fluid 75Hz refresh rate. Along with built-in speakers pumping out crisp and immersive spatial audio straight out of the box, the foldable VIVE Flow takes on-the-go immersion to the next level.

Transform any environment into a Lo-Fi distraction-free VR workspace or cast phone apps onto a large private screen in VR. With VIVE Flow, you can discover new ways to relax and refresh in virtual reality.

### VIVE Pro 2

VIVE Pro 2 was named a CES® 2022 Innovation Awards Honoree in the Virtual & Augmented Reality category at the Consumer Electronics Show (CES), the largest international consumer electronics event in the United States. Featuring a stunning 5K high-resolution display and a wide 120-degree field of view (FOV), the VIVE Pro 2 delivers visual effects that are excellently smooth, detailed and crystal clear.

The VIVE Pro 2 features an adjustable inter-pupillary distance (IPD) function, balanced front-rear weight



distribution, an adjustable strap and a quickly-scaled knob that allows adjustments to wearing configurations for different users. Aside from supporting third-party earphones, VIVE Pro 2 also features a set of headphones that is certified by Hi-Res Audio and capable of delivering 3D spatial audio. VIVE Pro 2 is compatible not only with the Steam VR system and peripheral accessories, including Tracker 1.0, Tracker 2.0, VIVE Controller, VIVE Wireless Module or VIVE Tracker of whatever generation and the new VIVE Facial Tracker, but also with other third-party Steam VR motion sensing accessories, e.g., Valve's Index knuckle controller.

### VIVE Focus 3

As a flagship-level standalone device, the VIVE Focus 3 offers total solutions for commercial VR activities; it provides an optimum immersive experience and an outstanding wearing experience through its outstanding visual effects, ergonomic design catering to human needs, optimum audio effect and advanced inside-out tracking system and controllers.

Featuring an industry-leading 5K resolution, a 90Hz refresh rate, a wide 120-degree field of view (FOV) closest to human eyes and RGB sub-pixel display, the VIVE Focus 3 offers optimum visual immersion to an extent that even the sophisticated brushstrokes are well presented, enabling life-like interaction between the software designer and the user.

VIVE Focus 3 is powered by Qualcomm's updated Snapdragon™ XR2 platform that features stunning performance. Such a platform, if compared with the one that powered the VIVE Focus of the previous generation, it features a twofold higher GPU and CPU performance and an eleven-fold higher AI processing performance. In addition, VIVE Focus 3 has heat copper pipes and a cooling fan that can keep it cool under intense use.

In order to offer a wearing experience that is most comfortable and convenient and lasts for a longer session, the VIVE Focus 3 is equipped with a curved and fitting swappable battery pack, as well as a new strap that makes the helmet a natural counterweight. Changing of VIVE Focus 3's battery pack only takes a few seconds; such a swift battery changing enables the continuous use of the device even after it has been used all day long. In addition, only 30 minutes of recharging is required for reaching a 50% charge; the LED indicator light shows the instant battery level. The VIVE Focus 3 is equipped with a new directional speaker that has a pair of built-in drivers, rendering a life-like and immersive audio effect. Its open-back audio design allows users to immerse themselves in the VR world while being alerted to external sounds.



Its distinctively directional audio frequency design can reduce sound leakage. This minimizes the risk that the neighboring person would hear the voice when a meeting is conducted and so ensures privacy.

The VIVE Focus 3 uses an AI-driven inside-out tracking system for precise tracking; it stores all tracking data in the headset's encrypted partition (on-device end), as opposed to any cloud storage spaces to protect users' privacy. Being among the lightest 6 DoF (degree of freedom) controllers on the market, the redesigned controller offers more intuitive use experience; one single recharge can last for 15 hours.

### **VIVE Wrist Tracker**

The new VIVE Wrist Tracker, a new lightweight and versatile VR Tracker from VIVE, designed for our award-winning VIVE Focus 3 – an industry leading All-in-One headset which uses Inside-out tracking.

Lightweight, accurate, versatile, VIVE Wrist Tracker can easily be worn on the wrist or attached to objects so they can be tracked in 3D space. It's 85% smaller than a VIVE Focus 3 controller, and 50% lighter at just 63g.

VIVE Wrist Tracker is also intuitive to use, with a simple one-button pairing feature to connect wirelessly to VIVE Focus 3. The strap can be removed and cleaned easily, or even switched out for a different one. VIVE Wrist Tracker delivers up to four hours of constant use, with an LED indicator to show you the battery status, and is charged via USB-C connector.

### **VIVE Tracker 3.0**

The VIVE Tracker can bring real objects into virtual space with ease, regardless of the objects being a tool, a camera or a person's full body. It is an ideal equipment for simulation and motion capturing in VR production; yet, this is only the beginning. Compared with VIVE Tracker of the 2018 version, VIVE Tracker 3.0 has the same functionalities and precision but is 33% smaller, 15% lighter and 75% more durable in terms of battery life.

### **VIVE Facial Tracker**

The VIVE Facial Tracker accurately captures the facial expression and lips movements below the nose; it then authentically presents such capturing in the virtual world to express the users' emotions in real-time. The movement of the lips accompanies the voice, thanks to almost-zero latency. By capturing 38 blends of the movements of the lips, jaw, teeth, tongue and cheeks, the VIVE Facial Tracker is capable of accurately conveying expressions even as subtle as a smile or a look without a care. If working in tandem with VIVE Pro Eye, it can track all facial expressions.

## **VIVERSE**

In 2021, VIVEPORT saw the addition of nearly 200 premium games and apps, 70% joined the Infinity subscription program. Fascinating Content and Compelling Virtual Experiences has maintained steady growth in platform users. VIVEPORT launched a whole new ecosystem and a library of 100+ titles for the new VIVE Flow Immersive Glasses. The launch library spanned across a variety of genres from Wellbeing and Arts & Culture to Media Entertainment and Casual Gaming. VIVEPORT launched Infinity Vista, a new Infinity subscription plan for smart glasses like VIVE Flow, to invite more new VR users to enjoy exclusive content including video, game, business and well-being apps.

In 2021, VIVEPORT continues to build partnerships with the industry, VIVEPORT made huge strides with 20 partnerships with international film and gaming festivals from around the world, including La Biennale di Venezia (Italy), Festival de Cannes (France), Tribeca Film Festival (USA) and BIG Festival (Brazil). VIVEPORT provided the platform that enabled these high-profile Arts & Culture institutions to connect with their audiences.

VIVEPORT partnered with iconic Japanese artist Shu Yamamoto to launch the "Step into Cat Art" online exhibition. The CAT ART online exhibition features virtual versions of all 124 pieces of Yamamoto's The Hisstine Chapel murals for the first time. The CAT ART virtual exhibition is the world's first virtual exhibition allowing multiple visitors to enter the same venue at the same time for a lively, immersive and interactive virtual exhibition experience as well as supports cross-device viewing on any mobile, PC, or VR devices. This exhibition was shortlisted for the Best Multiplayer Experience Award at the 2021 Raindance Film Festival, which is one of the world's top 50 film festivals.

The first co-produced anime, BIRDIE WING-Golf Girls' Story, from this partnership will be released this year. It's not only the first anime IP that VIVEPORT has invested in, but also the world's first original anime featuring women's golf. ' BIRDIE WING-Golf Girls' Story' is an important milestone for HTC's VIVERSE strategy. Together with VIVEPORT Infinity, our content ecosystem in the metaverse era is taking form.

Three devices, VIVE Flow, Skyworth S802 and QIYU SE AIO, joined VIVEPORT Infinity family. VIVEPORT continues the collaboration with HW partners to engage more end users and accelerate the expansion of the ecosystem.

VIVEPORT supports the latest VR runtime standard from OpenVR in VIVE Cosmos to OpenXR in VIVE Pro/Pro 2 and would expand the scope to cover VIVE Wave™ runtime devices in 2022. VIVEPORT has grown its commitment to being the go-to hardware-agnostic VR platform and subscription service, and has taken an extra step forward in being OpenXR-ready.

In 2021, HTC launches VIVE Business, which includes hardware products, software solutions, and ISVs (Independent Software Vendors) program. VIVE Business supports different use cases like Training/Simulation, Collaboration, Design/visualization, Entertainment, and Sales/Marketing.



The benefits of VIVE Business are Seamless set-up, Easy to manage, Quality content, Private & Security, Great user experience, Designed with business in mind, etc. VIVE Business makes quick work of creating an enterprise VR network, ensure the devices are ready-to-go. Adopt a single portal allows you to manage devices, content, and software, for PC and all-in-one VR devices, ensure VR system and data safe, private, and secure. VIVE Business got ISO 27001 and ISO 27701 certificate in 2021.

In the hardware products, VIVE Business offers a variety of product options for a customized solution that will meet business needs, including PC VR, All-in-one VR and Warranty. In the software solutions, VIVE Business provides Device Management System and AppStore. Device Management System is a platform to manage content and configure devices with efficiency and ease all in one place. Manage by user account, content or device to optimize efficiency. Get enterprise-level support and tailored technical services. AppStore provide high quality VR contents, including VIVE Sync, VIVE XR Suite, VIVE Business Training, VIVE Business Streaming, and more. Customer can purchase contents via website by credit card directly or contact Sales to get a quote.

VIVE Business work together with ISVs (Independent Software Vendors) and Enterprise Developers, VIVE is growing its portfolio of end-to-end software solutions for business customers. Through the VIVE ISV Partner Program, we provide additional resources and structured support to help ISVs accelerate adoption of VR solutions and win more business, with VIVE as a preferred platform partner. Our ISV partners across different use cases as above and different industry like Real Estate, Sports/Fitness, Public Safety, Manufacturing/Automotive, Location Based Entertainment.

## G Reigns

2020 ushered in a fast growing 5G trend. Looking forward, 5G will open up new possibilities with powerful bandwidth and innovative technology applications. Distance and time will be redefined through high-speed and low-latency networks among the Internet of Things (IoT) and automatic guided vehicle (AGV), as well as people-to-people and machine-to-machine networks. HTC is well poised to lead these new technological trends. In 2019, HTC started to cooperate with world-renowned hardware manufacturers and software partners for 5G Private Network vertical applications POC and support 5G vertical applications trials. Powerful and flexible, HTC's Private 5G is compliant with 3GPP and using an x86 base server to compose a 5G network system including 5GC, BBU, RRU and L3 switch. This 5G Private Network is designed to work “seamlessly” with O-RAN architecture to allow organizations to buy ‘off-the-shelf’ hardware components and then run tailored software to create our own private 5G solution, scalable to any size. In the coming year, HTC will continue to invest in the research and development of new 5G use cases that combine VR/AR, camera, block chain, and AI technologies to further enhance and implement 5G strategies. We have teamed up with partners for global 5G Private Network business opportunities and looking forward significant growth in 2021.

## HTC Smartphones and Connected Devices

HTC Desire 21 pro 5G Announced in January 2021, the HTC Desire 21 pro 5G delivers the power of 5G to a whole new audience. HTC Desire 21 pro 5G brings a rich cinematic display, AI-assisted camera solution and a big tier-leading battery, augmented by the power of 5G at an aordable price point.

The Desire 21 Pro 5G boasts a rapid 90Hz refresh rate on a stunning 6.7-inch FHD+ display, providing a compromise-free screen to enjoy high-fidelity 5G-streamed content. Dual connectivity support allows users to be seamlessly transitioned as 5G infrastructure matures, ensuring a fast and consistent connectivity experience.

The camera setup is led by a huge 48MP main lens, 8MP ultra-wide lens, 40mm macro lens, dedicated depth sensor and a 16MP front facing lens, allowing users to take excellent photos under all conditions. A suite of cutting-edge features, including low light, panorama, intelligent photo and pro mode provide users the flexibility to get the best out of their shots.

To accompany all this, the HTC Desire 21 pro 5G includes a whopping 5,000 mAh battery boosted by Qualcomm Quick Charge 4.0+, so that users can enjoy the best that the 5G era has to offer- without interruption.

## VIVE Arts

VIVE Arts is a global initiative aimed at enhancing the artistic creation and appreciation through the latest technologies. VIVE Arts exemplifies the unity of technology, humanity, and imagination that forms the foundation and core values of the VIVE brand. Since 2016, HTC has been actively exploring the potentials of virtual reality in the creation, appreciation, education, and promotion of the arts. The establishment of VIVE Arts in 2017 not only provided artists with a brand-new creative medium, and platform, but also opened a portal for humans to appreciate the humanities and arts without time-space limitations. To date, VIVE Arts has formed over 50 meaningful partnerships with leading museums and cultural institutions globally.

In 2021, VIVE Arts Limited is officially established with a new brand identity and an online art trading platform. As the cultural sector is still under the impact of COVID-19, VIVE Arts continued to play a crucial role in this sector by offering museums and cultural institutions the tools to engage with their audiences using virtual reality technology.

The creation of one-of-a-kind immersive experiences has offered VIVE Arts a business model for licensing and receiving a revenue share on sales of co-produced virtual artworks and experiences. Take our partnership with the renowned Victoria & Albert Museum in London as an example, the landmark exhibition ‘Alice: Curiouser and Curiouser’ finally opened in May 2021; welcoming around 167,500 visitors

to the show. After closing the exhibition in December 2021, VIVE Arts has successfully secured a business collaboration with an international exhibition company to license and tour the Curious Alice VR experience in China. Both VIVE Arts and the museum shall receive licensing fee and ticket revenue share for the duration of the tour.

Other licensing project including our collaboration with M+ Museum in Hong Kong. The museum license four VR titles and artworks commissioned or co-produced by VIVE Arts. The titles include Planet City by Liam Young, Endodrome by Dominique Gonzalez-Foerster, Universe of Liu Kuo-sung by the ink master, Liu Kuo-sung and Re-animated by media artist, Jakob Steensen.

VIVE Arts launch our NFT service and online trading platform in December 2021. The inaugural sale of ‘Timeless Mucha’, organized in partnership with the Mucha Foundation, drops on Friday 17 December at 2am GMT. It includes editions of 2, 10 and 30 of some of Alphonse Mucha’s best loved images: ‘La Dame aux Camélias’, ‘Rêverie’ and the series of decorative panels ‘The Arts’: ‘Painting’, ‘Poetry’, ‘Dance’ and ‘Music’. The sale coincides with the opening of the exhibition ‘Mucha to Manga – The Magic of the Line’, organized by the Mucha Foundation in Taipei.

Looking into 2022 and beyond, immersive digital art experiences are becoming the most popular and important genre in the cultural sector. Apart from XR technology, blockchain and Web 3.0. technology have made a great impact in the art world and will continue shaping the future of the art world. VIVE Arts is well-positioned to continue to offer innovative and inspiring exhibitions to people around the world, in partnership with the most influential artists and cultural institutions.

## VIVE ORIGINALS

A content brand and platform under HTC VIVE, HTC VIVE ORIGINALS focuses its development on four aspects, including “Content Production”, “Business Channels”, “Platform Services” and “Solution Provision” to achieve the brand’s goal of “creating entertainment experiences with cultural value in the virtual world for people”.

As a content creation team at the forefront, HTC VIVE ORIGINALS is devoted to producing and distributing original XR content. It incorporates core technologies including volumetric capture, blockchain, and XR to explore the development of industries including film, arts, music, and the metaverse. HTC VIVE ORIGINALS’ recent production BEATDAY, the world’s first holographic music metaverse to fulfill the vision of VIVERSE of producing entertainment content. Since its foundation in 2016, the team has created eleven projects: six VR 360° films (“The Deserted” and “5x1” composed of five episodes) winning 3 major awards and nominated at 43 international film festivals, followed by the immersive animation “Gloomy Eyes” winning 2 major awards and nominated at 6 international film festivals. Moreover, the interactive VR work “INORI” and “An Ode to Moss” were also highly recognized and were nominated at 5 international film festivals; Asia’s first dough figurine stop-motion VR animation “The Sick Rose” was also selected to 7 different international film festivals, and received recognition at

SXSW together with “BEATDAY - The Beginning - Mini VR Concert.” The team continues to work on new XR interactive content, including the “Fang-Yi Sheu biography volumetric VR film,” which is supported by Taiwan Creative Content Agency (TAICCA), and “The Sick Rose: AR Pop-up Story Book.”

### Business Channels

By profiting through new business models like public broadcasting authorization of cross-domain content, exhibition-making, and art collection and dealing, HTC VIVE ORIGINALS actively seeks cooperation opportunities on technology application and investment with the public sector. Expanding the market scale and creating industrial value, it combines virtual technology with creative, cross-disciplinary and cross-domain content. With “BEATDAY” - the music metaverse, combining music, gaming, cross-industry technology, and the virtual and the physical integrated business model, we will collaborate with business enterprises to virtualize the merchandise and turn them into different props in the holo-concerts, integrating online and offline e-commerce to expand the brand’s awareness.

### Platform Services

HTC VIVE ORIGINALS launches “BEATDAY”, a metaverse entertainment platform; produced metaverse Holo-concerts, providing a cross-device (PC, mobile, tablet, VR version) platform with exclusive metaverse music experience. “BEATDAY” will present paying concerts combining NFT and cryptocurrency, offering more consumption patterns for users to choose from. Based on the music industry, “BEATDAY” will also integrate with fashion shows, advertisement services, financial services, and arrange virtual space renting services which allows corporations and individuals to conduct activities in the metaverse; expanding to a more comprehensive experience and fully realizing the entertainment side of the metaverse era. We will also initiate “BEATART” to provide virtual arts display in the metaverse, and the services to exchange through blockchain.

### Solution Provision

HTC VIVE ORIGINALS inaugurates the first commercial virtual volumetric capture studio in the private sector, which can document the full details of artists’ facial expressions and body movements. Also applying motion capture, CG animation, real-time operational engine and so on, it offers a new kind of entertainment experience in the metaverse. Meanwhile, HTC VIVE ORIGINALS also develops the VR Theatre Management System (TMS) to provide a simpler and more user-friendly management interface through systematic playback management.

## DeepQ

HTC DeepQ is comprised of cross-domain experts and engineers in areas such as computer science, software engineering, medicine, regulations, user experience, design, through digital technology, big data and artificial intelligence technology, all with the goal of developing and providing precision personalized medical products and services to reduce costs and improve the effectiveness of healthcare.

### **Disease Control Butler (DCB) + 1922 SMS Contact Tracing System**

In 2020, in response to the COVID-19 pandemic, HTC DeepQ cooperated with the CDC to upgrade DCB to provide the most instant news of COVID-19, and related pandemic prevention information, quickly check the stock of masks for nearby pharmacies, decrees or health education propaganda, NHCC(National Health Command Center) news, and COVID-19 press conference live online, fake news clarification area, etc. In May 2021, the LineBot of DCB added the function of 1922 SMS Contact Tracing System. The public can use the LineBot of DCB to scan the QR code of the store for automatically bringing in the place code, and then send it to 1922 to complete the user location and contact information tracing. It will assist the CDC investigation of COVID-19 infection. The number of DCB users has exceeded 10 million.

### **Taiwan V-Watch – COVID-19 Vaccination Report System**

In March 2021, HTC DeepQ cooperated with the CDC to build a new service “Taiwan V-Watch Vaccination Report System”, to track whether people have adverse reactions after being vaccinated against COVID-19, so that people can use the linebot of DCB to easily report the health status after vaccination.

People only need to scan the exclusive QR code of “Taiwan V-Watch” at the vaccination site, and they can easily join the health report tracking system. The DCB reminds people to report their daily symptoms through regular LINE push broadcasts, and also based on the content of people’s reports to give appropriate care and response in the most approachable way, so that the public can easily track their health and also help the CDC to study the post-vaccination response to COVID-19..

### **DeepQ AI Platform**

HTC “DeepQ AI Platform” dramatically reduces learning thresholds and the cost of AI model training through an acceleration technology and system, optimized training environment, built-in multiple AI models, fully automated parameter adjustments, and a simple user interface. It is composed of DeepQ AIP workstation and NVIDIA DGX-1 and designed to operate inside a hospital IT environment.

In 2021, the cloud version of “DeepQ AI Platform” launched to provide individual doctors or a small number of project teams to easily complete AI model development without investing high hardware costs..

### **Medical VR**

The HTC Medical VR team is committed to the vertical application of virtual reality to medical education and clinical applications. In addition to greatly improving the interest and effectiveness of medical education, it can also improve the communication between doctors and patients and the quality of medical care, creating maximum social well-being. At the same time, the Medical VR team accelerates the development of the global medical VR ecosystem and cooperates with virtual reality developers to implement the virtual reality of medical innovation technology in the actual field and integrate it into

practical applications. It has established partnerships with many hospitals and universities. Successfully become a world-class benchmark, and jointly build the world’s top virtual reality medical teaching center, so that medical education and training can be upgraded to the next generation.

3D Organon is the world’s first virtual reality anatomy teaching application, combining the leading technologies of VIVE Pro Eye, VIVE Pro, Cosmos, Focus 3, Focus Plus, and Focus to create Extended Reality (XR) and A forward-looking application for global multiplayer connections. The application supports 16 languages around the world, built-in more than 12,000 realistic human structures and organs, 550 sets of physiological animations, 18 microscopic anatomical models, combined with virtual reality stereoscopic images, users can manipulate bones in 3D space, muscles, blood vessels, organs, and other anatomical structures, examining structures from all angles. Not only supports virtual reality platforms, but also supports versions of different operating systems across platforms. Greatly enhance students’ interest and effectiveness in learning.

The Virti immersive learning platform can easily develop VR teaching materials without an engineering background, and create 360 teaching materials for students’ deep memory and learning without pressure. Developed based on learning theory, Virti allows teachers to easily create interactive virtual reality (VR) teaching materials. In addition to making students more interested in learning, Virti can significantly improve learning effectiveness. It also enables teachers to objectively evaluate learning results and counseling intervention methods, increasing teachers’ teaching energy. Before the class, students can preview and carry out flipped education. During the course, the teacher strengthens the details of the key points, and the students can continue to review after class to achieve the expected learning goals. This innovative VR learning method allows students to know the real situation in the future workplace in advance, prepare and practice in advance, cultivate people-oriented empathy, accelerate the learning effect, and inherit the teacher’s experience forever. According to research, using Virti can improve learning confidence, 75% training effect, save 40% training time, and prolong memory by 230% compared to traditional teaching methods.

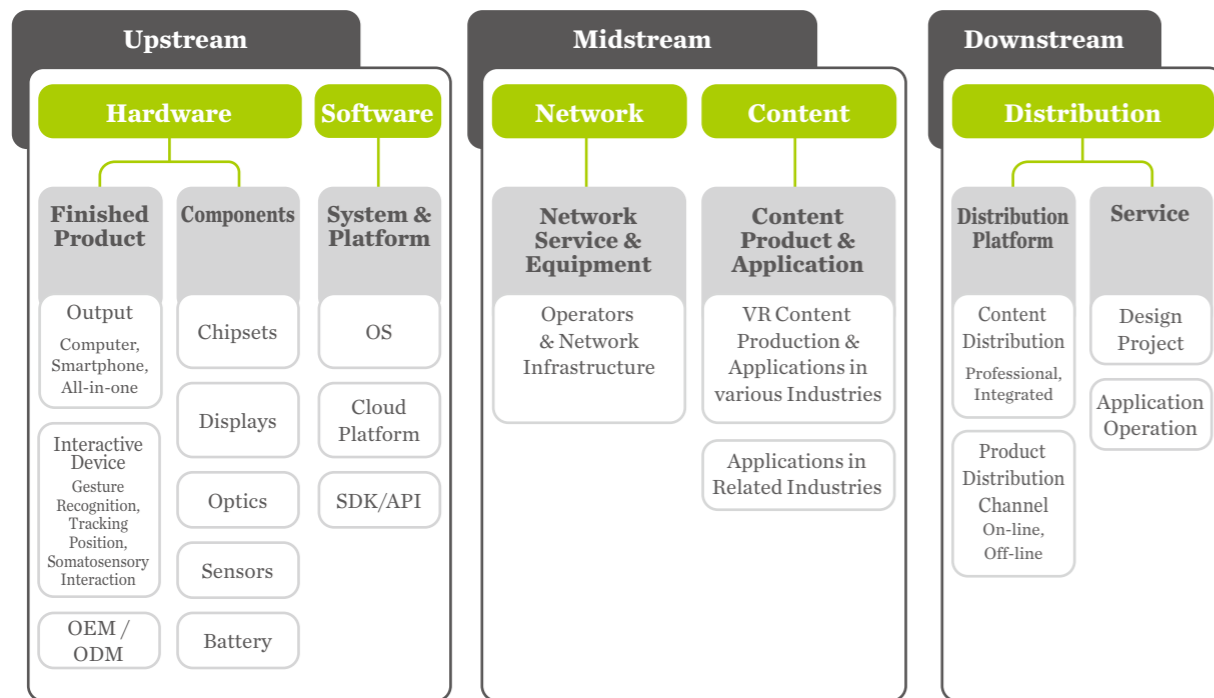
Nanome is an intuitive VR computer-aided drug design system. Multiple parties can collaboratively manipulate and modify the chemical structures in a fully immersive VR environment, which can greatly improve the efficiency of drug development. It has been recognized by the world’s top pharmaceutical companies and research Institutional adoption, application in drug design and teaching. To solve the problem, when scientists observe the bonding between ligands and macromolecular structures, most of them traditionally use 2D screens or 3D glasses to watch, but 3D glasses generally lack the immersive real three-dimensional spatial structure and intuitive structural manipulation interaction. Through Nanome’s innovative technology, structural biologists, computational chemists, and medicinal chemists can effectively communicate with each other to discuss fine and complex visual structures, speed up drug development, and improve the results of learning chemical structures.

## 5.1.2 Industry Overview

### Virtual Reality

Virtual reality comes from the human pursuit of immersion. VR is also the technology development direction that has been encouraged by the smartphone industry through the advancement of various display technologies, processors, controllers and other key components over the past 10 years. While consumers are satisfied with visual effects, they also hope to experience “new virtual worlds”.

According to IDC’s public release of the 2020 VR industry research white paper, the VR industry chain can be subdivided into five parts: hardware equipment, software, network, content, and distribution. Each part is linked and inseparable.



The hardware and software sessions can be regarded as the upstream of the VR industry. The hardware includes component parts like chipsets, displays, optical modules, and sensors, as well as various types of integration with hand recognition, tracking and positioning, and somatosensory interaction; Software includes various development platforms and tools including OS, cloud platforms, SDKs. The network and content can be regarded as the midstream of the VR industry, where the network includes operators and various levels of network infrastructure; the content includes content production related to the VR applications in various industries. Distribution can be regarded as the downstream of the VR industry, including content distribution platforms, product distribution channels.

Ever since the so-called “first year of VR” in 2016, when VR products began to enter the consumer market, first attracted the public with gaming applications. Playing games with VR not only provides advanced visual stimulation, but also delivers a more immersive content experience.

In the past, VR headsets were mainly connected to a computer. A gaming PC with strong graphics capabilities was required to have a better visual experience. Recently, standalone VR headsets have overtaken the market to become the mainstream form factor, as they have matured to include vital features of wireless connectivity, better mobility, accurate 6DoF spatial positioning, and powerful processing performance. Standalone VR headsets allow users to enjoy more freedom of movement, reducing interference from tethered cables, to provide an overall friendlier user experience.

To accelerate userbase growth for VR in the consumer segment, Meta (previously Facebook) rolled out Oculus Quest 2 by adopting an aggressively subsidized pricing strategy coupled with upgraded performance in devices. Thus, the overall standalone VR devices market for consumers also experienced growth after Oculus Quest 2 launched. Applications for VR is also quickly expanding with the introduction of various features like Passthrough, hand gesture recognition, and virtual keyboard mapping.

The development of VR hardware depends on the continuous cooperation of software developers. For example, game applications are represented by the well-known game platform Steam, and HTC cooperates with developers to independently develop for the VIVEPORT platform so that developers can offer their application services, allowing for the use of VR not only in games, but also in movies, social media, and other visual mediums. As for VR, we believe that abundant content and application support is the key to attract consumers and stimulate VR market growth. That’s why we are building a VR ecosystem that can integrate software and hardware to expand our penetration into the consumer market.

Another major development direction of VR is to develop useful applications for professional use. From the perspective of the currently known application industries, medical and architectural professional fields are especially quick to adopt and apply VR, especially for use cases which require heavy 3D visualization. HTC aims to use VR to make medical training more efficient and effective. By using VR for surgery simulation and medical equipment operation training, for example, students and surgeons have significantly increased their surgery success rate and their confidence in how to deal with high-pressure scenarios. With the emergence of the 5G era and the acceleration of network speeds, VR medical treatment can transmit high-resolution images and data in real time, facilitating real-time multi-party consultations, and even enable remote surgery.

Entering the new 5G era, 5G technologies and technical demands have contributed to the advancement and popularity of high refresh rate displays and other low-latency components critical for VR. The development of AI and big data technology has also accelerated the development of VR from consumer-level to large-scale commercial-level applications.

The metaverse has become the focal point of conversations within the tech industry and investors in 2021. Development roadmaps were planned and announced by top global tech firms. Facebook also changed its name to Meta as a show of determination for their efforts to build their metaverse. The VR / AR industry quickly became the highlight of many metaverse market discussions, as this new direction fueled the market and triggered the development of more immersive applications and the growth of device shipment volume. Gartner projected that 25% of people will spend at least 1 hour per day for work, shopping, education, social, or entertainment in the Metaverse in 2026.

Since more tech firms and hardware manufacturers are also actively entering (or reentering) the VR industry, headsets and platforms have more market competitions. To make VR headsets more lightweight, comfortable, and stylish, manufacturers are trying new innovative designs like offsetting the processor and power from headsets to smartphones — the VIVE Flow immersive VR glasses launched in 2H 2021 from HTC is one such device.

The on-going experience of the global pandemic since 2020 has greatly accelerated the digitization of almost all activities, which is also simultaneously enriching the Metaverse concept and realizing different use cases for a digital virtual world. Thus, people see this year as the first year of the Metaverse. The Metaverse is widely regarded as an “always-live” and persistent virtual ecosystem where people can meet, interact, socialize, work, learn, and play games. These systems will also have to meet the data demands of millions, billions of people. And that’s where blockchain and cryptocurrencies come in. The Metaverse will be built on the foundation of blockchain technologies, and cryptocurrencies will enable its economy. This means that Blockchain and NFTs will play a vital role in the Metaverse, providing verifiable, undisputed ownership of characters, in-game items, or even virtual real estate.

The metaverse as it is being described today is what HTC has continuously built and heralded as VIVERSE since a few years ago, the future that’s enabled by the integration of VR, AR, AI, 5G, and Blockchain technologies. HTC has long since been leading the industry in paving the way to build and enable the metaverse.

## 5G, Smartphones and Connected Devices

Over the past few years, smartphones have been constantly and continuously updated with new and innovative functionality. Smartphones have fully transitioned from traditional feature phones into the touchscreen-enabled communication products with independent operating systems we all know today. Consumer demand has led to the development of components including high-performance miniature camera lenses and powerful batteries, and this has also greatly accelerated and stimulated the vigorous development of all communications-related hardware industries. At present, the smartphone industry is already a mature industrial chain with professional divisions of labor. Each specialized component integrated into smartphones comes from a different specialized supplier. After being assembled by the manufacturer, it is then sold by a dealer or a telecommunications company.

Recently the sales growth of the smartphone sector has slowed, partly due to the maturation and standardization of the hardware functions found on mobile phones, and partly due to developed markets including Europe and the United States have reached a saturation point, leading to longer life cycles and slower replacement rates for all mobile phone products.

The smartphone industry welcome new technologies to enter the 5G era in 2020. The global smartphone market was expected to embrace the new business opportunities with a wave of new 5G smartphone purchases after 5G was commercially deployed globally in 2020. However, due to COVID-19 since the beginning of 2020, the global smartphone supply and demand declined, and it also partially delayed the launch of 5G in some regional market. Therefore, global smartphone shipments continued to decline in 2020. Due to the incentive by the implementation of 5G use cases in Chinese market, the 2020 global 5G smartphone market still shared a 19% of penetration rate. Especially Chinese smartphone brands have around 60% of market share.

**Figure Communication Technology Evolution**

	1G	2G	3G	4G	5G
<b>Time</b>	1980	1991	2001	2008	2020
<b>Technology</b>	AMPS	GSM CDMA	WCDMA CDMA2000 TD-SCDMA	LTE	New Radio, Low Latency, Massive MIMO, Beamforming
<b>Service</b>	Call	Call, Message, Text mail	Call, Message, internet, Streaming service	Call, Message, internet, 1080P Video streaming service	Call, Message, internet, 4K Video streaming service, VR streaming, Auto Guided Vehicle
<b>Speed</b>	2 Kbps	10 Kbps	3.8 Mbps	0.1-1 Gbps	1-10 Gbps
<b>Frequency</b>	800-900 MHz	850-1900 MHz	1.6-2.5 GHz	0.4 GHz-5.2 GHz	0.4 GHz-52 GHz

Smartphone market continued paying attention on 5G topic in 2021, while countries recovering back to 5G infrastructure, mobile processor manufacturers roll out low-end and middle-end processors, global 5G smartphone penetrate rate rapidly raised to around 40%. It was estimated that 5G smartphone will have larger scope than 4G smartphone to be the mainstream of the market in 2022.

In 2021, the world economy is still heavily impacted by the multiple variations and surge in cases of COVID-19; supply chain constraints impacted the output of certain components and also caused an increase in prices. Despite all of this, because the market was already at a low point in 2020, and the 5G is more mature with higher coverage and support, the smartphone market is finally able to get out of the continued period of recession of the previous 3 years.

### 5.1.3 Progress in Research & Development

#### Virtual Reality

VIVE Pro 2 was named a CES® 2022 Innovation Awards Honoree in the Virtual & Augmented Reality category at the Consumer Electronics Show (CES), the largest international consumer electronics event in the United States. Featuring a stunning 5K high-resolution display and a wide 120-degree field of view (FOV), the VIVE Pro 2 delivers visual effects that are excellently smooth, detailed and crystal clear.

The VIVE Pro 2 features an adjustable inter-pupillary distance (IPD) function, balanced front-rear weight distribution, an adjustable strap and a quickly-scaled knob that allows adjustments to wearing configurations for different users. Aside from supporting third-party earphones, VIVE Pro 2 also features a set of headphones that is certified by Hi-Res Audio and capable of delivering 3D spatial audio. VIVE Pro 2 is compatible not only with the Steam VR system and peripheral accessories, including Tracker 1.0, Tracker 2.0, VIVE Controller, VIVE Wireless Module or VIVE Tracker of whatever generation and the new VIVE Facial Tracker, but also with other third-party Steam VR motion sensing accessories, e.g., Valve's Index knuckle controller.

As a flagship-level standalone device, the VIVE Focus 3 offers total solutions for commercial VR activities; it provides an optimum immersive experience and an outstanding wearing experience through its outstanding visual effects, ergonomic design catering to human needs, optimum audio effect and advanced inside-out tracking system and controllers.

Featuring an industry-leading 5K resolution, a 90Hz refresh rate, a wide 120-degree field of view (FOV) closest to human eyes and RGB sub-pixel display, the VIVE Focus 3 offers optimum visual immersion to an extent that even the sophisticated brushstrokes are well presented, enabling life-like interaction between the software designer and the user.

VIVE Focus 3 is powered by Qualcomm's updated Snapdragon™ XR2 platform that features stunning performance. Such a platform, if compared with the one that powered the VIVE Focus of the previous generation, it features a twofold higher GPU and CPU performance and an eleven-fold higher AI processing performance. In addition, VIVE Focus 3 has heat copper pipes and a cooling fan that can keep it cool under intense use.

In order to offer a wearing experience that is most comfortable and convenient and lasts for a longer session, the VIVE Focus 3 is equipped with a curved and fitting swappable battery pack, as well as a new strap that makes the helmet a natural counterweight. Changing of VIVE Focus 3's battery pack only takes a few seconds; such a swift battery changing enables the continuous use of the device even after it has been used all day long. In addition, only 30 minutes of recharging is required for reaching a 50% charge; the LED indicator light shows the instant battery level. The VIVE Focus 3 is equipped with a new directional speaker that has a pair of built-in drivers, rendering a life-like and immersive audio effect. Its open-back audio design allows users to immerse themselves in the VR world while being alerted to external sounds.

Its distinctively directional audio frequency design can reduce sound leakage. This minimizes the risk that the neighboring person would hear the voice when a meeting is conducted and so ensures privacy.

The VIVE Focus 3 uses an AI-driven Inside-out tracking system for precise tracking; it stores all tracking data in the headset's encrypted partition (on-device end), as opposed to any cloud storage spaces to protect users' privacy. Being among the lightest 6 DoF (degree of freedom) controllers on the market, the redesigned controller offers more intuitive use experience; one single recharge can last for 15 hours.

VIVE Wrist Tracker, a new lightweight and versatile VR Tracker from VIVE, designed for our award-winning VIVE Focus 3 – an industry leading All-in-One headset which uses inside-out tracking.

Lightweight, accurate, versatile, VIVE Wrist Tracker can easily be worn on the wrist or attached to objects so they can be tracked in 3D space. It's 85% smaller than a VIVE Focus 3 controller, and 50% lighter at just 63g.

VIVE Wrist Tracker is also intuitive to use, with a simple one-button pairing feature to connect wirelessly to VIVE Focus 3. The strap can be removed and cleaned easily, or even switched out for a different one. VIVE Wrist Tracker delivers up to four hours of constant use, with an LED indicator to show you the battery status, and is charged via USB-C connector.

The VIVE Tracker can bring real objects into virtual space with ease, regardless of the objects being a tool, a camera or a person's full body. It is an ideal equipment for simulation and motion capturing in VR production; yet, this is only the beginning. Compared with VIVE Tracker of the 2018 version, VIVE Tracker 3.0 has the same functionalities and precision but is 33% smaller, 15% lighter and 75% more durable in terms of battery life.

The VIVE Facial Tracker accurately captures the facial expression and lips movements below the nose; it then authentically presents such capturing in the virtual world to express the users' emotions in real-time. The movement of the lips accompanies the voice, thanks to almost-zero latency. By capturing 38 blends of the movements of the lips, jaw, teeth, tongue and cheeks, the VIVE Facial Tracker is capable of accurately conveying expressions even as subtle as a smile or a look without a care. If working in tandem with VIVE Pro Eye, it can track all facial expressions.

#### 5G, Smartphones and Connected Device

5G is the wireless access technology, promised higher data rates, lower latency, and higher reliability. These capabilities open up opportunities for new use cases like cloud based VR, gaming, smart manufacturing, automatic guided vehicles and more. HTC would be aware of that the power of portable private 5G networks could not be underestimated, whether it's for employee training scenarios, design applications with real-time changes, or even remotely controlling machinery in hazardous environments. The most important market transition over the next few years will be the introduction of 5G whereas 5G services will be the focus of global mobile communication industry in the coming year.

HTC has successfully done Cloud VR POC (6 con-current VR users) and AGV (4 con-current remote control cars) by 5G Private Network in 2020. We keep working with multiple global well-known software and hardware companies to build an end-to-end total 5G private network solution with cloud native. This solution is designed to fulfill plug-in and play concept, our customers can easily enjoy the benefits of 5G with minimum effort and complexity. We focus on enlarging the penetration of 5G in various fields and industries with our plug-in and play 5G private network solution.

HTC persists in cultivating the smartphone market. At the beginning of 2021, we launched the HTC Desire 21 Pro 5G, the first ever 5G smartphone among the HTC's Desire series and the first ever smartphone enlisted on the Google ARCore support list. Aside from the smartphone market, HTC also pays close attention to the phone accessories market. In 2021, we also launched the HTC True Wireless Earbuds Plus, HTC's first ever true wireless earbuds that feature active noise cancellation. We will keep working with major e-commerce companies and global telecoms operators in developing 5G core products.

## Healthcare

HTC DeepQ Healthcare is comprised of cross-domain experts and engineers in areas such as computer science, software engineering, medicine, regulations, user experience, design, through digital technology, big data and artificial intelligence technology, all with the goal of developing and providing precision personalized medical products and services to reduce costs and improve the effectiveness of healthcare.

In September 2017, HTC DeepQ Healthcare cooperated with the CDC in Taiwan to develop the "LINE @ chatbot - Disease Control Butler (DCB)." The chatbot was upgraded to Version 2.0 to extend counseling services in 2018. In addition to the infectious diseases that users often suffer at home, users can also consult the DCB before going abroad to learn about local epidemics and related epidemic prevention information. In May 2019, Disease Control Butler (DCB) was upgraded to version 3.0, which provides vaccination consultation and reminders for pregnant women and infants. As long as the parent enters the child's birth date, the DCB will actively provide infant vaccination information to help calculate the vaccination day, health assessment before vaccination, inquiries at nearby vaccination institutions, vaccination reminders, etc. If you have any health education questions, you can ask him directly. In 2020, in response to the COVID-19 pandemic, DCB was upgraded to provide the most instant news of COVID-19, and related pandemic prevention information, quickly check the stock of masks for nearby pharmacies, decrees or health education propaganda, NHCC (National Health Command Center) news, and COVID-19 press conference live online, fake news clarification area, etc. In March 2021, HTC DeepQ cooperated with the CDC to build a new service "Taiwan V-Watch Vaccination Report System", to track whether people have adverse reactions after being vaccinated against COVID-19, so that people can use the DCB to easily report the health status after vaccination. In May 2021, the LineBot of DCB added the function of 1922 SMS Contact Tracing System. The public can use the LineBot of DCB to scan the QR code of the store for automatically bringing in the place code, and then send it to 1922 to complete the user location and contact information tracing. It will assist the CDC investigation of COVID-19 infection. The number of DCB users has exceeded 10 million.

In December 2017, HTC DeepQ Healthcare has cooperated with the Wanfang Hospital to launch Taiwan's first artificial intelligence medical services chatbot called "Wan Xiaofang." Wan Xiaofang was upgraded in 2018 to include a comprehensive series of medical care application from AI-assisted registration, outpatient notes, hematology reports, and medication management. In November 2021, Wan Xiaofang has also joined services for telemedicine in response to the COVID-19 pandemic.

In May 2018, "DeepQ AI Platform" launched to dramatically reduce learning thresholds and the cost of AI model training through an acceleration technology and system, optimized training environment, built-in multiple AI models, fully automated parameter adjustments, and a simple user interface. It is composed of DeepQ AIP workstation and NVIDIA DGX-1 and designed to operate inside a hospital IT environment. In September 2019, it began to be promoted and sold to hospitals in Taiwan. DeepQ AI Platform is easy to learn and use, and can complete tasks that used to take ten weeks in three days. It allows doctors to train AI model to interpret medical images without the coding ability and deep learning program design. It is used in medical AI model training applications. It is a brand new design concept "DaaD (Doctor as a Developer)". In 2020, it has been successfully sold to the medical centers in Taiwan. Doctors can develop AI models according to clinical needs from workflow for clinical research or workflow improvement. In 2021, the cloud version of "DeepQ AI Platform" launched to provide individual doctors or a small number of project teams to easily complete AI model development without investing high hardware costs.

In January 2019, HTC DeepQ Healthcare cooperated Changhua Christian Hospital to launch the Linebot of "Dr. Lan". Dr. Lan is the first AI and blockchain healthcare chatbot across 10 hospitals in Taiwan. It strengthens the information security of inter-hospital care network through the medical blockchain technology. One-click activation of 10 hospitals to provide comprehensive care for upgrading the quality and experience of the whole healthcare process in patient journey, including a comprehensive series of medical care application from AI-assisted registration, outpatient notes and personal health education after visit. The outbreak of COVID-19 in February 2020, people must be isolated or quarantined at home due to the pandemic and cannot go out to see a doctor. The Ministry of Health and Welfare adjusted the applicable objects of telemedicine regulation to allow those who are isolated at home can use telemedicine services to see a doctor. Changhua Christian Hospital provides telemedicine appointments by telephone. Dr. Lan will remind patients of the appointment time through Linebot, and then provide a link to the patient to enter the virtual telemedicine room half an hour ago. During the consultation, you can see the doctor by video, and the video will be saved on the doctor's side. Since home quarantined people cannot go out, after seeing a doctor, the family member of the patient can bring their health insurance card to the "drive-thru" counter outside the hospital to pick up medicines without entering the hospital. In June 2021, National Health Insurance Administration to open telemedicine during the severe pandemic period. The Linebot of "Dr. Lan" upgraded the telemedicine again. The doctor can continually stay in the original consultation room to see patients by on-site, video or telephone consultation, to provide the public with a choice of multiple consultation methods.

The HTC Medical VR team is committed to the vertical application of virtual reality to medical education and clinical applications. In addition to greatly improving the interest and effectiveness of medical

learning, it can also improve the communication between doctors and patients and the quality of medical care, creating maximum social well-being. At the same time, the Medical VR team accelerates the development of the global medical VR ecosystem and cooperates with virtual reality developers to implement the virtual reality of medical innovation technology in the actual field and integrate it into practical applications. It has established partnerships with many hospitals and universities. Successfully become a world-class benchmark, and jointly build the world's top virtual reality medical teaching center, so that medical education and training can be upgraded to the next generation.

In addition to cooperating with global medical virtual reality developers, such as 3D Organon virtual reality anatomy teaching, Virti VR immersive learning platform, Nanome VR computer-aided drug design system, etc., and developed a variety of objective structured clinical tests (Objective Structured Clinical Examination, OSCE) applications, such as VR hemodialysis accident simulation, basic life-saving training, traditional Chinese medicine acupuncture, and other VR simulation training, in addition to accelerating related vertical applications, it also cultivates the ability of schools and hospitals to create self-made VR teaching plans, and integrate VR teaching materials into training, enhance students' interest and effectiveness in learning, and expand teachers' teaching energy. Through HTC Medical VR, hospitals and schools have held several lesson plan design and production workshops, leading students to familiarize themselves with VR technology, select themes, design lesson plans, actually shoot and produce, and publish the results. When the teaching unit can make its own VR lesson plans, VR technology is truly rooted in teaching training. At present, it has cooperated with many medical centers, teaching hospitals, and medical universities to develop a variety of VR teaching materials, which can improve the training effect and prolong memory time.

## Research & development expenditures

### R&D Expenditures in Recent Years

Item	Unit: NT\$ millions		
	2020	2021	2022 Q1
Worldwide R&D Expenditures	3,585	2,256	519
Percentage of Worldwide Revenue	62%	43%	47%

### 5.1.4 Business Development

HTC is encouraged by the increasing recognition of its strategy as driving the future of the industry. In early 2018, HTC coalesced the Company around a central, overarching vision of VIVE Reality, whereby merging technology with humanity to unleash the imagination will create a world where technology fades into the background and experiences come the forefront. This vision is today being described as the 'metaverse'. HTC's version of the metaverse is VIVERSE, an immersive, boundless universe of fantastic

new experiences, and a seamless gateway to other content universes created in collaboration with partners.

HTC defined the key building block technologies underpinning this new world as VR/AR, artificial intelligence, blockchain, and high-speed connectivity such as 5G, and has made significant strategic investments in these areas over the last seven years. These investments have increasingly borne fruit, and the industry now largely acknowledges these technologies as fundamental to maximizing the potential of the metaverse.

The corporate restructuring was successfully completed in early 2021, with the seven business units defining their own unique identity and a clear product strategy. HTC acts as an umbrella organization, providing corporate function support such as human resource management, legal, accounting, IT and marketing, and as an accelerator, providing strategic and investment guidance. While all of HTC's business units have a distinct direction and focus markets, they all ladder up to HTC's central vision, with their product portfolios and roadmap designed to support access to VIVERSE, or its expansion or enhancement.

HTC is already seeing value being created in this strategy, with increased resource optimization and accountability, and anticipates greater progress in the years ahead. The resulting innovation drive positions HTC well in its transition to a complete metaverse company.

## 5.2 Markets and Sales Overview

### 5.2.1 Market Analysis

#### Virtual Reality

Since 2020, the COVID-19 pandemic has stimulated online productivity and commerce, and the enterprise segment have also increased their investment in virtual reality. According to market research, 71% of enterprises have increased their investment in virtual reality, with 14% of enterprises increasing their investment by more than 40%. The enterprise segment's embrace of virtual reality will drive the rapid development of the industry.

According to IDC's assessment, more than half of AR/VR expenditures are for business, including corporate training and industrial equipment maintenance; In the near future, corporate investment in VR content for business interests will continue to increase. From the perspective of business scale, commercial applications will account for more than 75% of the total market which including education, retail, manufacturing, personal consumption and services (including real estate agencies, tourism), construction (including home improvement) and professional services.

The report conducted by OMDIA, Consumer VR Headset and Content Revenue Forecast: 2021–26,



indicates that 12.5 million VR headsets will be sold in 2021 in the consumer market. VR content expenditure will reach 2 billion US dollars. The report also projected that in the next five years, the market will have 70 million VR headsets and spend 7.5 billion US dollars on VR games and entertainment. The consumer VR market value will achieve 16 billion US dollars, with 148% growth rate from 2021 to 2026.

The report revealed that standalone VR headsets has rapidly become the mainstream device in VR market, with 83% of the units sold in the consumer VR headsets segment.

In the 30 countries mentioned in the OMDIA report, VR headset penetration is only 2.4 units per 100 households. By 2026, this number will increase to 6.3 units, emphasizing the long road for VR popularization. Despite this adoption rate, active units of VR headsets will surpass Xbox consoles by 70 million units by 2026.

VR will keep growing in the consumer market, invigorated by the metaverse, and integrating deeper into every aspect of people's lives in the next five years.

## 5G, Smartphones and Connected Devices

5G is the next generation of radio access technology, bringing large capacity, high data rate, low latency and improved network reliability. 5G is expected to become the strongest promoter of the expansion of the Internet of Things (IoT). The introduction of 5G will also become a key technology for market and industrial transformation in the next few years. IDC also predicts that 50% of Taiwanese companies will build 5G private networks in 2025, especially in manufacturing sector. According to Mobile Experts Inc.'s estimation, the output value of global enterprise mobile private network market will reach US\$3.4 billion in 2024, which is more than 10% in compound annual growth rate. Dish Network, a satellite broadcasting service provider in the United States, is planning to launch a private network services for enterprises. Apart from US, Europe is also focusing on developing 5G private networks in 2022. For example, France and Germany have committed to invest 17.7 million euros (about 20 million U.S. dollars) to four collaboration projects in 5G technology.

After the COVID-19 Pandemic strike in 2020, the consumer-end market is sluggish, and smartphone shipments have continued to decline for two consecutive years. After the largest decline, the 2021 global smartphone market grew back to normal after the new normal lifestyle stabilized. Through the replacement cycle of smartphone demand and strong demand from emerging markets, compared to single-digit growth of shipments in 2020, even though the market is still impacted by the COVID-19 pandemic, the 2021 global smartphone market performance was still better than estimated. Highlight in China Market with the pandemic is easing, also the high coverage of vaccination regions like North America and Europe are steadily recovering to a normal lifestyle, we are holding positive estimation of future growth of global smartphone shipment.

The 5G feature is the current major momentum for the global smartphone market, all the smartphone manufacturers' latest flagships all feature 5G technology, and global 5G smartphone shipments have 30% growth in 2021. Especially the unstable supply of semiconductors in the past few years, based on the consideration of profit rate, smartphone manufacturers primarily chose 5G models as a priority. Apple has equipped 5G with the latest product line to elevate and promote the 5G smartphone market share. Android lineups are adopting a pricing strategy to seize the market. Rolling out low-end and mid-end 5G smartphone models for price-sensitive users to drive the new consumer replacement tide. Estimated 2022, 5G smartphone shipments will be larger than 4G smartphones, and the penetration rate will be over 50%.

Looking forward into the next five years, the impact of the pandemic will continue to gradually decrease. With more and more people replacing their old smartphones and more feature-phone users transitioning to lower priced smartphones in emerging markets, the overall market will return to steady growth.

## 5.2.2 Product Marketing

### Virtual Reality

HTC VIVE has set many VR industry milestones and benchmarks in 2020 by constantly changing the face of VR with its most diverse lineup of virtual reality products to date. In terms of hardware, the VIVE Cosmos and VIVE Cosmos Elite series of removable modular products launched in 2020, which enabled VR products to have more diverse functions. The VIVE Cosmos series has a unique design and is a high-end computer-driven PC VR headset that consumers love. With rich future expansion functions, it is compatible with a variety of modular accessories and can be easily adjusted or expanded the functions of the head-mounted display according to different requirements.

HTC has always adhered to its original intention along the way. Whether in terms of hardware devices or software applications, it has always been committed to developing products that make consumers feel novel and new, and hopes to expand the global and domestic virtual reality ecosystem. HTC VIVE's mission is to combine innovative technologies with customer needs and expectations to unleash boundless imaginations to improve people's lives and solve problems for business and society. HTC entered the VR field in 2015 and has launched a variety of epoch-making cutting-edge products for the consumer and commercial markets. With years of successful experience in high-end computer-driven PC VR and all-in-one headsets, HTC VIVE continues to listen to customers' needs. Whether it is a well-known multinational enterprise, a small company, or a professional user, HTC VIVE is committed to designing top-notch headsets that meet customers' needs while providing professional software, platforms, and services to create the world's best immersive experience. Helping businesses face today's critical challenges while enabling quick and easy access to VR. In view of this, HTC VIVE announced in May 2021 at the HTC global VR conference - VIVECON 2021 to set a new standard in the VR field for enterprises and professional users. It launched two next-generation made in Taiwan flagship PC VR devices with 5K screen resolution and 120-degree wide-angle field of view - "VIVE Pro 2" and VR All-in-One device - "VIVE Focus 3".

Meanwhile, it also launched the commercial platform VIVE Business, showing HTC's determination to continue to create a new era of VR application.

VIVE Pro 2 continues the design DNA of the award-winning VIVE Pro series, creating an unparalleled VR immersion experience for enterprise and professional users. Paired with higher-end graphics and acclaimed audio performance, the market's highest 5K resolution and 120 Hz refresh rate display, at the same time, it has a sub-pixel RGB display that can present true colors, and unprecedented fine details and smoothness bring stunning high-end PC VR gaming, creation and experience enjoyment. The CES Innovation Awards named VIVE Pro 2 as an Honoree for its crystal clear and super smooth animations. With a stunning 5K resolution display and ultra-wide 120-degree field of view, VIVE Pro 2 pushes the boundaries of productivity, creation and play – delivering seamless high-fidelity experiences like After the Fall, one of the newest titles on VIVEPORT and a visual showcase for high-end PCVR

VIVE Focus 3 is the world's first 5K flagship VR all-in-one device, which can be used without an additional computer connection. VIVE Focus 3 is powered by the highest-grade Snapdragon™ XR2 chip in Qualcomm's XR application family, delivering stable and amazing performance. Not only that, VIVE Focus 3 can effectively allow users to enjoy excellent comfort and convenience during long-term simulation training. In terms of appearance design, the durability and lightness are enhanced. The magnesium alloy shell is 20% lighter than traditional plastics, but 500% stronger. The ergonomically curved shape design helps to maintain a 1:1 balance between the front and rear of the fuselage, which can achieve unparalleled lightness and comfort. In addition, VIVE Focus 3 showcases thoughtful design details, a removable rechargeable battery, and a patented quick-wear button that releases at the touch of a button. Coupled with the design of cooling copper pipes and cooling fans - an active cooling mechanism can be achieved to ensure that the cooling can still be maintained under stressful use while enhancing performance.

In addition, with the launch of VIVE Focus 3, HTC VIVE also announced the launch of a comprehensive VR enterprise application solution, which will help enterprises of all sizes to take full advantage of VR. VIVE Focus 3 has a built-in new business application software store-VIVE Business AppStore, covering various business application software, and providing a business experience that can improve efficiency and safety. All tracking data is kept in the encrypted area in the head-mounted display, and will not be transferred to the cloud to cause data leakage.

The launch of VIVE Pro 2 and VIVE Focus 3 demonstrates HTC strong software and hardware design capabilities. Now that the virtual world has become mainstream, people around the world can connect across the barriers of the real world through VR. Under this new norm, VIVE plays a more important role in helping people connect closely and create a sustainable world.

In 2021, under the influence of the global epidemic of the new coronavirus, all multinational physical activities, business exchange activities, and even physical activities of product launches or demonstrations held in various regions faced the crisis of complete shutdown, and the social distance between people is gradually increasingly large, and increasingly digitized social events. However, through the innovative

mechanism of virtual online meetings, HTC VIVE has successfully connected the dialogue and network with customers and developers in various countries. In 2021, HTC VIVE will hold VIVECON 2021 in Japan and South Korea through the online virtual conference and social platform VIVE Sync and VIVE Social (power by VR Chat) respectively, subverting the imagination of previous users for online conferences.

On the other hand, "VTuber", Virtual YouTuber, as the name suggests, is presented in the form of virtual characters and carries out a new creative method. Originated in Japan first, the COVID-19, helped proliferate its popularity further in 2020. In view of this, HTC VIVE is the only one in the world, taking the lead in Japan, nurturing and supporting VTubers using HTC VIVE as the main production equipment, and launching "VIVE Ambassador Program (VIVE Goodwill Ambassador Program)", by nurturing potential virtual character creators on the ground, so that these creators will naturally become HTC VIVE's best spokespersons and key opinion leaders (KOL, Key Opinion Leader), to exert influence on different audiences. Viewers who might be interested in tourism, animation, life, food and other fields, can use the diverse contents produced by VIVE goodwill ambassadors will be exposed to virtual reality who in turn might participate in, and even use VIVE themselves. The VIVE goodwill ambassador program is not limited to a single platform, to reach a wider audience, effectively exposing the HTC VIVE brand further as the hardware of choice. So that the whole world can know HTC VIVE's greatest "Power" in hardware devices and software applications.

As the topic of VTuber and the Metaverse is becoming popular, more and more people are joining to become Vtubers. In view of this, the HTC VIVE Japan team immediately constructed HTC VIVE's official virtual reality park VIVE Wonderland on VR Chat and launched the activity of hiring virtual store assistants, creating a new type of work, working in the Metaverse. The hourly wage is 2,000 yen, which is around 480 Taiwan dollars. The public can learn about the latest HTC VIVE products and various VIVEPORT-related content through the VIVE headset display at VIVE Wonderland. At the same time, VIVE Wonderland is also built into a VIVE virtual event space and display stage, and Ambassadors will be invited to hold events from time to time. At the beginning of 2022, the HTC VIVE China team made another offering, recruit 10 people to live in V Town within a limited time, explore the world of 2222, and invite "Metaverse Residents" to build the city of the future. Recruit people with the following 4 characteristics within a limited time, including 1. Full of curiosity and interest in the future world, 2. Passionate about technology and innovation, 3. Ability to participate in virtual reality "entrepreneurship" skills training online, 4. Dare to challenge the mission; won't be afraid of being eliminated, but stick to it until the end.

Next, in order to create a more realistic virtual-real world and assist in tracking body movements and spatial positioning needs, HTC VIVE launched a new generation of VIVE tracker "VIVE Tracker (3.0)" and a new "VIVE Facial Tracker", bringing innovation to the human-computer interaction in the VR ecosystem. "VIVE Tracker (3.0)" creates a new industry standard. Compared with the previous generation of VIVE tracker, its functions are more powerful and the overall product is lighter. Still, it has the same sub-millimeter positioning accuracy and 240-degree FOV mobile tracking performance. "VIVE Tracker" is widely used and recognized in various fields such as film production, sports rehabilitation and training,

medical use, corporate training, and full-body tracking of VR avatars. In addition, HTC also launched the “VIVE Facial Tracker”, which can instantly detect 38 kinds of facial expression structures, accurately capture facial expressions and lip movements below the nose, and present them realistically in the virtual world, allowing users to experience lifelike interpersonal relationships. They can communicate and express their inner emotions in real-time. As the tracked person can integrate into the virtual world more realistically, the user will enter a higher-level immersive experience realm, which will also help the Vtuber industry develop the next stage of development.

In addition, HTC VIVE also released a new tracking accessory, “VIVE Wrist Tracker” for VIVE Focus 3, at the 2022 CES show. The first inside-out tracker suitable for all-in-one computers, which can be worn on the arm like a watch, accurately tracking from the finger point-to-elbow action, it’s designed to be lightweight and easy to set up and install, just turn it on and connect wirelessly to VIVE Focus 3 to use it. Wrist trackers are designed to be worn on the wrist for easy mobility. When it comes to virtual simulation training, nothing is more important than creating an immersive experience that feels like doing a real body movement, making the VR training experience more realistic and improving the training effect. In the field of simulation training, HTC VIVE has continuously cooperated with leading companies and organizations in various industries, and accumulated experience from various training cases into the VR simulation training program. The global success story is integrated into Axon’s latest training platform. Wearing the “VIVE Wrist Tracker” can allow officers to conduct accurate tracking training as if they were actually holding a TASER electric shock device. For training related to handheld objects, it is a surprising development. HTC VIVE continues to work closely with top developers, and actively connects more partners from different industries to get to know each other. Through the experience of virtual reality and the combination, HTC VIVE’s “virtual reality ecosystem” is further improved.

As the virtual reality ecosystem develops and matures, technology education has become the key to talent development in the new era. HTC understands its responsibilities as a global virtual reality innovation design leader and should contribute to the future education environment in Taiwan and the world. Through the “VIVE X Accelerator Program”, HTC provides high-quality development partner resources, technology, and guidance to explore together the infinite possibilities of XR technology in the field of education. The global virtual reality industry is developing at an unimaginable speed. The epidemic has accelerated digital transformation and business model transformation, creating a demand trend for a large number of XR talents and content production. To consolidate Taiwan’s XR talents and achieve sustainable development, it is necessary to cultivate from the start with talents, expand XR core technology and take root. Therefore, HTC continues to use industry-university cooperation programs in various regions to enable Taiwanese students to understand virtual reality from basic education and cooperate with key education universities to cultivate national primary and secondary school teacher indicators to implement VR innovative teaching in primary and secondary schools.

First of all, in order to enhance the teaching ability of primary and secondary school teachers using 5G/VR new technology, and to guide schools to develop VR innovative teaching courses, HTC and the Taichung University of Education cooperated with the central and primary school 5G/VR demonstration schools

and related primary and secondary school teachers to handle the “VR Seed Teacher and the Taichung University of Education” VIVE Create Teaching Materials Production and Study”, to help Central Schools introduce a forward-looking VR learning environment. At the same time, it cooperates with colleges and universities to build a VR talent cultivation center, develop a deep cultivation plan for higher education, and implement a professional talent cultivation plan.

Following the launch of related enterprise VR solutions in the first half of 2021, and in view of the needs of the consumer market, HTC will accumulate more than 20 years of technical energy, combine the advantages of mobile phones and VR, integrate new applications, and launch tailor-made products for modern people. A new product that can be easily integrated into consumers’ daily lives, VIVE Flow, is the first immersive VR glasses that provides complete VR application content in combination with mobile phone usage scenarios. Consumers can have an exclusive theater-level large screen anytime, anywhere, enjoy the exclusive quiet moment of free sensory exploration, balance, and relaxation of body and mind, and allow consumers to quickly connect to the future metaverse world.

In order to let consumers in Taiwan get to know the latest immersive VR glasses - VIVE Flow-through dedicated service, HTC VIVE has cooperated with Chunghwa Telecom, Senao International, E-life Mall Corporation, Tsannkuen Co., and other channels to build up more than 127 VIVE Flow experience stores across the country, the farthest stores are in islands Kinmen and Penghu. In the experience stores, the public can not only experience the personal 300-inch giant screen by VIVE Flow, but also experience the most compact VIVE Lo-Fi virtual space, feel the personal immersion space, and enjoy the great life that technology brought to mankind. In addition, HTC VIVE also cooperates with major e-commerce platforms in Taiwan such as PChome, MOMO, YAHOO Shopping, Shopee, etc., to launch various shopping festivals to seize market opportunities.

Providing consumers with a more immersive experience and accelerating the development of the VR ecosystem has always been one of HTC VIVE’s important missions in the virtual reality industry. Four years ago, HTC mentioned at the MWC conference that new technologies are being born in unprecedented ways. The key to driving VIVE’s vision in the future will be cutting-edge technologies such as VR, AR, AI, Blockchain and 5G, and this is also HTC. To continue to innovate and focus on technology, so as to make the pace of progress go further. In 2022, HTC will once again announce the major development of HTC at the 2022 Mobile World Congress (Mobile World Congress 2022; hereinafter referred to as MWC), officially revealing HTC’s latest metaverse world - VIVERSE to the world, and showing the new metaverse platform, products and experiences.

HTC is working with thousands of content developers to build VIVERSE’s open ecosystem. With all content and enterprise partners, to act swiftly to deliver the best results of extraordinary technology and co-create and embrace the new world. The chairman also shared at the conference: “Now, HTC is taking the next step to make our vision come true by creating a new world full of learning, creativity, exploration, training, and entertainment. We’ve named this world VIVERSE, and it’s our metaverse world; an immersive, boundless universe full of amazing new experiences, and a fast portal to other universes created by our partners.”

She also emphasized: “VIVE is our brand, which means ‘life’, and Verse represents the chapters of life. So, VIVERSE enables us to create many great memories, and encourages us to truly cherish our lives.” Our vision is a world where technology fades to the back-ground and experiences come to the forefront. In a world where we can push the boundaries of our creativity, collaborate, play, learn and dream. It’s an open platform created by the people, owned by the people, and shared by the people.”

HTC VIVE presents VIVERSE life scene at Mobile World Congress 2022, giving exhibitors a glimpse into the world of VIVERSE and how it can become part of our future lives. In the new world, people can easily enter the new world through tablets, computers, mobile phones, or immersive VR glasses VIVE Flow, enjoy different cross-platform services, and interact with people all over the world without time and space constraints. In addition, the VIVE browser supports Web3 login and smooth travel between different VR platforms and how easy it is to travel between different worlds while maintaining identity, security, and privacy.

As the COVID-19 epidemic has rapidly changed the way people are accustomed to living and working, the world has become more focused on how innovative technologies can assist and improve people’s lives and solve the problems they face. At this difficult time, HTC VIVE’s innovation and technology have been fully utilized. It has become the best weapon for home epidemic prevention and remote conference office and has also become one of the innovative leading brands in the Metaverse World. HTC was born from hardware, but HTC did not stop because of this satisfaction. HTC VIVE officially announced in 2022 that its research and development has stepped into the development of the metaverse. It is committed to integrating software and hardware technologies, using virtual reality as a solution to accelerate the creation of a complete Metaverse ecosystem. HTC’s creativity will never stop, and will continue to create infinite possibilities for the world through solid hardware devices and flexible software applications at the same time!

In addition, HTC VIVE extends virtual reality applications to large-field location-based entertainment applications. VIVELAND is committed to enriching and diversifying the entertaining content for theme parks. It not only introduces a variety of virtual reality escape games from abroad, but also further sells high-quality virtual reality theme park concepts and VIVE Arcade solutions to Japan and mainland China, Hong Kong, Arab countries and Southeast Asia and other regions. With the most advanced VR equipment-integrating technology and a huge amount of new VR entertaining contents, VIVELAND was able to create a lifelike virtual reality world. Other than games, VIVELAND has also been exploring the applications and the potentials of VR in reality, and cooperated with Kaohsiung City Government since 2018 to make “Kaohsiung VIVELAND” become as a display platform for somatosensory creativity, market verification, creative cooperation, talent cultivation, business matchmaking, and let the public experience the latest somatosensory experience.

HTC is committed to establish an industrial ecosystem for 5G, and has developed industry-leading 5G Standalone Architecture Network technology, as well as advanced and complete end-to-end enterprise private network solutions for 5G delivery. In 2021, we cooperated with the Kaohsiung City Government to jointly promote the development of Kaohsiung’s 5G and XR innovative applications and build VIVELAND

into a 5G private network experimental field. In April HTC and the Kaohsiung City Government jointly announced the official launch 5G Standalone Architecture Private Network and Edge Cloud VR Solution, setting a new standard for global 5G private networks. Installed in Kaohsiung’s ‘KOSMOSPOT x VIVELAND’ development zone, the first field of 5G private network that is now open to Taiwan consumers and enterprises. HTC assists the Kaohsiung City Government achieve its vision of “Transforming Kaohsiung City Into a 5G AIoT Technology Smart City and Asia’s New Bay Area, promoting local prosperity and creating jobs in the country.

In addition, VIVELAND has also successfully introduced Micro Arcade to restaurants, department stores and telecommunications company stores, continuing to expand this exciting and anticipated venue-based entertainment experience model to the industry and to consumers around the world.

## VIVE ORIGINALS

HTC VIVE ORIGINALS has long been dedicated to establishing the XR ecosystem. In recent years, many VR original content it produced have received recognition with countless awards at different international film festivals.

In VR film production, VIVE ORIGINALS debut project “The Deserted,” directed by Tsai Ming-liang, was the world’s first Mandarin VR feature film, and was nominated for the “Venice VR Expanded” competition at the 74th Venice Film Festival in 2017, and consecutively was invited to be shown at Taipei Golden Horse Film Festival, Hong Kong International Film Festival, Melbourne International Film Festival, and International Immersive Works Competition at Geneva International Film Festival. Another original work by VIVE ORIGINALS, “5x1,” has emerged and was highly acclaimed at international film festivals since 2018. In 2019, among the episodes of “5x1”, “O” directed by Qiu Yang won “Reffet d’Or de la meilleure œuvre immersive” at Geneva International Film Festival and, in 2020, Best virtual reality 360 film in EXPLORE competition at Festival du Nouveau Cinéma in Montréal, Canada. Besides, “5x1” has been invited to tour at major international film festivals, including the 2020 International Film Festival Rotterdam (IFFR), Fourm des Images Paris, and Beijing International Film Festival for global cinephiles to experience these exquisite VR works.

In 2019, HTC VIVE ORIGINALS launched a cross-field project with the Japanese contemporary artist Miwa Komatsu and the senior music master Kay Huang who co-created the interactive VR artwork “INORI.” The work was nominated for VR Competition at the 76th Venice Film Festival and at Raindance Film Festival. Moreover, in 2020, it was selected into “Beyond Reality” of Bucheon International Fantastic Film Festival (BiFan), one of the three major fantastic film festivals in the world, along with a special physical screening at Incheon International Airport, South Korea. Besides, “Gloomy Eyes” in collaboration with a French animation studio was also selected into “Beyond Reality” of BiFan. In addition to being voted for Outstanding Original Interactive Program of the 72nd Emmy Awards in the U.S., it was screened at Beijing International Film Festival.

In 2020, HTC VIVE ORIGINALS launched the interactive XR music piece, “An Ode to Moss” produced using “volumetric capture” technology for the first time. The work was nominated for EXPLORE competition at Festival du Nouveau Cinéma in Montréal, Canada. In July 2020, ticketed screenings of this work were held in Taroko Park, Kaohsiung. “An Ode to Moss” integrated the technology of somatosensory seat in collaboration with Brogent Technologies to build the world’s first XR musical wander. It was premiered in Taiwan Creative Content Fest (TCCF) organized by TAICCA in November 2020.

In 2020, HTC VIVE ORIGINALS began to venture into curating and actualized its aim of “creating entertainment experiences with cultural value in the virtual world for people” by collaborating with Ambassador Theatres at the Spring Center in Taipei to build a commercial VR theatre, leading to the first physical landing of “Venice VR Expanded” of the Venice Film Festival in Taipei. Besides, it took part in Taiwan Creative Content Fest (TCCF) by curating a two-day international forum. Outstanding domestic and foreign speakers were invited to share on technology innovation and application, along with the screening of two original works by the team: “An Ode to Moss: Musical Wander” and “Curious Alice.”

In 2021, HTC VIVE ORIGINALS collaborated with TurnRhino Original Design Studio to create the VR figurine stop-motion animation “The Sick Rose.” It’s the first immersive animation that combines VR technology, stop-motion cinematography, and Taiwanese traditional dough figurine handicraft. Using high-end 8K S3D macro-photography, it has been consecutively selected for Venice Film Festival, UK’s and other international film festivals, showing Taiwanese culture and traditional dough figurine craftsmanship to the world. Meanwhile, HTC VIVE ORIGINALS launched “BEATDAY”, the first to present a metaverse entertainment experience music platform in the dawn of the metaverse era, combing new technologies including volumetric capture, blockchain. In 2022, BEATDAY and The Sick Rose were both selected into the XR Experience Spotlight program of SXSW Film Festival, received positive reviews, and Variety’s comment “The global leader in virtual reality presenting two of its original creations that will lay the groundwork for the future gameplay of VR products in the highly anticipated Web 3.0 era,” showing the world Taiwanese creative power in XR content.

## VIVE Arts

VIVE Arts harnesses cutting-edge technology to transform the way culture is experienced, delivering one-of-a-kind projects that can be accessed anywhere in the world. It fosters digital innovation, and works with leading artists, museums and cultural organizations. Since its launch in 2017, VIVE Arts has established over 50 partnerships with leading cultural institutions, providing them with key resources in various areas, transforming the way they present artistic creation, exhibitions, and public and educational programs. In doing so, VIVE Arts’ mission addresses a diverse, global audience and contributes to the knowledge and enjoyment of our cultural heritage.

For instance, in 2019 VIVE Art formed a groundbreaking partnership with Musée du Louvre in Paris; the most visited museum in the world with 10.2 million visitors per year to present the Museum’s first VR experience, Mona Lisa: Beyond the Glass. An extended home version is available on VIVEPORT and

all other major VR and mobile VR platforms, making the content accessible to the maximum number of audience possible. Reigniting the Renaissance spirit of innovation across art and technology in today’s context, this extraordinary partnership and exhibition generated enthusiastic responses across global media, including The New York Times, BBC, Wall Street Journal, Financial Times, Guardian, The Times, and Art Newspaper, and further established VIVE Arts’ position as the most visible industry leader in art and technology.

In 2020, VIVE Arts continued to foster the acceleration of cultural sector’s adoption of digital technology by offering museums and cultural institutions the tools to engage with their audiences even when their physical locations were forced to close for months during the COVID-19 pandemic. One example is our partnership with the renowned Victoria & Albert Museum in London. When the exhibition’s opening date was postponed, VIVE Arts worked with the museum to launch the VR experience online in advance, as well as to create an innovative exhibition preview event held in social VR; the first VR event hosted by a major museum in the world. The event allowed journalists and global audiences to enjoy a first look of the exhibition in an immersive and animated environment while interacting with each other. The Financial Times’ subsequent review expressed highly favorable opinion on VR technology’s potential for the cultural sector.

VIVE Arts has continued to engage new audience by working with leading contemporary artists to create groundbreaking artworks using the latest technologies. In 2021 VIVE Arts launch a new NFT art trading platform as part of VIVERSE ecosystem. In partnership with the Mucha Foundation, VIVE Arts launches Timeless Mucha, a limited edition NFT collection of iconic artworks by Alphonse Mucha (1860 - 1939). The platform is designed to bridge the art world and crypto space; supporting artists to integrate XR and blockchain technology in their practice and to build a strong and loyal community of artists and collectors.

Leveraging VIVE Arts’ extensive network, including museums, culture institutions, art fair and biennale, as well as galleries and contemporary artists, VIVE Art is committed to integrating ground-breaking art with cutting-edge technology, enabling artists to reinvent how we experience art and to build a richer digital art ecology. By providing valuable support to the most forward-thinking artists of our time, the VIVE Arts program enables the most brilliant digital innovation in the arts and furthers HTC’s long-standing commitment to arts and culture.

## 5G, Smartphones and Connected Devices

5G is the next generation of Radio Access Technology with features such as large capacity, high data transmitting speed, low latency and enhanced network stability. These features have opened up new opportunities for smart factories, smart ports, smart remote controls, IoT networks, cloud industries among other new applications. The introduction of 5G is also seen as the key technology to the transition of markets and industries in the next few years. HTC’s achievements in 5G, XR and AI areas are widely recognized across the globe. In recent years, HTC has also shown our solid know-how regarding the 5G

system integration. Not only did we focus the 5G O-RAN power within the country, we also reached out to innovative companies with our key technologies to develop 5G application solutions together.

In 2021, HTC united Taiwan's core network, Switch, RRU, Server and other domestic software and hardware manufacturers in a common cause: to develop a full solution that is the HTC's Standalone Private 5G Network and Edge Cloud VR Solution, providing corporations with full solution that has low building cost and low space requirements as well as features such as highly-vertical integration and modular services that can support various terminal applications in high-traffic video and audio scenarios like real-time video surveillance, multi-player connection, XR, 4K, 8K, etc. This will allow corporations to quickly establish a high-speed 5G environment that is both stable and safe for their transition needs.

In addition, the HTC 5G Local Network has passed field test given by the 5G Open Network Test Platform jointly founded by the Industrial Development Bureau and TIP (Telecom Infra Project) of the Ministry of Economic Affairs. This proves that our 5G Local Network is capable of providing software / hardware equipment and platforms for our global clients as well as creating new 5G business opportunities through the open structure and fueling up the industry with boundless potentials.

In 2022, G Reigns, a subsidiary of HTC, has participated in the Consumer Electronics Show and the Mobile World Congress 2022 and exhibited Reign Core, the latest portable 5G Mobile Local Network solution developed jointly with the prestigious international companies - Lumen Technologies and Supermicro.

Reign Core's core design aims to work seamlessly with Open RAN and allows it the ability to be paired with a variety of hardware components, such as equipment from Supermicro and Lumen Technologies and achieve its goal: creating 5G Local Network solutions. HTC's industry-leading 5G Standalone (SA) Network Technology enables corporations to build a lite-version of 5G Mobile Local Network in less than 30 minutes, providing corporations with convenient and cost-effective 5G Local Network applications. This high-mobility, versatile and flexible 5G solution is suitable for exhibition, presentation, education, various development scenarios among other purposes.

With Taiwan's domestic 5G construction/development and the future development of Taiwan's 5G software/hardware industries in heart, HTC VIVE worked with the Kaohsiung City government to give the development of Kaohsiung's 5G and XR innovative applications a head start. Thanks to Kaohsiung's efforts on the somatosensory area, the city has a solid and healthy environment for the industry; combined with the advantage provided from the clustering of the local digital content, AR/VR, blockchain, FinTech industries and other manufacturers that are a part of the industry chain - and the resources invested by the Kaohsiung-Asia New Bay Area 5G AIoT Innovation Park / Southern Semiconductor S Belt projects being the cherry on top - we aim to join forces and build the Bay Area in Asia into a key technology industry cluster in southern Taiwan, as well as promoting local prosperity and creating jobs for the city. In April 2021, as both parties' first achievement in cooperation, we've built Taiwan's first experience site that is equipped with a Standalone Local 5G Network and a Edge Cloud VR at HTC VIVELAND in Kaohsiung that is open for the public and corporations in Taiwan.

The same year in October, HTC VIVE, the Kaohsiung City Government, the Industrial Development Bureau and the Export Processing Zone Administration of the Ministry of Economic Affairs built the first 5G XR O-RAN Experience Lab together on the 2nd floor of the Hong Hai R&D Building at the Kaohsiung Software Technology Park. By providing safe, stable and lightning-fast 5G O-RAN Local Network environment for the manufacturers, innovative application content makers and development teams, we're giving 5G application services from all areas a test environment for free. We hope that through 5G, we can bring forth breakthroughs and innovations to the manufacturing and service industries that can help with their pain points.

In December, HTC VIVE followed our previous achievement with the team effort made with Kaohsiung City Government; by showcasing the latest 5G AIoT application service achievements at the Bay Area in Asia Innovation x Start Ups in the Great South event, including 5G Mobile Local Network, 5G Smart Surveillance, 5G Smart Inspection and 5G Remote Control Vehicles among other commercial applications. With this, we aim to show the world the boundless potential of HTC's 5G technology. Among them, one of the most impressive displays at the venue was the 5G Remote Control Vehicle that used a 5G Local Network to transmit audio and video data recorded by the High-Resolution Smart Cameras on-site in real-time combined with a remote-control platform that utilized sensor technology for effective remote control. With them, the high-resolution footage recorded by the High-Resolution Smart Cameras on the wireless remote vehicle can be sent to the display near the remote pilot seat in real time via 5G Local Network so the pilot can control it effectively. The range this application covers includes Smart Remote Control, IoT networks, Smart Factories, Construction Sites, Human Exploration in Extreme Environments, Disaster Rescue, Ship Assistance through Smart Remote Control, Tugboat Drones, etc. With these, we aim to make international ports safer, more efficient and smarter.

Our other demonstration is the 5G Smart Surveillance that utilizes both the current surveillance system and a Smart AI Interpretation system that can quickly send back the surveillance footage through the 5G Local Network to the cloud for calculation and interpretation; in addition, it can also send out alert or spreadsheets in real time to achieve real-time risk management, on-site security control and overall operation statistic assessments. There is also the 5G AI Smart Inspection solution that can transmit data and handle image recognition in real time for front-line personnel to make a quick response to the situation. This solution combines 5G, AIoT, and a Smart Inspection System powered by AI is suitable for labor-intensive manufacturing environments, such as construction and steel industries. The main features include: indicator detection and indicator warning for important industrial safety equipment, sending back real-time images for inspections, remote instruction and guidance, dynamic locating of personnel, integration of digital data, on-site images, AI data analysis, confirming various inspection items and indicator status, as well as remote instructions and confirmations on major engineering operations, etc.

In addition to proposing smart solutions that can solve the pain points for the manufacturers, the 5G VR Streaming and XR Solutions that can provide a new experience that integrates the virtual and real world is also available. Through 5G VR streaming, the players are in for a high-resolution/performance VR experience in a multi-player world. In this world of virtual-real integration, you can walk around near others and play together, which enables a brand-new puzzle-solving game experience. Throw on a VR all-in-one machine and step into the game world - a world of fun awaits.

5G brings forth breakthroughs and innovations, bringing technologies like none we've seen before into our lives and business applications. For a long time, HTC has dedicated to creating extraordinary values as well as rich and profound experiences for people by combining cutting-edge technologies such as 5G, XR, AI, and Blockchain, etc. Our goal is to make people's lives better and build a safer, more efficient, and smarter environment for all.

While the market and the industry constantly evolve and progress in the direction of popularization and advancement, HTC continues to leverage our world-class craftsmanship and technique of excellence as well as our solid background for innovation to launch stunning designs and experiences for our users as well as 5G smartphones that are targeted for different audiences and price ranges so that everyone can live a smarter life.

The HTC Desire 21 pro 5G is the first 5G product in the HTC Desire series - it is also the first 5G mobile phone in Taiwan market that uses the latest Qualcomm Snapdragon 690 mobile platform. With it, we aim to provide consumers with an excellent 5G product with high price-performance ratio.

HTC Desire 21 pro 5G provides wider 5G frequency band coverage (n1, n3, n5, n7, n28, n41, n78) and further optimizes the EN-DC combination which increases the EN-DC combination by 30% and leads to larger coverage area; in addition, it also supports SA & NSA dual-module network, so the users don't have to worry about switching service providers. Other than that, it supports 5G and 4G to work in the same time too. That way, the consumers can get optimal network speed even in 4G environment and enjoy the fast and stable 5G experience wherever they go. Enjoy ultra fast and stable 5G network anytime, anywhere.

In addition, it provides a 6.7-inch/90Hz large screen that can give the consumers a rare smooth visual experience in the market. Equipped with the latest high-performance Snapdragon 690 5G chip, whether it's the phone's image or dynamic computing performance are greatly improved by the excellent AI performance of the chip. No matter you're planning to game or watch videos with it, prepare for a smooth and seamless visual feast as well as the high-resolution data streaming powered by the 5G network. Other than providing the consumers with an excellent visual experience, the 5,000mAh battery keeps the party going for the consumers without having to worry about being interrupted.

Regarding the appearance of their mobile phones, HTC holds themselves to their high standards as always - the HTC Desire 21 pro 5G has a unique, low-profile, multi-layered glow achieved by special techniques done perfectly. Combined with the metallic texture done with precise optical coating, this masterpiece shine like a gem. The gradual shimmer of illusion shown from different viewing angles really makes the craftsmanship involved in the design shine. With this, any consumer who holds the HTC Desire 21 pro 5G in their hand will instantly become focus of everyone's attention.

Regarding the camera, this phone is equipped with Qualcomm's 5th generation AI engine and a high-end combination AI choices of 5 beauty lens. Both the front lens and main lens have the latest AI scene recognition feature and can provide selected dynamic photos through AI computing. Even if you are not a professional photographer, consumers can capture excellent photos with the AI scene recognition feature.



What's more, it comes with various professional auxiliary functions such as wide-angle HDR, macro photography feature, real-time portrait mode, beauty video, Q-face sticker photo and recording among other interesting features. With all these amazing camera features, beautiful memories in life can be easily captured with a tap of your finger. HTC Desire 21 pro 5G has it all: high performance and top specification. It is an excellent 5G product choice in 2021 with an affordable price.

In addition, continuing the praise of the first generation of HTC true wireless Bluetooth headsets, a new generation of true wireless Bluetooth headsets will be launched during the Double 11 in 2021, with excellent sound quality and a series of advanced functions to seize business opportunities in the market shopping festival. HTC True Wireless Earbuds Plus supports both ANC/ENC noise reduction feature as well as AAC, a format that has high-end sound quality. Other than that, It has built-in dual microphones in one ear which enables the headset to easily isolate various environmental noises in the midst of the hustle and bustle and provide excellent listening and call quality. In addition, the IPX5 waterproof system gives you a peace of mind whether you are jogging in a drizzling day or sweating in a workout session without having to worry about potential water damage. Use them with ease and wear them to the gym with no worries!

HTC True Wireless Earbuds Plus has battery life of up to 6 hours. The streamlined and stylish charging case has a standby time that can last 86 hours. With the charging case, the earbuds can be charged multiple times to provide an incredible 24-hour battery life, which can easily meet the needs of a user through out the entire day. The earbuds also support touch control features. With a simple tap with your finger, you can turn on or off the active noise mode, play, pause, play next/previous, answer/hang up calls, as well as activating voice assistant among other features.

## Healthcare

In 2021, HTC DeepQ has hold the “DeepQ AI Platform” workshop with the AI/medical research and education department2 of 5 medical centers in Taiwan, attracting more than 160 clinical professionals and researchers to participate, which have promoted AI Platform trial, product quotation and cooperation proposal.

DeepQ sponsored the luncheon at the annual meeting of Taiwan Radiological Society, and invited Yi-Shan Tsai, Director of the Clinical Innovation Center of Cheng Kung University Hospital, to deliver a talk at the venue to share the use experience of DeepQ AI Platform. The promotion not only obtained feedback and inquiries from prospective users, but also led to multiple trial cases and business visit opportunities.

Nvidia’s GTC 2021 also invited DeepQ to share breakthroughs in clinical applications/medical research and education with AI Platform, and broadcast it on the global website for half a year. By the end of 2021, DeepQ assisted the users of “DeepQ AI Platform”: Cheng Kung University Hospital and Hualien Tzu Chi Hospital to share their product use results at the Taiwan Healthcare+ EXPO, and several medical imaging AI application results were also exhibited at the venue.

HTC Medical VR and Taipei Medical University have jointly established the “TMU Instructional VR Resource Center for Food Safety”. , and promote the intelligent transformation of Taiwan’s food factories, and make perfect preparations for the development of Taiwan’s food safety industry. Food safety education through virtual reality allows food practitioners to fully experience the actual operation process in a virtual operating environment, such as a restaurant, factory, or central kitchen, and new employees or students can also train in a safe environment, understand the operating environment and related equipment in advance without actually entering the field to operate, which can effectively prevent personnel from being unfamiliar with the operation and cause errors and cause losses to the enterprise.

Trainees inspect ingredients, pre-process, cook, and deliver meals in the VR kitchen, and incorporate observation training on important control points for hazard analysis, as well as response training to simulate emergencies such as meal-time pressure and fire in the kitchen. In a short period, a large amount of experience can be accumulated accurately, and it is more capable of facing the workplace. The teaching center leads the teaching assistant to the smart food factory to discuss the SOP training process for factory employees with the factory manager. Through VR production of teaching materials and food operation field teaching, it will help reduce the probability of employees making mistakes in practical operations on the spot, and also avoid the mishandling of food due to improper operation. The resulting pollution opportunities are of great help in improving the work quality and training of food workers, and actually, improve the safety of consumers.

With the support of National Taiwan University, the HTC Medical VR team, together with the Office of International Affairs and the Department of Forest Environment and Resource Science, jointly implemented the “VR Teaching and Research Project”; For applications related to mental care, the “VR Epidemic Prevention Kit for International Students” was launched. In this epidemic prevention package,

in addition to the original snacks, the VR nature experience textbooks made by National Taiwan University students, combined with HTC VIVE Flow and HTC VIVE Focus series all-in-one VR headset, were sent to the epidemic prevention hotel to take care of international students’ mental status. Students don’t need any computer equipment, and they can start the “Taiwan Forest Healing Journey” as soon as they are turned on. They can experience Taiwan’s culture and the beauty of nature, and accompany international students through the 14-day quarantine period to maintain physical and mental balance. In the future, it will be promoted to more people to achieve a healthy balance of body and mind.

HTC Medical VR integrates the resources of the global medical VR ecosystem, cooperates with hospitals and schools, promotes innovative teaching and learning methods, cultivates medical professionals in Taiwan, and improves the quality of medical care. HTC cooperated with British developer partners to introduce the “VR immersive learning platform - Virti” into medical education and medical communication training. Virti has been recognized by the National Health Service (National Health Service; also known as NHS) for teaching, and it is also used in medical education and patient communication training. Cedars-Sinai Medical Center, a leading non-profit hospital in the United States, was trained to wear personal protective equipment when fighting against the COVID-19 epidemic. At the same time, he also climbed the Nasdaq Tower in Times Square, New York, to thank Virti for his outstanding contribution to the fight against the epidemic with VR, (Awarded the Most Innovative Education Company of 2021 by Fast Company). The Medical VR team developed customized VR teaching plans through VR workshops with top hospitals and schools in Taiwan, such as the National Taiwan University Hospital, Taichung Veterans General Hospital, Far Eastern Memorial Hospital, National Yang Ming Chiao Tung University, Taipei Medical University, and Chang Gung University, etc., to develop VR teaching plans for clinical skills training, cross-team integrated care, Da Vinci surgery training, neonatal emergency care, anesthesiology, medication dispensing handling, dietitian supervision of meals, chronic disease care, and doctor-patient communication, etc., to improve patient safety and medical quality.

HTC Medial VR team cooperated with Taichung Veterans General Hospital to develop a VR hemodialysis accident simulation training system, which solves the shortcomings of physical simulators such as the high cost of consumables, limited space, and a lot of pre-preparation. In 2021, it was first applied to distance teaching guidance across campuses to teach dialysis-related skills and how to deal with emergencies. In the era of epidemics, it can effectively break through the barriers of space and epidemics, and continue to provide high-quality teaching courses. In the field review stage of the 2021 National Medical Quality Award “Smart Medical Solutions Group”, the VR simulation training materials are proposed as the future development direction, and how to use VR materials to evaluate and deal with adverse events in dialysis will help reduce Simulate training costs, improve nurses’ ability to deal with emergencies, and ultimately achieve the purpose of reducing accidents and protecting patient safety. In the end, Taichung Veterans General Hospital won the Bronze Award in the 2021 National Medical Quality Award “Award for Smart Healthcare Solutions”, with the theme of “Creating a Smart Dialysis Simulator and Integrated Electronic Evaluation System for Clinical Teaching and Training”.



### Competitive Advantages, Business Growth and Assessment of Risks Potential Factors That May Influence HTC’s Competitiveness/Business Growth and Related Countermeasures

The main factors of competition in the industry and products of the company are summarized as the capabilities of R&D innovation and integration, the Open Architecture Expands Partners and the rich and diverse application platforms. The following is an analysis of the industry competitiveness based on the perspective of the advantages and disadvantages of the development.

- Favorable factors for the company’s development prospects

1. The capabilities of R&D innovation and integration

The company’s R&D team has accumulated more than hundreds of patents and inventions related to virtual reality and augmented reality, and HTC integrates these cutting-edge technology applications such as VR, AR, AI, Blockchain, and 5G, and combines hardware, software, and content to create a more open and universal VIVERSE, as well as a number of innovative applications including 5G edge cloud technology, in-vehicle VR entertainment, etc. People can easily enter new worlds, enjoy different cross-platform services, and interact with people all over the world without time and space constraints.

2. The Open Architecture Expands Partners

VIVERSE combine technologies such as VR, AR, 5G, AI, and Blockchain, provide a number of built-in suite development software services to assist developers in building VIVERSE’s open ecosystem, which will support various way to enter the world of VIVERSE, shuttle between different VR platforms, so that all platforms and services can be interoperable in the future, adopt “Open Architecture” to expand the cooperation lineup, and successfully build an open metaverse ecosystem.

3. The rich and diverse application platforms

In addition to VIVEPORT provides users to experience more than a thousand items of content and games, VIVERSE integrates application platforms developed by itself and with partners. Beatday, a VR music platform, provides live virtual concerts; VR Chat, a social VR event, can invite friends to party and play games in a virtual world; Engage, which is used for VR event, can hold large-scale business virtual exhibitions; and VIVE Sync is for enterprises to conduct virtual online meetings and long-distance 3D collaboration; in addition, VIVE Bytes is an NFT shopping platform launched by HTC, which integrates the NFT economy. Bring VIVERSE to work, life and entertainment.

- The unfavorable factors of the company’s development prospects and countermeasures

When the 5G mobile communication network is about to take off, and the related applications of VR and AR are not yet popularized, facing the existing and potential competitors in the world, the company’s countermeasures are as follows:

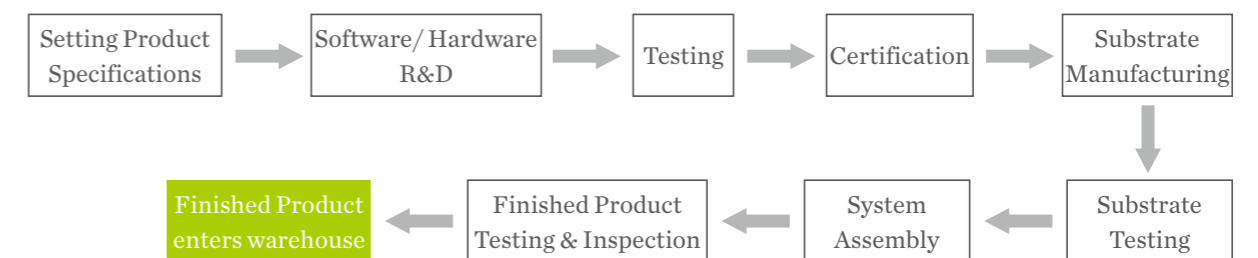
1. More active cooperation with various industries. Promote various 5G and VR/AR - related commercial applications in the enterprise application field, and provide valuable feedback through service and content, so as to accelerate the popularization of 5G networks and drive the development of the overall 5G and virtual reality industry.
2. Continue to invest in the research and development of related technologies and the development of various software and hardware applications. Through the research and development of technologies related to virtual reality and augmented reality, we work with experts from various industries to develop application tools and solutions suitable for various industries, implement virtual reality applications, and bring humanities and art into life.

### 5.2.3 Key Functionalities and Manufacturing Processes for Primary Product Lines

HTC’s primary products are converged devices designed on Android Phone operating systems (OS), smartphones and connected devices and virtual reality systems. HTC products support voice communication, mobile Internet, multimedia, global positioning service (GPS), personal data assistant (PDA), e-mail, instant data search, financial transaction services and other mobile digital services. Virtual Reality Headset are instrumental in the creation of HTC’s content ecosystem in the metaverse era.

Communication speed has evolved to 5G and the evolution toward wireless broadband and the increase of wireless bandwidth. Going forward the VR system devices will adopt the application of wireless technology in order to satisfy customers’ various needs through faster speed.

The workflow for handheld devices, connected devices, and virtual reality system, from R&D through production, is as follows:



## 5.2.4 The supply of major materials

Major Material	Supplier
CPU Chipsets	Qualcomm
Logic IC	TI, ON SEMI, Nexperia
PCB	Unitech, TPT, Career, Unimicron-FPC
Connector	Panasonic, Hirose, Molex
Memory	SK hynix, Samsung, Kioxia, SanDisk
LCD	JDI, Samsung, BOE

## 5.2.5 Major Suppliers / Customers Representing at Least 10% of Gross Purchase / Revenue for the Most Recent Two-Year Period

### Major suppliers representing at least 10% of gross purchase

Unit: NT\$ millions

Supplier Code	2020		
	Amount	%	Relation to HTC
A	410	16	None
B	349	13	None
Others	1,872	71	
Total	2,631	100	

Unit: NT\$ millions

Supplier Code	2021		
	Amount	%	Relation to HTC
Others	3,113	100	
Total	3,113	100	

Unit: NT\$ millions

Supplier Code	2022 Q1		
	Amount	%	Relation to HTC
A	119	15	None
B	97	13	None
C	74	10	None
Others	482	62	None
Total	772	100	

### Major customers representing at least 10% of gross revenue

Unit: NT\$ millions

Customer Code	2020		
	Amount	%	Relation to HTC
A	570	10	None
Others	5,236	90	
Total	5,806	100	

Unit: NT\$ millions

Customer Code	2021		
	Amount	%	Relation to HTC
A	423	8	None
B	574	11	None
Others	4,256	81	
Total	5,253	100	

Unit: NT\$ millions

Supplier Code	2022 Q1		
	Amount	%	Relation to HTC
None	-	-	-

## 5.2.6 Production for the Most Recent Two-Year Period

Unit: NT\$ millions

	2020		
	Production Capacity	Production Quantity	Production Value
Virtual Reality, 5G, Smartphones and Connected Devices (accessories)	7,300	478	3,413
<b>Total</b>	<b>7,300</b>	<b>478</b>	<b>3,413</b>

Unit: NT\$ millions

	2021		
	Production Capacity	Production Quantity	Production Value
Virtual Reality, 5G, Smartphones and Connected Devices (accessories)	7,470	438	3,112
<b>Total</b>	<b>7,470</b>	<b>438</b>	<b>3,112</b>

Note: Production capacity represents the normal capacity of current production equipment after making adjustments for necessary production stoppages, non-work holidays, etc.

## 5.2.7 Sales for the Most Recent Two-Year Period

Unit: 1,000 units / NT\$ millions

	2020 (Note)			
	Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value
Virtual Reality, 5G, Smartphones and Connected Devices (accessories)	168	978	1,559	4,436
<b>Total</b>	<b>168</b>	<b>978</b>	<b>1,559</b>	<b>4,436</b>

Unit: NT\$ millions

	2021 (Note)			
	Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value
Virtual Reality, 5G, Smartphones and Connected Devices (accessories)	90	631	940	4,344
<b>Total</b>	<b>90</b>	<b>631</b>	<b>940</b>	<b>4,344</b>

Note: Main product item data not inclusive of income from maintenance / repairs or product development work.

## 5.3 Statistics Related to the Structure of Human Resources at HTC

	Dec. 31, 2020	Dec. 31, 2021	Mar. 31, 2022	
Employee	Direct Labor	650	515	499
	Indirect Labor	1,955	1,663	1,675
	<b>Total</b>	<b>2,605</b>	<b>2,178</b>	<b>2,174</b>
Average Age	37.98	38.89	39.03	
Average Year of Service	7.6	8.15	8.17	
Education	Ph.D.	2.30%	2.02%	2.02%
	Master's	36.81%	36.73%	36.98%
	Bachelor's/ Associate	43.19%	43.30%	43.24%
	<b>Other</b>	<b>17.70%</b>	<b>17.95%</b>	<b>17.76%</b>

## 5.4 Environmental Protection Expenditures

Smart phones and VR devices are the two major products of HTC. Among our manufacturing process, soldering fumes are our only source of air pollution. There is no wastewater being produced in our process, and only some wastes are produced by certain operations. In order to comply with pollution control regulations and minimize the impact on the environment, we have been allocating a lot of our resources to establish pollution control facilities and appoint a professional organization that has obtained a qualified certificate to operate the sewage treatment plant on its behalf, and is responsible for various pollution prevention and control work. Through training and auditing, we aim to pursue our pollution control policies and achieve our goal of reducing our impact on the environment. In addition to that, we engage the service of a professional technician to do Exposure Risk Assessments and that of a qualified inspection company to do Workplace Inspections for us on a regular basis. We have managed to comply with every regulation in every test half year. Other than being certified by the Occupational Safety and Health Management System ISO45001: 2018 Edition and the Energy Management System ISO50001: 2018 Edition in 2020, we have also been certified by the Environmental Management System ISO14001: 2015 Edition and have received a Greenhouse Gas Emissions Verification Announcement of the ISO14064-1: 2006 Edition. We aim to achieve the purpose of safe work, effective pollution prevention, effective energy management, energy saving and carbon reduction, and achieve the environmental protection purpose of “Cleaner Production”.

### Losses (including financial compensation) and fines due to pollution incidents from the start of the most recent fiscal year and as of the date of this annual report:

HTC has not been fined or penalized for pollution by environmental authorities.

### Future strategies (inclusive of environmental protection facility improvements) and possible expenditures:

- Continue to strengthen the operations management on environmental protection equipment in order to comply with government regulations and reduce non-compliant incidents;
- In addition to regular management of disposables, our policy for reduction of these disposables is carried out through categorization and education in order to reduce production of the disposables from their source. Meanwhile, reusability received priority in consideration and further categorization on the rear end is added to increase the reusability of recycled resources.
- Continue promoting ISO 14001 environmental management, ISO 14064-1 GHG emission inventory and ISO50001 energy management system to maximize clean production benefits through technical and administrative measures.
- Major planned environmental expenditures over the next 2 years include:

Fiscal Year	Anticipated Equipment Purchases / Expenditures	Anticipated Benefits	Expenditures (estimated) Unit: NT\$ thousand
2021	<ol style="list-style-type: none"> <li>Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures.</li> <li>Introduction of energy-saving air conditioning facilities.</li> <li>Waste water retreatment for landscape irrigation within the campus.</li> <li>Advocating and promotion of water-saving and energy-saving activities.</li> <li>Advocating of garbage classification and resource reuse activities.</li> <li>Greening of campus landscape.</li> </ol>	<ol style="list-style-type: none"> <li>Use of energy-saving light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled.</li> <li>Air conditioning systems fitted with inverters to save energy.</li> <li>Waste water treatment and then used for landscape irrigation to reduce use of tap water.</li> <li>Advocating kitchens and dorms to reach target of water saving through water saving management measures.</li> <li>Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage.</li> <li>Campus landscape greening to fight warming and achieve the effect of energy saving.</li> </ol>	134
2022	<ol style="list-style-type: none"> <li>Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures.</li> <li>Introduction of energy-saving air conditioning facilities.</li> <li>Waste water retreatment for landscape irrigation within the campus.</li> <li>Advocating and promotion of water-saving and energy-saving activities.</li> <li>Advocating of garbage classification and resource reuse activities.</li> <li>Greening of campus landscape.</li> </ol>	<ol style="list-style-type: none"> <li>Use of energy-saving light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled.</li> <li>Air conditioning systems fitted with inverters to save energy.</li> <li>Waste water treatment and then used for landscape irrigation to reduce use of tap water.</li> <li>Advocating kitchens and dorms to reach target of water saving through water saving management measures.</li> <li>Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage.</li> <li>Campus landscape greening to fight warming and achieve the effect of energy saving.</li> </ol>	752
2023	<ol style="list-style-type: none"> <li>Implementation of energy-saving light fixtures, 2-way time-controlled light fixtures.</li> <li>Introduction of energy-saving air conditioning facilities.</li> <li>Waste water retreatment for landscape irrigation within the campus.</li> <li>Advocating and promotion of water-saving and energy-saving activities.</li> <li>Sensor type faucet construction</li> <li>Advocating of garbage classification and resource reuse activities.</li> <li>Greening of campus landscape.</li> </ol>	<ol style="list-style-type: none"> <li>Use of energy-saving light fixtures like LEDs to achieve reduction of energy waste and effective saving of power through 2-way time controlled.</li> <li>Air conditioning systems fitted with inverters to save energy.</li> <li>Waste water treatment and then used for landscape irrigation to reduce use of tap water.</li> <li>Advocating kitchens and dorms to reach target of water saving through water saving management measures.</li> <li>Install sensor faucets in public areas such as toilets and restaurants to reduce water waste</li> <li>Advocating and strengthening resource recycling and reuse to reduce environmental pollution from garbage.</li> <li>Campus landscape greening to fight warming and achieve the effect of energy saving.</li> </ol>	350

## Environmental protection and employee health & occupational safety measures

### Environmental protection:

HTC is committed to operating healthy and safe work environments. HTC adheres to all local environmental protection regulations. Cardboard boxes, containers and plastic packaging material are collected and separated for recycling. HTC requires suppliers to comply with EU WEEE and RoHS environmental requirements in order to reduce industrial waste, prevent pollution, and offer consumers products that reflect HTC's low environmental impact commitment.

Through green purchases followed by acquisition of raw materials or energy-efficient equipment, savings on use of energy and resources, as well as decrease in pollution on the environment, are made possible for fulfilling duties, such as reducing volume of the disposables, reusing recycled materials, and reducing the volume of carbon, for protection of the environment.

HTC is committed to environmental responsibility and monitors its greenhouse gas sources and emissions in compliance with ISO 14064-1 standards. HTC also follows ISO 50001 energy management standards to promote effective energy management, and to achieve long-run sustainability and competitiveness.

Associated procedures include:

- a. Set up energy conservation strategy through monitoring the energy usage and GHG emission;
- b. Recertification of greenhouse gas records conducted by licensed, independent certification agency annually (certificate issued);
- c. Voluntarily release annual greenhouse gas emissions data to the public through international non-profit organizations, CDP.

### Employee occupational safety and health:

In accordance with contents of the plan for management of occupational safety and health, the company will abide by occupational safety and health regulations, implement hazard identification and risk assessment to reduce risks, standardize the labeling and communication rules of hazardous chemicals, implement contractor management, and list hazardous operations (elevated, moving fire and confined space management, etc.) and publicizing safety and health information, etc., so as to implement "Occupational Safety and Health Management", "Occupational Safety and Health Education and Training", "Standard Operating Procedures and Work Safety Analysis", "Occupational Safety and Health Automation" Inspection", "Emergency Response", "Health Management and Promotion" and "Occupational Safety and Health Activities" to achieve full participation in reducing safety and health risks and comprehensively preventing occupational disasters.. HTC is certified under ISO45001. New employees receive safety and health education training related to HTC's working environment and production processes. HTC also holds regular fire drills to ensure all employees are familiar with fire prevention facilities, equipment and evacuation route, hope to minimize the impact on the health and safety of relevant personnel and company property.

HTC regard the health of our employees as the key factor for the success and sustainable development of the enterprise. So, HTC focuses on "Health management", "Health promotion", "Occupational health" and "Employee assistance program (EAP)", and promotes various health programs to help employees achieve work-life balance, maintain physical and mental health, and check the health of each employee strictly.

### Green product research and development:

Complying with each region's related regulation and client's request, HTC prepares budgets for our products to go through green production certification, such as toxic-free substances testing and energy efficiency certification.

During the stage of product design and development, materials with lower environmental risk were carefully selected based on the precautionary principle to make sure it met worldwide regulations for forbidden materials. We are also taking the initiatives in finding ways to reduce use of materials that are harmful to the environment. Through a concept of design based on increase of recycling rate, reusability of resources would be enhanced for a reduced impact on the working environment.

## 5.5 Labor Relations Management

HTC offers employees opportunities to develop professional skills and knowledge; sharpen proactive and positive attitudes toward professional responsibilities; internalize serious and responsible work values; adopt honest and forthright work habits and pursue excellence in all tasks and responsibilities in order to create an exceptional work environment. We provide our employees with engaging challenges as well as skills / knowledge of value to their career growth. We firmly believe that a positive, energetic work environment boost morale and innovation.

### Employee recruitment

With regards to HTC's global allocation, hiring and retaining motivated and exceptional employees is a key objective of HTC's human resources strategy. HTC hires new employees through open selection procedures, with candidates offered positions based on merit. We permit no discrimination based on ethnicity, skin color, social status, language, religion, political affiliation, country / region of origin, gender, sexual orientation, marital status, appearance, disability, professional association membership or other similar considerations not relevant to job performance. According to HTC global expansion requirement, we recruit elites with diversity around the world via various channels to spread the HTC innovation spirit.

## Employee development

Employees are HTC's most precious assets. It is also a key advantage in the pursuit of excellence, innovation and sustainable management. In accordance with the needs of business strategy development, HTC plans the talent development system as a whole, and gives corresponding customized training to employees of different levels to enhance the company's overall human capital and create competitive advantages.

In the face of fierce global competition and rapid changes in the industrial environment, HTC also actively cultivates talents who can quickly adapt to highly changing environments and have an international perspective, and tailors a series of leadership courses for managers at different levels, including LEAD, HILL and PMR. The design of the course not only combines the core values of HTC and the strategic direction of organizational, but also strengthens the three leadership competencies: Leading People, Leading Change, Strategic Thinking & Decision Making. We hope that our leaders can continue to lead for the growth and development of HTC in the face of difficulties and challenges.

Further, HTC sponsors regular seminars and workshops as part of its development initiatives. Globally recognized experts share insights into market trends, the latest technologies and technology trends, combining with cultural and artistic sensibilities to lead HTC staff to face global technology development and challenges confidently

In order to fulfill the commitment to grow with our employees, HTC constructs systematic learning development resources that provide a comprehensive curriculum covering professional, managerial and personal development. These programs help staff acclimate quickly to HTC's corporate culture and acquire essential knowledge and skills. We've introduced online learning, e-magazine, etc. as well as language courses and training for employees to make learning more convenient and flexible. It is worth mentioning that although global enterprises have been affected by the epidemic in the past two years, HTC has continued to cultivate talents through various methods such as online courses and on-the-job training, with a total of about NT\$2.23 million and a total of about 21,269 training hours in 2021.

## Employee benefits and employee satisfaction

### Comprehensive employee benefits

HTC provides coverage of its employees under both the National Labor and National Health Insurance programs, and it provides employees with annual vacation, employees restaurant and meal support, travel allowance, regular physical examinations, regular departmental lunches, cash bonuses for Taiwan's three main annual festivals, cash for weddings / funerals, subsidies for club activities, access to employee exercise facilities and various exercise classes, library and online e-magazines.

### Employee activities

We provide a diverse interface for employees, subsidize and reward employees to participate in community activities, encourage employees to develop sports and leisure interests during leisure time, enhance life experience.

### Employee awards

As COVID-19 prolonged and swept across the globe in 2021, HTC has complied and followed the information provided by The Central Epidemic Control Center, formulated epidemic prevention management measures, purchased essential epidemic prevention items, and required company employees, visitors, and outsourcing vendors to cooperate with relevant epidemic prevention measures.

Throughout the epidemic prevention period, HTC has strengthened its internal epidemic management. Aside from establishing an epidemic prevention response team and formulating an epidemic prevention classification table, HTC also strictly managed the entry and exit of personnel and the itineraries of personnel on business trips, strengthening sanitation and disinfection of work and public environments, and constantly issued health-related announcements to raise awareness. What's more, HTC required employees to fill out health declaration forms, assisted employees to take out personal epidemic prevention insurance on top of group insurance, set up infrared thermometers at the gate and on each floor, implemented elevator crowd control, closed gyms and restaurants (provide lunch boxes instead) when the epidemic is severe, offered Work From Home (WFH) and video conferencing options in lieu of working in office, amongst other epidemic prevention measures to fully protect and safeguard employees' rights and interests at work in a safe environment.

On the basis of motivation and talent retention concept, HTC implements motivation program by performance. HTC rewards individual employees who submit proposals for practical improvements or earn patent awards.

## Employee retention

### Specialist retention plan:

Incentives are offered to employees with special and critical skills to keep them with the company and ensure they benefit from the results of their efforts.

### Long service awards:

Awards are presented at a company-wide ceremony that recognizes employees who have provided with 5-year, 10-year, 15-year and 20-year of services.

### Internal transfer assistance:

In order to help enhance employees' professional experience and career planning, HTC provides assistance to facilitate employee transfers within the company.

### Compensation and retirement benefits

HTC employees earn market-competitive salaries that take into consideration academic background, work experience, seniority and current professional responsibilities / position level. Performance and earnings bonus are allocated based on work performance and relative level of contribution in order to motivate employees effectively.

HTC's retirement policy has been in place, as required by law, since the company was founded. Starting in November 1999, HTC began to contribute an amount equal to 2 percent of each employee's salary into the corporate retirement fund. This system was replaced in 2004 when HTC began contributing an amount equal to 8 percent of each employee's salary into a general labor retirement fund managed by a labor retirement fund supervisory board. With the enactment of the new retirement system on 1 July 2005, employees hired under the previous retirement scheme that opted not to switch to the new retirement system were permitted, with supervisory approval, to adjust the current 8 percent contribution downward to 2 percent. As of May 2021, since the amount of corporate retirement fund already met the minimum requirement, the Ministry of Labor had granted us approval to postpone funding for one year.

### Labor negotiations and measures to protect employee rights

HTC is committed to fostering an atmosphere of trust in its labor relations and places great importance on internal communications. Labor relations meetings are convened once every quarter (at least 4 regular meetings per year), with labor represented by seven elected employee representatives. Meeting minutes are kept to ensure follow-on action and track results. HTC further offers employees various channels through which to submit opinions, suggestions and complaints, which may be delivered via a telephone hotline, e-mail address or physical mail as well as made known through HTC's regular employee opinion surveys. During the most recent fiscal year and as of the printing date of this annual report, labor relations management have been harmonious with no losses resulting from labor-management conflicts; and no loss of this type is expected in the future.

## 5.6 Principal Contractual Agreements

The Company specializes in the research, design, manufacture and sale of smart mobile devices, AR/VR device and platform and other IOT devices. To enhance the quality of its products and manufacturing technologies, the Company has patent agreements, as follows:

Contract Type	Contractor	Contract Term	Description	Restrictive Covenants
Patent license	Qualcomm Incorporated.	December 20, 2000 to the following dates: a. If the Company materially breaches any agreement terms and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents. b. Any time when the Company is not using any of Qualcomm's intellectual property, the Company may terminate this agreement upon 60 days' prior written notice to Qualcomm.	Authorization to use CDMA technology to manufacture and sell units, royalty payment based on agreement.	No
Patent license	InterDigital Technology Corporation	December 31, 2003 to the expiry dates of these patents stated in the agreement.	Authorization to use TDMA and CDMA technologies; royalty payment based on agreement.	No
Patent license	KONINKLIJKE PHILIPS N.V.	December 23, 2019 - December 31, 2024	Authorization to use UMTS/LTE patents and portable feature patents; royalty payment based on agreement.	No

## 5.7 Management of Information Security

### 5.7.1 Information security management organization and policy

#### Risk Management of Personal Information Protection and Information Security

HTC strives to protect confidential information and personal information in HTC's possession which brings benefit and trust to the relationship between HTC and partners, customers, and/or consumers. In order to effectively manage the potential risk of data protection and information security, HTC continuously optimizes the "Personal Information Management System" and "Information Security Management System", and keeps promoting data protection and information security by a privacy and security taskforce which is comprised of Legal, Product Security and Information Security departments.

### 5.7.2 Adoption and certification of international standards

HTC's "Personal Information Management System" is established in compliance with Taiwan Personal Data Protection Act and applicable data protection regulations in other countries (such as EU General Data Protection Regulation, U.S. Children's Online Privacy Protection Rule, U.S. California Consumer Privacy Act), and in line with the data protection requirements under ISO 27701 Personal Information Management System (PIMS). HTC Personal Information Management System is implemented across employee awareness training, product design and development, vendor management, and information security incident management. HTC obtained the BS 10012 certification in December 2018 and obtained the ISO 27001 and ISO 27701 certification in August 2021. HTC follows data privacy engineering requirements from the product design phase (including privacy by design and privacy by default) throughout the product development process and implements privacy and security review process (including the Building Security in Maturity Model (BSIMM) methodology) to ensure the products and services are compliant with data protection and information security requirements. Also, HTC offers multiple data subject right request submission channels (depending on the regions where the user is located) for users to exercise his or her rights to access, delete or correct the data in HTC's possession.

### 5.7.3 Measures in response to COVID-19

In response to potential cybersecurity threats during the COVID-19 pandemic outbreak, HTC continues to promote various information security measures, and has established and implement "Work from Home (WFH) Information Security Process", including remote connection security, remote video conferencing security, remote collaboration tool security, system security, network security, physical security, data security, among others, to strengthen employees' information security awareness during WFH. HTC follows the "Guidelines for Contact-information-based Measures for COVID-19" announced by the Central Epidemic Command Center (CECC), to ensure data security through designated employee clinic in charge of keeping a record of and maintaining personal data collected, and in compliance with data purpose limitation, data minimization and data retention principle.

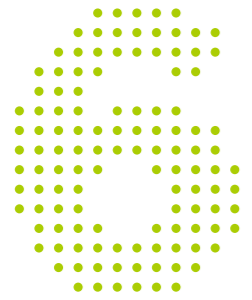
### 5.7.4 Information security architecture and mechanism

Furthermore, there have been endless cases of ransomware worldwide. In order to fight against ransomware to keep the company's competitiveness, in addition to complying with ISO 27001 information security management system, implementing daily operation management to ensure information confidentiality, availability, and integrity, HTC has also established security mechanisms such as firewalls, intrusion detection, and anti-virus systems. And all HTC employees must complete the HTC Privacy and Security Awareness Mandatory Training and pass the exam every year (training topic includes: the importance of data protection, important notice on processing of company information, key information security controls, important notice on processing of personal information, vendor assessment,

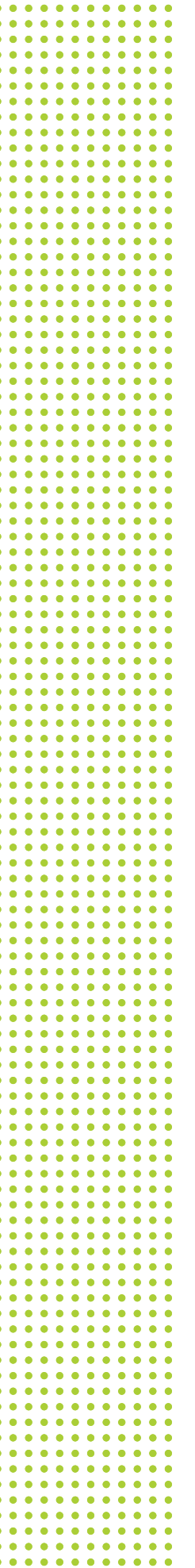
reminders for social media, marketing campaign, information security and data protection, introduction to information security threats, and provision of company's resources related to data protection and information security). The employees involved in software product planning, development, testing, system administration, operation, and vendor management must also complete the "Product Software Security Process Keynote" and the "Information Protection Guideline" training and exams. As for software product developers and related employees must additionally complete training and exams of Threat Modeling and secure programming guidelines for critical languages. HTC also sends the Privacy and Security Newsletter monthly, which encloses up-to-date information about privacy and security and summaries of HTC privacy and security policies, and topics in 2021 includes HTC WFH Information Security Process, caution Phishing Emails and Ransomware, notice on policies updates, sharing of regulations related to privacy and security, etc. HTC conducts annual privacy and security audit every year to ensure the effective implementation of management systems and reduce the risk. In addition, HTC requires vendors and partners to comply with applicable regulations related to data protection and HTC privacy and security requirements to mitigate information security and ransomware risk. The assessment on information security controls for vendors and partners is including but not limited to: their information security policy, information security organization, human resource management, communication and operational security, security incident management, business continuity management, physical security, access control, and vulnerability management.

During 2021, HTC has not discovered any significant cyberattack or incident, which had or was likely to have a significant negative impact on company business or operation, nor has it been involved in any legal procedure or investigation related to such cyberattack or incident.





**FINANCIAL STATUS,  
OPERATING  
RESULTS AND  
RISK MANAGEMENT**



# FINANCIAL STATUS, OPERATING RESULTS AND RISK MANAGEMENT

## 6.1 Financial Status

Item	Unit: NT\$ thousands			
	2021	2020	Difference	%
Current Assets	26,435,790	28,682,927	( 2,247,137)	( 8)
Properties, plant and equipment	7,485,331	7,666,798	( 181,467)	( 2)
Intangible Assets	34,334	101,943	( 67,609)	( 66)
Other Assets	10,229,502	8,614,669	1,614,833	19
Total Assets	44,184,957	45,066,337	( 881,380)	( 2)
Current Liabilities	14,568,530	14,775,024	( 206,494)	( 1)
Non-current Liabilities	2,393,525	337,737	2,055,788	609
Total Liabilities	16,962,055	15,112,761	1,849,294	12
Capital Stock	8,245,050	8,186,444	58,606	1
Capital Surplus	16,005,339	15,761,158	244,181	2
Retained Earnings	8,189,019	11,415,513	( 3,226,494)	( 28)
Other Equity	( 5,216,506)	( 5,470,576)	254,070	5
Non-controlling Interests	-	61,037	( 61,037)	( 100)
Total Stockholders' Equity	27,222,902	29,953,576	( 2,730,674)	( 9)

\* All numbers above are based on consolidated financial statements.

### Causes and implications of material change in HTC's assets, liabilities, and shareholders' equity in the last two fiscal years

The competitive nature of the industry has led to the continuous outflow of operating cash, resulting in a decrease in current assets.

Increase in other assets was primarily related to new unlisted equity investments and increases in the fair value of existing investments.

Drawdown of a syndicated bank loan increased HTC's non-current liabilities.

Retained earnings decreased due to losses in 2021.

## 6.2 Operating Results

Item	Unit: NT\$ thousands, except (Loss) Earnings per share			
	2021	2020	Difference	%
Revenues	5,253,279	5,805,708	( 552,429)	( 10)
Gross Profit	1,636,057	1,564,764	71,293	5
Operating Loss	( 4,116,434)	( 6,391,393)	2,274,959	36
Non-operating Income and Expenses	1,011,869	364,844	647,025	177
Net (Loss) Income Before Tax	( 3,104,565)	( 6,026,549)	2,921,984	48
Net (Loss) Income From Continuing Operations	( 3,101,817)	( 6,022,598)	2,920,781	48
Non-Continuing Operations Loss	-	-	-	-
Net (Loss) Income	( 3,101,817)	( 6,022,598)	2,920,781	48
Other Comprehensive Income And Loss For The Year, Net of Income Tax	100,084	814,141	( 714,057)	( 88)
Total Comprehensive Income For The Year	( 3,001,733)	( 5,208,457)	2,206,724	42
(Loss) Profit For The Year Attributable To Owners Of The Parent	( 3,073,132)	( 5,949,942)	2,876,810	48
(Loss) Profit For The Year Attributable To Non-Controlling Interest	( 28,685)	( 72,656)	43,971	61
Total Comprehensive (Loss) Income Attributable To Owners Of the Parent	( 2,972,424)	( 5,125,981)	2,153,557	42
Total Comprehensive Loss Attributable To Non-Controlling Interest	( 29,309)	( 82,476)	53,167	64
(Loss) Earnings Per Share- Basic	( 3.75)	( 7.27)	3.52	48
(Loss) Earnings Per Share- Diluted	( 3.75)	( 7.27)	3.52	48

\* All numbers above are based on consolidated financial statements.

### Causes of material change in HTC's revenues, operating income (loss), and profit (loss) before income tax in the last two fiscal years

Fewer inventory shipments led to a reduction in revenue in 2021. Nonetheless, changes in product mix resulted in improvements in gross profit and gross profit margin.

Operating expense decreased due to the enforcement of HTC's austerity policy.

Non-operating income increased due to a decrease in ownership interest of VRChat, Inc from 50.37% to 36.20%, resulting in a disposal gain accounted for in accordance with the equity method of accounting.

HTC's pre-tax loss was lower in 2021 as compared to 2020.

## 6.3 Cash Flows

### 6.3.1 Analysis of change in consolidated cash flow for the most recent fiscal year

Item	Year		
	2021	2020	Difference
Cash Flow Ratio (%)	( 30.86)	( 50.64)	19.78
Cash Flow Adequacy Ratio (%)	( 2,617.72)	( 2,561.76)	( 55.96)
Cash Flow Reinvestment Ratio (%)	( 12.46)	( 20.21)	7.75

Less net cash outflow from operating activities was primarily due to an increase in gross profit and HTC's austerity policy. Cash flow ratio and cash flow reinvestment ratio increased from the prior year, whereas capital expenditure and cash flow adequacy ratio decreased.

### 6.3.2 Analysis of cash liquidity in the coming year

HTC expects that its cash on-hand at the end of 2021 is sufficient to cover its capital expenditures and cash needs in the coming year.

## 6.4 The Effect on Financial Operations of Material Capital Expenditures During the Most Recent Fiscal Year

### 6.4.1 Review and analysis of material capital expenditures and funding sources

**Material capital expenditure and funding sources:** None

**Anticipated benefits:** None

## 6.5 The Company should disclose the financial impact to the Company if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2021 and as of the date of this Annual Report: None

## 6.6 Investment Diversification in Recent Years

In order to provide different solutions for enterprise clients, personal consumers, and telecom operators, the company continues to deepen the enhancement of virtual reality and augmented reality related new technology, application software, and content expansion through strategic investment, to deepen the enterprise market and mass consumer market.

## 6.7 Competitive Advantages, Business Growth and Assessment of Risks

### 6.7.1 Interest, forex, and inflation rate risks and mitigating measures

Impact on HTC profitability:

Item	2021(NT\$1,000 or %)
Net Interest Income	65,470
Net Forex Income	130,661
Net Interest Income as percentage of Net Revenue	1.25%
Net Interest Income as percentage of Earnings Before Tax	-2.11%
Net Forex Income as percentage of Net Revenue	2.49%
Net Forex Income as percentage of Earnings Before Tax	-4.21%

Note: Calculated on HTC consolidated financial numbers

Working capital required to support HTC business operations over recent years has been supplied mainly from cash on hand. As the corporation has not taken out long-term loans, fluctuations in interest rates have had no effect on the Company's liabilities. HTC is prudent in its financial policies, and our asset allocation decisions prioritize security and fluidity, with most funds kept in time deposit accounts. In 2021, HTC interest income totaled NT\$ 65 million.

HTC's revenues are denominated primarily in US dollars (USD) and euros (EUR). Manufacturing costs are denominated primarily in US dollars. Forex fluctuations have the potential to impact HTC revenues, operating costs and operating profits. Apart from efficient management of the quality and payment cycles of its foreign currency denominated accounts receivable, HTC uses forward exchange contracts to minimize its forex risk. At the end of 2021, financial derivatives held by HTC related to exchange risk were valued at USD 282 million, EUR 93 million, GBP 264 million, JPY 8,124 million, CAD 6 million, CNH 1,484 million, SGD 186 million and AUD 24 million. Fair value of the derivatives changes as a result of forex fluctuations. An increase of 1% in the quoted exchange rate of any one of the abovementioned currencies against the NT dollar would result in a derivative holding gain to HTC of approximately NT\$121,059 million.

During 2021, the US dollar against to the NT dollar fluctuated from 1:28.51 to 1:27.68. Net exchange income gain during 2021 totaled NT\$130,661 million. Under effective management by the Company, negative effects of exchange rate fluctuations on profits in recent years have been minimal.

During 2021, the inflation in Taiwan was approximately 1.96%, 4.5% in North American and 2.6% in European markets, the inflation was relatively negligible in 2020. Overall, inflation had no significant impact on HTC profits.

### **6.7.2 Risks associated with high-risk / high-leveraged investment; lending, endorsements, guarantees for other parties and financial derivative transactions**

HTC does not engage in high-risk ventures or highly leveraged investments. HTC engages in derivative products trading only to mitigate forex risks arising from foreign currency assets and liabilities. All derivative trading is conducted according to stipulations written in the Procedures for Acquisition or Disposal of Assets.

### **6.7.3 Future R&D plans and anticipated R&D expenditures**

Apart from the existing smartphone product line, the company will also focus on R&D investment in 5G communication technology, and simultaneously invest in the key 5G communication technologies, Sub-6GHz, driving the upgrade of cloud intelligence of 5G terminal products. The high-bandwidth, low-latency characteristics of 5G will be an epoch-making development in industrial and commercial application, and

comprehensively enhance the cloud processing capabilities of smart home and wearable AR/VR products. In the field of mobile phones, the company will continue to develop usage scenarios that are strongly related to 5G communications, and enhance the enterprise of terminal products and related communication technologies.

The R&D plan of the company will focus on the technology development in 5G technology. The second generation HTC 5G products will be developed on the innovation of Sub-6 5G technology, aiming for commercial market and enterprise. HTC 5G products will leverage HTC's strength in VR and mobile communication technology to realize 5G killer applications. Distinguished from the existing CPE/Hotspot product category, the first generation HTC 5G mobile smart Hub designed, running the Android operating system, this enables critical technologies such as multi-media services, commerce application, intellectual assistant, and 5G Cloud VR to establish its strong advantages over competitors in consumer market as well as enterprise applications. The research and development upon subsequent models will persist in developing killer application that highly correlated to 5G Cloud services and blockchains. Moreover, the company will put efforts to lower costs to keep enlarging competitive advantages. As for the fundamental technology innovation, HTC will continue to strengthen the collaboration with suppliers of 5G chipsets and network companies. It will refresh people with the designs for innovative antenna, RF front-end design, and Modem power consumption improvement for battery endurance and the better communication quality.

Working in tandem with our own tracking technology and VIVE Wave™ runtime, HTC self-developed XR solution provides PC-based VR experience, standalone VR experience and customized commercial services. We provide developers, B2B customers and B2C customers with the Home Space, large scaled area, multiple players and other tracking modes for their various products. At the Home Space, a custom configuration pack and a mobile device management (MDM) service are provided to support the wire/wireless remote rendering technology as well as tracking extensions that enhance the richness and extensibility of the VR and XR ecosystem. Meanwhile, having incorporated the OpenXR specifications into standalone VRs, HTC VIVE has gone further to incorporate the same into PC-based VRs to enrich content production and deepen cross-platform integrity. Using a more mature remote rendering technology, to extend the VR contents, particularly through streaming commercial contents to VR headsets via the 5G network. HTC VIVE XR Suite persists in advancing GPU resource sharing and edge computing to achieve the goals of cross-platform and operational feasibility to lower the price threshold and provide a more comfortable wearing experience.

In 2021, a total of 937 R&D workers joined HTC globally. In addition to those in Taiwan, we have many R&D employees coming from, or based in, other countries, such as Europe, America, and Asia. We expect that the different cultural backgrounds of our diverse employees will fuse and fuel innovative thinking, so as to support HTC in the development and launch of products that meet consumer needs in different regions and with different cultural characteristics.

Since our establishment, HTC has invested heavily in cultivating R&D talent and developing technical innovation. Currently, our in-house R&D employees make up 43% of all HTC's global employees, the

investment of which is about 43% of the total operating revenue. With this strength of innovation, HTC has special insight into industry trends and the outstanding capability for meeting consumer demand. This puts HTC always in the lead.

#### **6.7.4 Effects of domestic / foreign government policies and regulations on HTC finances and response measures**

The domestic / foreign government policies and regulations have not had a significant adverse impact on the company last year.

#### **6.7.5 Effects on HTC finances of changes in technology and industry trends and response measures**

Against a backdrop of prolonged market disruption caused by the ongoing pandemic, HTC maintained its engineering and design edge, delivering high quality hardware, software, platforms and services to markets including enterprise, education, arts, entertainment and healthcare. In particular, with business and leisure travel still restricted, practices adopted or accelerated during the first year of the pandemic largely sustained over 2021, and HTC saw virtual reality embraced by numerous industries and organizations to enhance their business processes.

HTC is encouraged by the increasing recognition of its strategy as driving the future of the industry. In early 2018, HTC coalesced the Company around a central, overarching vision of VIVE Reality, whereby merging technology with humanity to unleash the imagination will create a world where technology fades into the background and experiences come the forefront. This vision is today being described as the ‘metaverse’. HTC’s version of the metaverse is VIVERSE, an immersive, boundless universe of fantastic new experiences, and a seamless gateway to other content universes created in collaboration with partners.

#### **6.7.6 Effect of changes in the company’s corporate image on the company’s crisis management protocol and mitigating measures**

HTC manages corporate risk with a focus on sustaining value for the shareholders and stakeholders. We have established an appropriate control mechanism after careful consideration of all the various operational uncertainties that ensures a rapid response to uncertainty, as well as to any attendant risks and opportunities. Such careful risk management enhances our ability to create value. As of the publication of our 2019 Annual Report, there have been no incidents jeopardizing our corporate image change.

#### **6.7.7 Anticipated benefits / potential risks related to mergers and acquisitions and mitigating measures**

As of the printing of this annual report date, does not have any acquisition plans.

#### **6.7.8 Anticipated benefits / potential risks of HTC plant expansion plans and mitigating measures**

In response to global market demand for smartphone devices and connected devices, in addition to the continuous review and improvement of manufacturing processes to improve production capabilities, quality, and cost savings, HTC also reviews the utilization of current plants and equipment, and further more to apply the international brand of EMS production of high-end portable devices to maximize the benefit. There is no demand for plant expansion.

#### **6.7.9 Concentration risks associated with goods received and sold and mitigating measures Purchases:**

##### **Purchase:**

The skills and capabilities of materials components suppliers are maturing in step with mobile phone and VR technologies. Growing opportunities to source materials from multiple suppliers reduce the risk of overreliance on one or several suppliers. HTC also purchases in volume and purchasing strategies to reduce unit costs and optimize cost structures.

##### **Sales:**

HTC products are distributed across the Americas, Europe and Asia primarily through major carriers and local retail channels. Apart from working with current customers to expand markets and strengthen strategic partnerships, HTC continues to discuss potential cooperative projects with leading IT and telecom companies in order to remain at the fore of market trends. HTC is also developing the HTC brand and strengthening relationships with channel retailers in order to reduce business and sales concentration risks.

#### **6.7.10 Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or otherwise changed hands and mitigating measures being or to be taken:**

As of the printing of this annual report date, no transfer of significant portions of HTC share rights has occurred with respect to any director or major shareholder holding more than a 10 percent stake in the company.

### **6.7.11 Effect upon and risk to the company associated with any change in governance personnel or top management and mitigating measures being or to be taken:**

There is no change on management team in the past one year.

### **6.7.12 Lawsuit:**

- (1) In April 2008, IPCom GmbH & CO., KG and the Company have reached settlement, and both parties will withdraw from all the pending proceedings.
- (2) On the basis of its past experience and consultations with its legal counsel, the Company has measured the possible effects of the contingent lawsuits on its business and financial condition.

### **6.7.13 Other important risks and mitigating measures being or to be taken:**

Response Measures to COVID-19

During the COVID-19 prevention period, HTC strengthens internal prevention management. It is a basic requirement for employees to check body temperature every day and confirm whether there is any abnormality. In meetings, employees use “TEAMS” system to discuss online, set up partitions in the meeting rooms and wear masks to prevent the diseases spread by droplet transmission, and strengthen disinfection in the public environment, etc., are indispensable measures for epidemic prevention. Make sure that the janitor use alcohol to wipe the buttons and panels of the elevators, including the doorknobs, tables and chairs in the conference room, and the doorknobs on each floor every hour. Completely disinfect the company building environment once a week.

In terms of personal control, employees are required to fill out health declarations, work from home (WHF), and video conferencing are also implemented for the pandemic. Diversion to work reduces crowd gathering and reduces traffic carbon emissions; such as employees who return to Taiwan from abroad must take the initiative to quarantine at home and work at home for 14 days or anyone with respiratory symptoms and fever are required to work at home for 7 days.

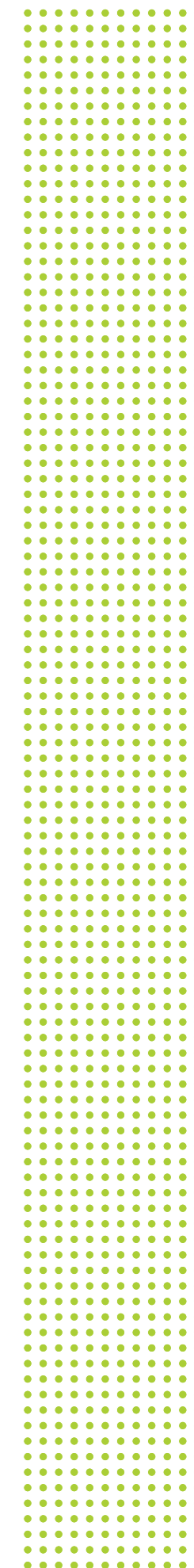
In addition to protecting the health of every employee, HTC also cooperates with the Ministry of Health and Welfare of the Executive Yuan in line with social corporate responsibility. The Line Bot of Disease Control Butler (DCB) and Disease Containment Expert (DCE) developed by HTC DeepQ technology both

played an important role in the digital frontline for COVID-19 pandemic prevention. Disease Control Butler (DCB) Line Bot system is a personal assistant that can be used to receive the latest outbreak alerts, manage vaccinations, and get answers with the tap of the screen. During the COVID-19 pandemic Taiwan NHCC (National Health Command Center) has released the COVID-19 pandemic related information, pandemic prevention education, online press conference, fake news clarification, mask purchase map, and daily pandemic news to people via DCB Line bot. It plays an important role in the pre- version of COVID-19, allowing people to obtain information on pandemic prevention in real-time. With the Disease Containment Expert (DCE) Line Bot system, those at home quarantine can voluntarily report their health status to the disease prevention staff every day. In addition to information on disease prevention and health status reporting, the system also sends home quarantine-related details and notes to users. HTC cooperated with Taipei Tzu Chi Hospital and the Taiwan Emergency and Critical Simulation Medicine Association to set up the “COVID-19 VR Medical Simulation Center”, so that medical students can correctly learn about the procedures of clinical care for COVID-19 and how to properly take examinations. HTC continues to use AI, VR, blockchain and other innovative to on the front line to help the world for the pandemic.

### **6.8 Other Important Matters:** None.



**AFFILIATE  
INFORMATION AND  
OTHER SPECIAL  
NOTES**

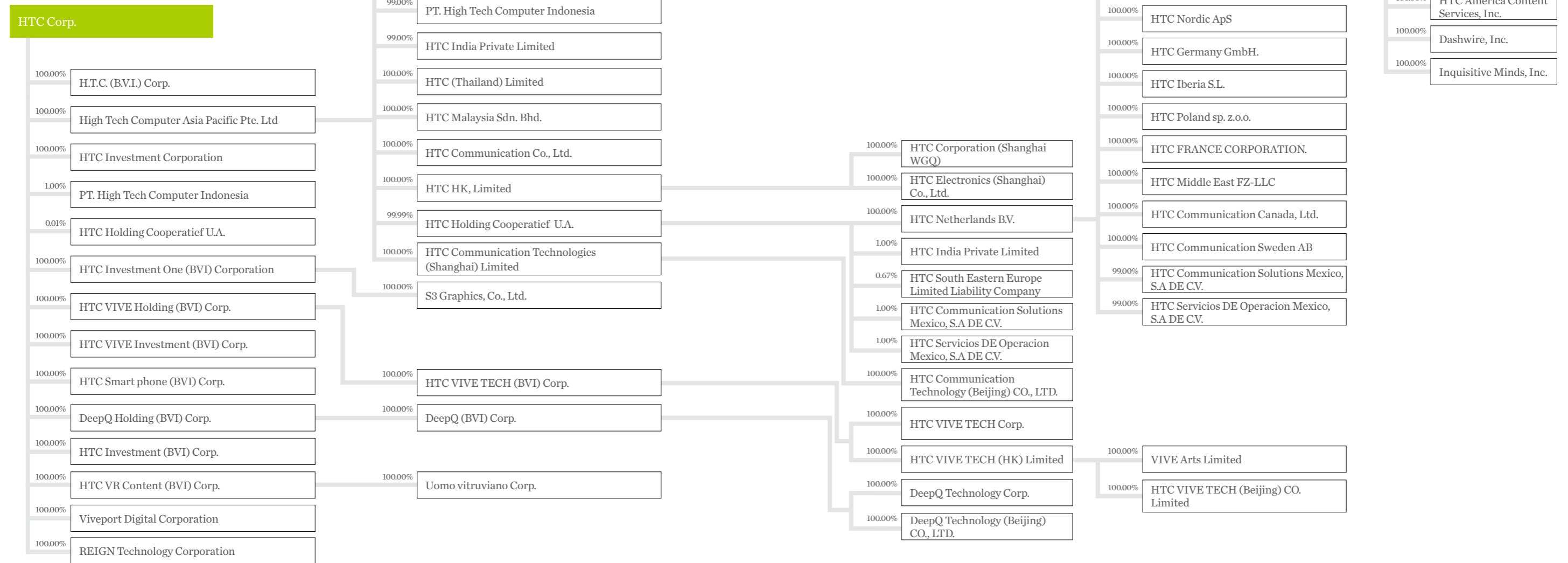


# AFFILIATE INFORMATION AND OTHER SPECIAL NOTES

## 7.1 Affiliates

### 7.1.1 HTC affiliated companies chart

Holding company and subsidiaries:



Reciprocal affiliation: None



## 7.1.2 HTC affiliated companies

Amount in thousands				
Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Investor:				
HTC Corporation	1997.05.15	No.23, Xinghua Rd., Taoyuan Dist., Taoyuan City 330, Taiwan, R.O.C.	NTD 8,245,050	Principally engaged in the design, manufacture and marketing of PDA phones, smartphones, virtual reality devices and smart handheld devices, as well as the provision of related technologies and after-sales services
Investee:				
H.T.C. (B.V.I.) Corp.	2000.08.01	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 4,086,564 (USD 147,620)	International holdings and general investing activities
High Tech Computer Asia Pacific Pte. Ltd.	2007.07.12	#13-00 Robinson 77 Singapore 068896	NTD 14,982,632 (SGD 730,838)	International holdings, marketing, repair and after-sales services
HTC Investment Corporation	2008.07.24	1F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 300,000	General investing activities
HTC Investment One (BVI) Corporation	2011.06.20	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 9,238,731 (USD 333,733)	Holding S3 Graphics Co., Ltd. and general investing activities
HTC Investment (BVI) Corp.	2015.07.29	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 719,758 (USD 26,000)	General investing activities
HTC VIVE Holding (BVI) Corp.	2015.08.31	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 193,781 (USD 7,000)	International holdings
HTC VIVE Investment (BVI) Corp	2016.09.01	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 276,830 (USD 10,000)	General investing activities
DeepQ Holding (BVI) Corp.	2017.03.08	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	NTD 456,770 (USD 16,500)	International holdings
HTC Smart phone (BVI) Corp.	2017.07.19	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	NTD 914 (USD 33)	International holdings
HTC VR Content (BVI) Corp.	2017.07.05	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	NTD 47,338 (USD 1,710)	International holdings
REIGN Technology Corporation	2021.09.30	12F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 40,000	Construction, application and after-sales services of 5G
Viveport Digital Corporation	2021.10.01	11F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 60,000	Research, development of virtual reality software
HTC (Australia and New Zealand) PTY LTD.	2007.08.28	SUITE 1 LEVEL 7, 60-62 YORK STREET, SYDNEY NSW 2000	NTD 80,386 (AUD 4,000)	Marketing, repair and after-sales services
HTC Philippines Corporation	2007.12.06	Unit 32 3/F Worldnet Business Center Zeta Bldg 191, Salcedo St Legaspi Village, Makati City 1229	NTD 5,537 (USD 200)	Marketing, repair and after-sales services
PT. High Tech Computer Indonesia	2007.12.03	Plaza Semanggi 7th Floor, unit No. Z07-006 Kawasan Bisnis Granadha Jl. Jend. Sudirman Kav. 50 Jakarta -12930 Indonesia	NTD 3,297 (IDR 1,699,313)	Marketing, repair and after-sales services

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC (Thailand) Limited	2007.11.06	No. 87/1 Unit 1604-6, 16th Floor, Capital Tower, All Seasons Place, Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	NTD 20,808 (THB 25,000)	Marketing, repair and after-sales services
HTC India Private Limited	2008.01.30	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Expection Road, Gurugram, Haryana-122002	NTD 1,864 (INR 5,000)	Marketing, repair and after-sales services
HTC Malaysia Sdn. Bhd.	2007.11.07	UNIT 30-01, LEVEL 30, TOWER A, VERTICAL BUSINESS SUITE, AVENUE 3, BANGSAR SOUTH, NO. 8, JALAN KERINCHI, 59200 KUALA LUMPUR, MALAYSIA	NTD 1,660 (MYR 250)	Marketing, repair and after-sales services
HTC Communication Co., Ltd.	2008.12.29	Room 101-A, No. 2557 Jinke Road, Pilot Free Trade Zone, Shanghai China	NTD 3,529,583 (USD 127,500)	Sale of virtual reality devices and smart handheld devices and after-sales services
HTC HK, Limited	2006.08.26	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	NTD 133,596 (HKD 37,626)	International holdings, marketing, repair and after-sales service
HTC Holding Cooperatief U.A.	2009.08.18	Van Boshuizenstraat 12 unit 1.25, 1083 BA Amsterdam, the Netherlands	NTD 6,517,065 (EUR 208,242)	International holdings
HTC Communication Technologies (Shanghai) limited	2011.08.01	Room 101-B, No. 2557 Jinke Road, Pilot Free Trade Zone, Shanghai China	NTD 110,732 (USD 4,000)	Design, research and development of application software
S3 Graphics Co, Ltd.	2001.01.03	P.O. Box 709 George Town Grand Cayman	NTD 8,526 (USD 308)	Design, research and development of graphics technology
HTC Corporation (Shanghai WGQ)	2007.07.09	Room 405, Building 2, No. 255, Meisheng Road, Pilot Free Trade Zone, Shanghai China	NTD 41,525 (USD 1,500)	Smart handheld devices examination and after-sale services and technique consultations
HTC Electronics (Shanghai) Co., Ltd.	2007.01.22	Room 123, No. 2502, Hunan Road, Kangqiao Industrial Zone, Pudong New District, Shanghai, China	NTD 80,530 (USD 2,909)	Manufacture and sale of virtual reality devices and smart handheld devices
HTC Communication Technology (Beijing) Co., Ltd.	2014.06.04	Floor 6 601-4, No.7, Courtyard 1, Zhongguancun East Road, Haidian District, Beijing	NTD 45,607 (RMB 10,500)	Design, research and development of application software
HTC Netherlands B.V.	2009.11.11	Van Boshuizenstraat 12 unit 1.25, 1083 BA Amsterdam, the Netherlands	NTD 4,502,878 (EUR 143,882)	International holdings, marketing, repair and after-sales service
HTC EUROPE CO., LTD.	2003.07.09	Salamanca Wellington Street Slough Berkshire England SL1 1YP	NTD 3,890,990 (GBP 104,061)	International holdings, marketing, repair and after-sales service
HTC Belgium BVBA/SPRL	2006.10.12	Havenlaan 86/c, box 204 – 1000 Brussels	NTD 595 (EUR 19)	Marketing, repair and after-sales services
HTC NIPPON Corporation	2006.03.22	The CORNER Nihonbashi east 5th floor, 1-9-1, Nihonbashi Bakurocho, Chuo-ku, Tokyo	NTD 68,514 (JPY 285,000)	Sale of virtual reality devices and smart handheld devices
HTC FRANCE CORPORATION	2010.04.02	83-85 boulevard de Charonne 75011 Paris	NTD 344,252 (EUR 11,000)	Marketing, repair and after-sales services
HTC South Eastern Europe Limited Liability Company	2010.04.27	Kifissias 90, Marousi 15125, Athens, Greece	NTD 141 (EUR 4.5)	Marketing, repair and after-sales services
HTC Nordic ApS.	2010.07.01	c/o Redmark, Sommervej 31 C, Hasle, 8210 Aarhus V	NTD 337 (DKK 80)	Marketing, repair and after-sales services

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
HTC Italia SRL	2007.02.19	C/o Studio Gargani & Associati, Via Nicolò Tartagli, 11, 00197 Roma, Italy	NTD 313 (EUR 10)	Marketing, repair and after-sales services
HTC Germany GmbH.	2010.09.06	Friedrich-Ebert-Anlage 36, 60325 Frankfurt am Main, Germany	NTD 782 (EUR 25)	Marketing, repair and after-sales services
HTC Iberia S.L.	2010.10.08	Conde de Vilches, 19, Madrid, 28028, Spain	NTD 94 (EUR 3)	Marketing, repair and after-sales services
HTC Poland sp. z o.o.	2010.09.01	Jerozolimskie Business Park, Al. Jerozolimskie 146A, 02-305 Warszawa, Poland	NTD 1,596 (PLN 234)	Marketing, repair and after-sales services
HTC Communication Canada, Ltd.	2011.01.25	2900-550 Burrard Street, Vancouver BC V6C 0A3, Canada	NTD 41,525 (USD 1,500)	Marketing, repair and after-sales services
HTC Communication Sweden AB	2011.09.26	Box 45063, 10430 Stockholm	NTD 3,051 (SEK 1,000)	Marketing, repair and after-sales services
HTC Middle East FZ-LLC	2012.07.08	DIC building no.3, office no.316, Dubai Internet City, Dubai	NTD 26,379 (AED 3,500)	Marketing, repair and after-sales services
HTC Communication Solutions Mexico, S.A DE C.V.	2015.04.01	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	NTD 68 (MXN 50)	Marketing, repair and after-sales services
HTC Servicios DE Operacion Mexico, S.A DE C.V.	2015.04.01	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	NTD 68 (MXN 50)	Human resource management
HTC America Holding Inc.	2010.04.23	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 1,913,311 (USD 69,115)	International holdings
HTC America Inc.	2003.01.06	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 621,428 (USD 22,448)	Sale of virtual reality devices and smart handheld devices
One & Company Design, Inc.	2003.10.04	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 997 (USD 36)	Design, research and development of application software
HTC America Innovation Inc.	2010.04.23	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 83,049 (USD 3,000)	Design, research and development of application software
HTC America Content Services, Inc.	2011.03.28	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 916,307 (USD 33,100)	Online/download media services
Dashwire, Inc.	2006.08.11	850 New Burton Road, Suite 201 Dover DE 19904	NTD 0.003 (USD 0.0001)	Cloud Synchronization Technology design and management
Inquisitive Minds, Inc.	2008.12.04	308 Occidental Ave S 3rd floor, Seattle, WA 98104	NTD 0.03 (USD 0.001)	Development and sale of Digital Education Platform
HTC VIVE TECH (BVI) Corp.	2015.08.31	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	NTD 193,781 (USD 7,000)	International holdings
HTC VIVE TECH Corp.	2015.12.21	8F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 1,000	Research, development and sale of virtual reality devices
HTC VIVE TECH (HK) Limited	2017.06.21	Unit 1606, 16/F., Citicorp Centre, No. 18 Whitfield Road, Causeway Bay, Hong Kong	NTD 188,244 (USD 6,800)	Research, development and sale of virtual reality devices
HTC VIVE TECH (Beijing) Co. Limited	2016.08.17	RM 601, 601-3, 6F, VIA Building, Building 7, No.1 Zhongguancun East Road, Hadian District, Beijing	NTD 22,146 (USD 800)	Research, development and sale of virtual reality devices
VIVE Arts Limited	2017.06.23	Salamanca, Wellington Street, Slough, Berkshire, United Kingdom SL1 1YP	NTD 166,098 (USD 6,000)	Sale and exhibition of digital art
DeepQ (BVI) Corp.	2017.03.02	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	NTD 455,939 (USD 16,470)	International holdings

(Continued)

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
DeepQ Technology Corp.	2017.06.21	13F, No. 207-5, Sec. 3, Beixin Rd., Xindian Dist, New Taipei City 231, Taiwan	NTD 395,212	Health technology and health care business
DeepQ Technology (Beijing) Co., Ltd	2017.12.21	1101-1, 11th Floor, Building 7, No.1, Zhongguancun East Road, Haidian District, Beijing	NTD 83,049 (USD 3,000)	Development and marketing of software technology
Uomo vitruviano Corp.	2017.09.15	11F, No. 88 Section 3, Zhongxing Road, Xindian District, New Taipei City 231, Taiwan, R.O.C.	NTD 50,000	Software development of virtual reality

Note: Paid-in capital is translated at the exchange rates prevailing on the balance sheet date.

(Concluded)

### 7.1.3 Common shareholders of HTC and its subsidiaries or its affiliates with actual deemed Control: None.

### 7.1.4 Industries covered by the businesses operated by all affiliates and intra-firm division of labor:

#### Industries covered by the businesses operated by all affiliates:

Principally engaged in designing, manufacturing, assembling, processing, and selling virtual reality devices and smart mobile devices and after-sales services.

#### Division of labor among all affiliates:

The controlling company, HTC Corporation, is the primary R&D and manufacturing base and provider of technical resources. For its affiliates:

- (1) The primary business of HTC Holding Cooperatief U.A, HTC VIVE Holding (BVI) Corp., HTC America Holding Inc., HTC VIVE TECH (BVI) Corp., DeepQ Holding (BVI) Corp., HTC Smart phone (BVI) Corp., HTC VR Content (BVI) Corp., and DeepQ (BVI) Corp. is international holdings.
- (2) The primary business of H.T.C. (B.V.I.) Corp. is international holdings and general investing activities.
- (3) The primary business of HTC Investment Corporation, HTC Investment (BVI) Corp. and HTC VIVE Investment (BVI) Corp. is general investing activities.
- (4) HTC Electronics (Shanghai) Co., Ltd. engages in the manufacture and sale of virtual reality devices and smart handheld devices .
- (5) HTC Corporation (Shanghai WGQ) engages in smart handheld devices examination and after-sale services and technique consultations.
- (6) HTC Communication Co., Ltd. engages in the sale of virtual reality devices and smart handheld devices and after-sales services.
- (7) HTC America Innovation Inc., One & Company Design Inc., HTC Communication Technology (Beijing) Co., Ltd. and HTC Communication Technologies (Shanghai) limited engage in design, research and development of application software.

- (8) HTC America Inc. and HTC NIPPON Corporation engage in the sale of virtual reality devices and smart handheld devices .
- (9) High Tech Computer Asia Pacific Pte. Ltd., HTC HK, Limited, HTC Netherlands B.V., and HTC EUROPE CO., LTD. engage in global investing activities, marketing, repair and after-sales service.
- (10) HTC America Content Services, Inc. engages in online and download media services.
- (11) Dashwire, Inc. engages in design and management of cloud synchronization technology.
- (12) Inquisitive Minds, Inc. is mainly engaged in development and sale of digital education platform.
- (13) HTC Investment One (BVI) Corporation is mainly engaged in acquisitions and general investment for S3 Graphics Co., Ltd.
- (14) The primary business of S3 Graphics Co, Ltd. is design, research and development of graphics technology.
- (15) HTC VIVE TECH Corp., HTC VIVE TECH (HK) Limited, HTC VIVE TECH (Beijing) Co. Limited, VIVE Arts Limited, and Viveport Digital Corporation are mainly engaged in research, development and sale of virtual reality devices.
- (16) DeepQ Technology Corp. is mainly engaged in health technology and health care business.
- (17) DeepQ Technology (Beijing) Co., Ltd is mainly engaged in development and marketing of software technology.
- (18) Uomo vitruviano Corp.is mainly engaged in Software development of virtual reality.
- (19) REIGN Technology Corporation is mainly engaged in construction, application and after-sales services of 5G.
- (20) The remaining companies engage in marketing, repair and after-sales services.

### 7.1.5 Information of Directors, Supervisors, and Presidents of HTC affiliated companies

Unit: NT\$ thousands, except shareholding

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
<b>Investor:</b>				
	Chairwoman	Cher Wang	32,272,427 shares	3.91%
	Director	Wen-Chi Chen	22,391,389 shares	2.72%
	Director	HT Cho	96,530 shares	0.01%
HTC Corporation	Director	David Bruce Yoffie	-	-
	Independent Director	Chen-Kuo Lin	-	-
	Independent Director	Josef Felder	500,000 shares	0.06%
	Independent Director	Vincent Thai	-	-
<b>Investee:</b>				
H.T.C. (B.V.I.) Corp.	Chairwoman	HTC Corporation Representative: Cher Wang	1,476,201,760 shares	100.00%
High Tech Computer Asia Pacific Pte. Ltd.	Director	HTC Corporation Representative: Cher Wang, ChiaTe Lu, Chow Hong Luen Irwin	562,534,059 shares	100.00%

(Continued)

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
HTC Investment Corporation	Chairwoman	HTC Corporation Representative: Cher Wang	30,000,000 shares	100.00%
	Director	HTC Corporation Representative: Peter Shen, ChiaTe Lu	30,000,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Hui-Mei Tseng	30,000,000 shares	100.00%
HTC Investment One (BVI) Corporation	Director	HTC Corporation Representative: Cher Wang	333,733,246 shares	100.00%
HTC Investment (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen	26,000,000 shares	100.00%
HTC VIVE Holding (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen, ChiaTe Lu	7,000,000 shares	100.00%
HTC VIVE Investment (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen, ChiaTe Lu	10,000,000 shares	100.00%
DeepQ Holding (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen, ChiaTe Lu	16,500,000 shares	100.00%
HTC Smartphone (BVI) Corp.	Director	HTC Corporation Representative: ChiaTe Lu	33,066 shares	100.00%
HTC VR Content (BVI) Corp.	Director	HTC Corporation Representative: Peter Shen, ChiaTe Lu	1,710,000 shares	100.00%
REIGN Technology Corporation	Chairwoman	HTC Corporation Representative: Cher Wang	4,000,000 shares	100.00%
	Director	HTC Corporation Representative: Wenchi Chen, ChiaTe Lu	4,000,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Yu-Da Chang	4,000,000 shares	100.00%
Viveport Digital Corporation	Chairwoman	HTC Corporation Representative: Cher Wang	6,000,000 shares	100.00%
	Director	HTC Corporation Representative: Wenchi Chen, ChiaTe Lu	6,000,000 shares	100.00%
	Supervisor	HTC Corporation Representative: Yu-Da Chang	6,000,000 shares	100.00%
HTC (Australia and New Zealand) PTY LTD	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chiate Lu, Cha-Li Ou Yang, Elson Pow	400,000 shares	100.00%
HTC Philippines Corporation	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Ralph Wang, Dannie Liu, Majorie L. Elic, Juancho S. Ong, Edgardo C. Abenis	858,765 shares	100.00%
	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chiate Lu	185,625 shares	99.00%
PT. High Tech Computer Indonesia	Director	HTC Corporation Representative: Chiate Lu	1,875 shares	1.00%
	Supervisor	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chiate Lu	185,625 shares	99.00%
	Supervisor	HTC Corporation Representative: Chiate Lu	1,875 shares	1.00%
HTC (Thailand) Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen, ChiaTe Lu	10,000,000 shares	100.00%
HTC India Private Limited	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: ChiaTe Lu, Cha-Li Ou Yang, Rohit Sharma	495,000 shares	99.00%
	Director	HTC Holding Cooperatief U.A. Representative: ChiaTe Lu, Cha-Li Ou Yang, Rohit Sharma	5,000 shares	1.00%

(Continued)

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
HTC Malaysia Sdn. Bhd.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Chiate Lu	25,000 shares	100.00%
HTC Communication Co., Ltd.	Chairperson	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen	USD 127,500 thousands	100.00%
	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: ChiaTe Lu	USD 127,500 thousands	100.00%
	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Cha-Li Ou Yang	USD 127,500 thousands	100.00%
	Supervisor	High Tech Computer Asia Pacific Pte. Ltd. Representative: Hui-Mei Tseng	USD 127,500 thousands	100.00%
	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: ChiaTe Lu	37,625,626 shares	100.00%
HTC Holding Cooperatief U.A.	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen, Robert Bron	EUR 208,242 thousands	99.99%
	Director	HTC Corporation Representative: Peter Shen, Robert Bron	EUR 0.28 thousands	0.01%
HTC Communication Technologies (Shanghai) limited	Chairperson	High Tech Computer Asia Pacific Pte. Ltd. Representative: Peter Shen	USD 4,000 thousands	100.00%
	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: ChiaTe Lu	USD 4,000 thousands	100.00%
	Director	High Tech Computer Asia Pacific Pte. Ltd. Representative: Wan-Hiseh Liu	USD 4,000 thousands	100.00%
	Supervisor	High Tech Computer Asia Pacific Pte. Ltd. Representative: Hui-Mei Tseng	USD 4,000 thousands	100.00%
S3 Graphics Co, Ltd.	Director	HTC Investment One (BVI) Corporation Representative: Peter Shen, ChiaTe Lu	386,338,516 shares	100.00%
HTC Corporation (Shanghai WGQ)	Executive Director	HTC HK, Limited Representative: ChiaTe Lu	USD 1,500 thousands	100.00%
	Supervisor	HTC HK, Limited Representative: Hui-Mei Tseng	USD 1,500 thousands	100.00%
	Chairperson	HTC HK, Limited Representative: Peter Shen	USD 2,909 thousands	100.00%
HTC Electronics (Shanghai) Co., Ltd.	Director	HTC HK, Limited Representative: ChiaTe Lu	USD 2,909 thousands	100.00%
	Director	HTC HK, Limited Representative: Cha-Li Ou Yang	USD 2,909 thousands	100.00%
	Supervisor	HTC HK, Limited Representative: Hui-Mei Tseng	USD 2,909 thousands	100.00%
	Chairperson	HTC Communication Technologies (Shanghai) limited Representative: Peter Shen	RMB 10,500 thousands	100.00%
HTC Communication Technology (Beijing) Co., Ltd.	Director	HTC Communication Technologies (Shanghai) limited Representative: Cha-Li Ou Yang	RMB 10,500 thousands	100.00%
	Supervisor	HTC Communication Technologies (Shanghai) limited Representative: Hui-Mei Tseng	RMB 10,500 thousands	100.00%

(Continued)

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
HTC Netherlands B.V.	Representative	HTC Holding Cooperatief U.A.	143,881,816 shares	100.00%
HTC EUROPE CO. LTD.	Director	HTC Netherlands B.V. Representative: Peter Shen, ChiaTe Lu	104,061,442 shares	100.00%
HTC Belgium BVBA/SPRL	Director	HTC Netherlands B.V. Representative: Gilbert Ng, TMF Management	18,549 shares	100.00%
HTC NIPPON Corporation	Director	HTC Netherlands B.V. Representative: Peter Shen, ChiaTe Lu, Cha-Li Ou Yang, Kojima Masakatin	56,000 shares	100.00%
HTC France Corporation	President	HTC Netherlands B.V. Representative: ChiaTe Lu	11,000,000 shares	100.00%
HTC South Eastern Europe Limited Liability Company	Administrator	HTC Netherlands B.V. Representative: Nikitas Glykas	149 shares	99.33%
	Administrator	HTC Holding Cooperatief U.A. Representative: Nikitas Glykas	1 share	0.67%
HTC Nordic ApS	Director	HTC Netherlands B.V. Representative: Charles Huang, ChiaTe Lu	80,000 shares	100.00%
HTC Italia SRL	Director	HTC Netherlands B.V. Representative: (Liquidator) Gilbert Ng	EUR 10 thousands	100.00%
HTC Germany GmbH	Director	HTC Netherlands B.V. Representative: ChiaTe Lu	25,000 shares	100.00%
HTC Iberia S.L.	Director	HTC Netherlands B.V. (Liquidated)	3,006 shares	100.00%
HTC Poland sp z o.o.	Director	HTC Netherlands B.V. Representative: ChiaTe Lu	4,687 shares	100.00%
HTC Communication Canada, Ltd.	Director	HTC Netherlands B.V. Representative: Peter Shen, Daniel O'Brien, ChiaTe Lu	1,500,000 shares	100.00%
HTC Communication Sweden AB	Director	HTC Netherlands B.V. (Liquidator) Lars Thron	1,000,000 shares	100.00%
HTC Middle East FZ-LLC	Director	HTC Netherlands B.V. Representative: ChiaTe Lu	3,500 shares	100.00%
HTC Communication Solutions Mexico, S.A DE C.V.	Director	HTC Netherlands B.V. Representative: Peter Shen, ChiaTe Lu	49,500 shares	99.00%
	Director	HTC Holding Cooperatief U.A. Representative: Peter Shen, ChiaTe Lu	500 shares	1.00%
HTC Servicios DE Operacion Mexico, S.A DE C.V.	Director	HTC Netherlands B.V. Representative: Peter Shen, ChiaTe Lu	49,500 shares	99.00%
	Director	HTC Holding Cooperatief U.A. Representative: Peter Shen, ChiaTe Lu	500 shares	1.00%
HTC America Holding, Inc.	Director	HTC EUROPE CO. LTD Representative: Peter Shen	371,617,151 shares	100.00%
HTC America, Inc.	Director	HTC America Holding, Inc. Representative: Peter Shen, ChiaTe Lu	1,000 shares	100.00%
One & Company Design, Inc.	Director	HTC America Holding, Inc. Representative: ChiaTe Lu	60,000 shares	100.00%
HTC America Innovation, Inc.	Director	HTC America Holding, Inc. Representative: Hui-Mei Tseng	1,000 shares	100.00%
HTC America Content Services, Inc.	Director	HTC America Holding, Inc. Representative: ChiaTe Lu	31,000 shares	100.00%
Dashwire, Inc.	Director	HTC America Holding, Inc. Representative: ChiaTe Lu	100 shares	100.00%
Inquisitive Minds, Inc.	Director	HTC America Holding, Inc. Representative: ChiaTe Lu	100 shares	100.00%

(Continued)

Company	Title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Investment Holding Percentage
HTC VIVE TECH (BVI) Corp.	Director	HTC VIVE Holding (BVI) Corp. Representative: Peter Shen, ChiaTe Lu	70,000,000 shares	100.00%
HTC VIVE TECH Corp.	Chairperson	HTC VIVE Tech (BVI) Corp. Representative: Peter Shen	100,000 shares	100.00%
	Director	HTC VIVE Tech (BVI) Corp. Representative: ChiaTe Lu	100,000 shares	100.00%
	Director	HTC VIVE Tech (BVI) Corp. Representative: Cha-Li Ou Yang	100,000 shares	100.00%
	Supervisor	HTC VIVE Tech (BVI) Corp. Representative: Hui-Mei Tseng	100,000 shares	100.00%
HTC VIVE TECH (HK) Limited	Director	HTC VIVE TECH (BVI) Corp. Representative: Peter Shen, ChiaTe Lu, Cha-Li Ou Yang	68,000,000 share	100.00%
HTC VIVE TECH (Beijing) Co. Limited	Chairperson	HTC VIVE TECH (HK) Limited Representative: Peter Shen	USD 800 thousands	100.00%
	Director	HTC VIVE TECH (HK) Limited Representative: ChiaTe Lu	USD 800 thousands	100.00%
	Director	HTC VIVE TECH (HK) Limited Representative: Cha-Li Ou Yang	USD 800 thousands	100.00%
	Supervisor	HTC VIVE TECH (HK) Limited Representative: Hui-Mei Tseng	USD 800 thousands	100.00%
VIVE Arts Limited	Director	HTC VIVE TECH (HK) Limited. Representative: Cher Wang	6,000,000 shares	100.00%
DeepQ (BVI) Corp.	Director	DeepQ Holding (BVI) Corp Representative: Peter Shen, ChiaTe Lu	164,700,000 shares	100.00%
DeepQ Technology Corp.	Chairperson	DeepQ (BVI) Corp. Representative: Peter Shen	39,521,200 shares	100.00%
	Director	DeepQ (BVI) Corp. Representative: ChiaTe Lu	39,521,200 shares	100.00%
	Director	DeepQ (BVI) Corp. Representative: Cha-Li Ou Yang	39,521,200 shares	100.00%
	Supervisor	DeepQ (BVI) Corp. Representative: Hui-Mei Tseng	39,521,200 shares	100.00%
DeepQ Technology (Beijing) Co., Ltd	Chairperson	DeepQ (BVI) Corp. Representative: Peter Shen	USD 3,000 thousands	100.00%
Uomo vitruviano Corp.	Chairperson	HTC VR Content (BVI) Corp. Representative: Peter Shen	5,000,000 shares	100.00%
	Director	HTC VR Content (BVI) Corp. Representative: ChiaTe Lu	5,000,000 shares	100.00%
	Director	HTC VR Content (BVI) Corp. Representative: Cha-Li Ou Yang	5,000,000 shares	100.00%
	Supervisor	HTC VR Content (BVI) Corp. Representative: Hui-Mei Tseng	5,000,000 shares	100.00%

(Concluded)

## 7.1.6 Operational highlights of HTC affiliated companies

Unit: NT\$ thousands

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
Investor:								
HTC Corporation	\$ 8,245,050	\$ 45,021,219	\$17,798,317	\$27,222,902	\$ 4,629,364	(\$4,087,196)	(\$3,073,132)	(\$ 3.75)
Investee:								
H.T.C. (B.V.I.) Corp.	4,086,564	2,199,052	-	2,199,052	-	( 68,012)	( 393,530)	( 0.27)
High Tech Computer Asia Pacific Pte. Ltd.	14,982,632	20,384,303	576	20,383,727	3,322	90,252	172,466	0.31
HTC Investment Corporation	300,000	146,495	100	146,395	-	( 113)	95	-
HTC Investment One (BVI) Corporation	9,238,731	368,239	-	368,239	-	( 505)	89,136	0.27
HTC Investment (BVI) Corp.	719,758	3,611,491	-	3,611,491	16,324	( 46,789)	685,480	26.36
HTC VIVE Holding (BVI) Corp.	193,781	186,960	-	186,960	-	( 1,417)	( 1,519)	( 0.22)
HTC VIVE Investment (BVI) Corp.	276,830	287,625	-	287,625	-	-	( 36)	-
DeepQ Holding (BVI) Corp.	456,770	336,764	-	336,764	-	( 66,587)	( 67,270)	( 4.08)
HTC Smart phone (BVI) Corp.	914	564	-	564	-	-	( 94)	( 2.85)
HTC VR Content (BVI) Corp.	47,338	44,059	-	44,059	-	( 1,713)	( 1,690)	( 0.99)
REIGN Technology Corporation	40,000	37,095	5,046	32,049	-	( 7,951)	( 7,951)	( 1.99)
Viveport Digital Corporation	60,000	53,789	10,844	42,945	-	( 17,056)	( 17,055)	( 2.84)
HTC (Australia and New Zealand) PTY LTD.	80,386	202,339	13,566	188,773	18,058	824	600	1.50
HTC Philippines Corporation	5,537	5,772	-	5,772	-	-	-	-
PT. High Tech Computer Indonesia	3,297	3,796	-	3,796	-	( 1)	( 15,527)	( 82.59)
HTC (Thailand) Limited	20,808	41,734	36	41,698	-	( 599)	( 553)	( 0.06)
HTC India Private Limited	1,864	205,613	66,741	138,872	( 38,157)	( 5,015)	( 4,058)	( 8.12)
HTC Malaysia Sdn. Bhd.	1,660	21,105	134	20,971	-	( 35)	360	14.40
HTC Communication Co., Ltd.	3,529,583	1,998,328	293,213	1,705,115	856,324	( 12,317)	( 517)	-
HTC HK, Limited	133,596	4,260,370	3,786	4,256,584	4,331	43,051	43,687	1.16
HTC Holding Cooperatief U.A.	6,517,065	9,680,277	14,095	9,666,182	-	57,045	62,190	-
HTC Communication Technologies (Shanghai) limited	110,732	541,639	21,332	520,307	164,479	30,897	9,665	-
S3 Graphics Co, Ltd.	8,526	86,125	-	86,125	-	( 153)	( 131)	-
HTC Corporation (Shanghai WGQ)	41,525	78,055	2,149	75,906	-	( 287)	( 2,010)	-
HTC Electronics (Shanghai) Co., Ltd.	80,530	4,030,826	6,822	4,024,004	-	( 4,201)	45,449	-
HTC Communication Technology (Beijing) Co., Ltd.	45,607	125,883	21,188	104,695	107,848	3,561	3,947	-

(Continued)

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Sales	Income (Loss) from Operation	Net Income (Net of Tax)	EPS (Net of Tax)
HTC Netherlands BV.	\$ 4,502,878	\$ 9,708,653	\$ 31,744	\$ 9,676,909	\$ 947	\$ 24,789	\$ 62,575	\$ 0.43
HTC EUROPE CO., LTD.	3,890,990	8,973,367	348,858	8,624,509	280,469	69,822	29,774	0.29
HTC Belgium BVBA/SPRL	595	5,966	92	5,874	1,452	69	( 279)	( 15.04)
HTC NIPPON Corporation	68,514	338,181	78,927	259,254	232,369	2,510	( 4,384)	( 78.29)
HTC FRANCE CORPORATION	344,252	73,809	38,338	35,471	38,778	1,847	( 339)	( 0.03)
HTC South Eastern Europe Limited Liability Company	141	4,738	2,552	2,186	-	-	-	-
HTC Nordic ApS.	337	11,797	1,776	10,021	5,716	118	96	1.20
HTC Italia SRL	313	5,178	2,767	2,411	-	( 239)	( 251)	-
HTC Germany GmbH.	782	107,222	3,169	104,053	27,875	1,158	802	32.08
HTC Iberia S.L.	94	22,705	3	22,702	-	( 232)	( 282)	( 94.00)
HTC Poland sp. z o.o.	1,596	6,807	3,030	3,777	26,609	1,257	291	61.91
HTC Communication Canada, Ltd.	41,525	66,539	2,050	64,489	23	1	( 13)	( 0.01)
HTC Communication Sweden AB	3,051	5,414	( 25)	5,439	-	( 38)	49	0.05
HTC Middle East FZ-LLC	26,379	54,843	2,035	52,808	26,007	1,167	1,047	299.14
HTC Communication Solutions Mexico, S.A DE C. V.	68	19,799	14,001	5,798	1,182	40	192	3.84
HTC Servicios DE Operation Mexico, S.A DE C. V.	68	6,529	2,051	4,478	850	21	27	0.54
HTC America Holding Inc.	1,913,311	2,240,965	1,303	2,239,662	-	( 1,055)	8,580	0.02
HTC America Inc.	621,428	1,377,370	404,478	972,892	1,719,060	51,444	50,365	50,365.00
One & Company Design, Inc.	997	2,676	58	2,618	-	-	-	-
HTC America Innovation Inc.	83,049	670,225	169,984	500,241	183,089	8,650	12,653	12,653.00
HTC America Content Services, Inc.	916,307	160,173	94,353	65,820	104,322	( 58,542)	( 58,198)	( 1,877.35)
Dashwire, Inc.	0.003	1,447	51,106	( 49,659)	-	-	-	-
Inquisitive Minds, Inc.	0.03	28,136	2,456	25,680	( 150)	93	104	1,040
HTC VIVE TECH BVI Corp.	193,781	186,960	-	186,960	-	( 1,127)	( 1,519)	( 0.02)
HTC VIVE TECH Corp.	1,000	718	-	718	-	( 6)	( 5)	( 0.05)
HTC VIVE TECH (HK) Limited	188,244	185,890	-	185,890	-	-	( 1,218)	( 0.02)
HTC VIVE TECH (Beijing) Co. Limited	22,146	22,459	2,228	20,231	-	( 48)	( 532)	-
VIVE ARTS LIMITED	166,098	166,783	1,144	165,639	-	( 2,429)	( 686)	( 0.11)
DeepQ (BVI) Corp.	455,939	336,347	-	336,347	-	( 66,504)	( 67,187)	( 0.41)
DeepQ Technology Corp.	395,212	268,794	12,041	256,753	4,883	( 64,682)	( 64,296)	( 1.63)
DeepQ Technology (Beijing) Co., Ltd	83,049	75,355	302	75,053	-	( 1,183)	( 2,807)	-
Uomo vitruviano Corp.	50,000	42,748	570	42,178	-	( 8,804)	( 1,595)	( 0.32)

Note: Authorized capital and the balance sheet foreign exchange rate is based on the exchange rate on the balance sheet date.  
The foreign exchange rate for the income statement is based on the weighted average exchange rate for the given period.

(Concluded)

### 7.1.7 Consolidated financial statements of HTC affiliated companies

Pursuant to the i§Regulations Governing Preparation of Consolidated Business Reports Covering Affiliated Enterprises, Consolidated Financial Statements Covering Affiliated Enterprises, and Reports on Affiliationsi” and to Letter No. Taiwan- Finance-Securities-04448 of the Securities and Futures Commission, Ministry of Finance, HTC shall prepare the affiliates’ consolidated financial statements and issue the declaration of Attachment 1 of that Letter. That declaration has already been issued by HTC and placed on page 1 of the affiliates’ financial statement; please refer to it there.

### 7.1.8 Affiliates report

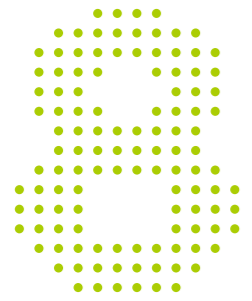
There were no circumstances requiring preparation of an Affiliates Report.

## 7.2 Private Placement Securities in 2021 and as of the Date of This Annual Report: None.

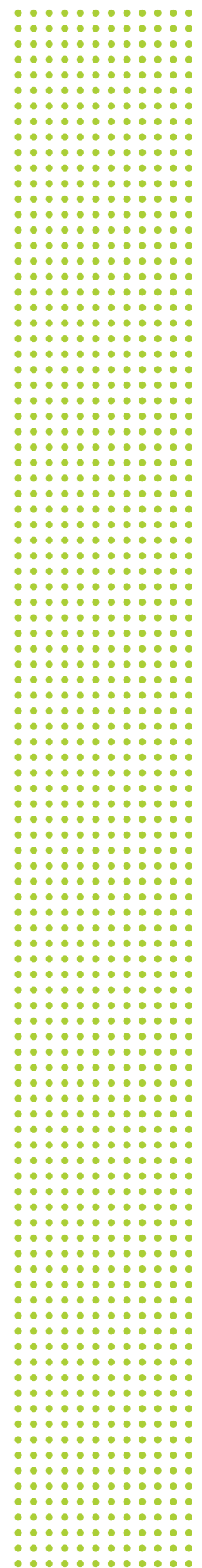
## 7.3 Status of HTC Common Shares and GDRS Acquired, Disposed of, and Held By Subsidiaries in 2021 as of the Date of This Annual Report: None.

## 7.4. Any Events in 2021 as of the Date of This Annual Report: That Had Significant Impacts on Shareholders’ Right or Security Prices as Stated in Item 2 Paragraph 3 of Article 36 of Securities and Exchange Law of Taiwan: None.

## 7.5 Other Necessary Supplement: None.



# **FINANCIAL INFORMATION**





# FINANCIAL INFORMATION

## 8.1. Abbreviated Balance Sheets for the Past Five Fiscal Years

### 8.1.1. Abbreviated Balance Sheets - IFRS

Unit: NT\$ thousands

Item	Year					
	2021	2020	2019	2018	2017	
Current Assets	5,127,325	6,643,929	14,722,869	28,067,272	15,795,358	
Property, plant and equipment	6,633,450	6,876,940	7,171,857	7,638,244	9,742,069	
Intangible Assets	32,108	31,848	27,068	33,668	72,384	
Other Assets	33,228,336	33,688,316	33,048,001	34,152,320	39,416,734	
Total Assets	45,021,219	47,241,033	54,969,795	69,891,504	65,026,545	
Current Liabilities	Before Appropriation	15,569,555	17,118,814	19,915,673	24,566,928	31,295,988
	After Appropriation	*	17,118,814	19,915,673	24,878,076	31,295,988
Non-current Liabilities		2,228,762	229,680	200,352	155,738	34,981
Total Liabilities	Before Appropriation	17,798,317	17,348,494	20,116,025	24,722,666	31,330,969
	After Appropriation	*	17,348,494	20,116,025	25,033,814	31,330,969
Capital Stock		8,245,050	8,186,444	8,188,086	8,188,135	8,208,261
Capital Surplus		16,005,339	15,761,158	15,594,766	15,576,268	15,551,491
Retained Earnings	Before Appropriation	8,189,019	11,415,513	14,805,990	24,491,992	12,204,252
	After Appropriation	*	11,415,513	14,805,990	24,180,844	12,204,252
Other Equity		( 5,216,506)	( 5,470,576)	( 3,735,072)	( 3,087,557)	( 2,268,428)
Treasury Stock		-	-	-	-	-
Total Stockholders' EquityN	Before Appropriation	27,222,902	29,892,539	34,853,770	45,168,838	33,695,576
	After Appropriation	*	29,892,539	34,853,770	44,857,690	33,695,576

\* Subject to change after 2021 shareholders' meeting resolution

### 8.1.2. Abbreviated Consolidated Balance Sheets - IFRS

Unit: NT\$ thousand

Item	Year					As of 2022.03.31	
	2021	2020	2019	2018	2017		
Current Assets	26,435,790	28,682,927	35,668,753	48,460,206	38,489,385	26,758,909	
Property, plant and equipment	7,485,331	7,666,798	7,888,181	8,425,886	10,798,613	7,075,499	
Intangible Assets	34,334	101,943	108,877	1,181,256	2,315,441	65,314	
Other Assets	10,229,502	8,614,669	9,069,016	9,643,471	14,981,967	11,412,146	
Total Assets	44,184,957	45,066,337	52,734,827	67,710,819	66,585,406	45,311,868	
Current Liabilities	Before Appropriation	14,568,530	14,775,024	17,276,071	22,317,100	32,807,450	14,148,995
	After Appropriation	*	14,775,024	17,276,071	22,628,248	32,807,450	*
Non-Current Liabilities		2,393,525	337,737	461,473	173,851	52,828	3,877,639
Total Liabilities	Before Appropriation	16,962,055	15,112,761	17,737,544	22,490,951	32,860,278	18,026,634
	After Appropriation	*	15,112,761	17,737,544	22,802,099	32,860,278	*
Capital Stock		8,245,050	8,186,444	8,188,086	8,188,135	8,208,261	8,249,274
Capital Surplus		16,005,339	15,761,158	15,594,766	15,576,268	15,551,491	16,027,466
Retained Earnings	Before Appropriation	8,189,019	11,415,513	14,805,990	24,491,992	12,204,252	7,433,355
	After Appropriation	*	11,415,513	14,805,990	24,180,844	12,204,252	*
Other Equity		( 5,216,506)	( 5,470,576)	( 3,735,072)	( 3,087,557)	( 2,268,428)	( 4,424,861)
Treasury Stock		-	-	-	-	-	-
Non-Controlling Interest		-	61,037	143,513	51,030	29,552	-
Total Stockholders' Equity	Before Appropriation	27,222,902	29,953,576	34,997,283	45,219,868	33,725,128	27,285,234
	After Appropriation	*	29,953,576	34,997,283	44,908,720	33,725,128	*

\* Subject to change after 2021 shareholders' meeting resolution



## 8.2. Abbreviated Statements of Comprehensive income for the Past Five Fiscal Years

### 8.2.1. Abbreviated Statements of Comprehensive income – IFRS

Unit: NT\$ thousands,  
except (Loss) Earning per share

Item	Year				
	2021	2020	2019	2018	2017
Revenues	4,629,364	4,882,966	8,550,208	22,205,824	59,333,893
Gross Profit (Loss)	1,019,564	644,081	433,955	( 750,644)	( 568,623)
Operating (Loss) Income	( 4,087,196)	( 6,338,292)	( 8,402,665)	( 12,437,947)	( 15,591,825)
Non-operating Income and Expenses	967,232	375,661	( 800,564)	29,437,368	( 1,865,626)
Net (Loss) Income Before Tax	( 3,119,964)	( 5,962,631)	( 9,203,229)	16,999,421	( 17,457,451)
Net (Loss) Income from Continuing Operations	( 3,073,132)	( 5,949,942)	( 9,358,078)	12,068,202	( 16,905,713)
Non-Continuing Operations Loss	-	-	-	-	-
Net (Loss) Income	( 3,073,132)	( 5,949,942)	( 9,358,078)	12,068,202	( 16,905,713)
Other Comprehensive Income and Loss For The Year – Net of Income Tax	100,708	823,961	( 640,906)	( 568,106)	( 1,299,573)
Total Comprehensive (Loss) Income For The Year	( 2,972,424)	( 5,125,981)	( 9,998,984)	11,500,096	( 18,205,286)
Basic (Loss) Earnings Per Share	( 3.75)	( 7.27)	( 11.43)	14.72	( 20.58)
Diluted (Loss) Earnings Per Share	( 3.75)	( 7.27)	( 11.43)	14.50	( 20.58)

### 8.2.2. Abbreviated Consolidated Statements of Comprehensive income – IFRS

Unit: NT\$ thousands,  
except (Loss) Earning per share

Item	Year					As of
	2021	2020	2019	2018	2017	2022.03.31
Revenue	5,253,279	5,805,708	10,014,966	23,740,610	62,119,814	1,104,152
Gross Profit	1,636,057	1,564,764	2,028,111	515,018	1,339,692	417,468
Operating Loss	( 4,116,434)	( 6,391,393)	( 9,850,256)	( 13,963,613)	( 17,425,517)	( 1,044,660)
Non-operating Income and Expenses	1,011,869	364,844	430,827	31,192,095	466,682	288,182
Net (Loss) Income Before Tax	( 3,104,565)	( 6,026,549)	( 9,419,429)	17,228,482	( 16,958,835)	( 756,478)
Net (Loss) Income from Continuing Operations	( 3,101,817)	( 6,022,598)	( 9,413,070)	12,024,901	( 16,920,359)	( 755,664)
Non-Continuing Operations Loss	-	-	-	-	-	-
Net (Loss) Income	( 3,101,817)	( 6,022,598)	( 9,413,070)	12,024,901	( 16,920,359)	( 755,664)
Other Comprehensive Income and Loss for the Period, Net of Income Tax	100,084	814,141	( 647,414)	( 565,847)	( 1,299,051)	791,645
Total Comprehensive (Loss) Income for the Period	( 3,001,733)	( 5,208,457)	( 10,060,484)	11,459,054	( 18,219,410)	35,981
(Loss) Profit For The Year Attributable To Owners Of The Parent	( 3,073,132)	( 5,949,942)	( 9,358,078)	12,068,202	( 16,905,713)	( 755,664)
(Loss) Profit For The Year Attributable To Non-Controlling Interest	( 28,685)	( 72,656)	( 54,992)	( 43,301)	( 14,646)	-
Total Comprehensive Income Attributable To Owners Of the Parent	( 2,972,424)	( 5,125,981)	( 9,998,984)	11,500,096	( 18,205,286)	35,981
Total Comprehensive Income Attributable To Non-Controlling Interest	( 29,309)	( 82,476)	( 61,500)	( 41,042)	( 14,124)	-
Basic (Loss) Earnings Per Share	( 3.75)	( 7.27)	( 11.43)	14.72	( 20.58)	( 0.92)
Diluted (Loss) Earnings Per Share	( 3.75)	( 7.27)	( 11.43)	14.50	( 20.58)	( 0.92)

### 8.2.3. The Name of the Certified Public Accountant and the Auditor's Opinion

Year	CPA Firm	Certified Public Accountant	Auditor's Opinion
2017	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion
2018	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion with emphasis matter
2019	Deloitte & Touche	Wen-Yea Shyu and Kwan-Chung Lai	Unqualified Opinion
2020	Deloitte & Touche	Chi-Ming Hsu and Kuo-Tyan Hong	Unqualified Opinion
2021	Deloitte & Touche	Chi-Ming Hsu and Kuo-Tyan Hong	Unqualified Opinion

## 8.3. Financial Analysis for the Past Five Fiscal Years

### 8.3.1. Financial Analysis – IFRS

Item	Year					
	2021	2020	2019	2018	2017	
Capital Structure Analysis	Debt Ratio (%)	40	37	37	35	48
	Long-term Fund to Fixed Assets Ratio (%)	444	438	489	593	346
Liquidity Analysis	Current Ratio (%)	33	39	74	114	50
	Quick Ratio (%)	24	32	64	101	26
	Debt Services Coverage Ratio (%)	( 66)	( 1,088)	( 1,269)	8,892	( 558)
Operating Performance Analysis	Average Collection Turnover(Times)	8.81	9.75	13.64	12.58	7.81
	Days Sales Outstanding	41	37	27	29	47
	Average Inventory Turnover ( Times)	2.52	2.21	2.31	2.87	4.39
	Average Payment Turnover ( Times)	0.49	0.46	0.72	1.64	2.74
	Average Inventory Turnover Days	145	165	158	127	83
	Fixed Assets Turnover (Times)	0.69	0.70	1.15	2.56	5.86
	Total Assets Turnover (Times)	0.10	0.10	0.14	0.33	0.71

(Continued)

Item	Year					
	2021	2020	2019	2018	2017	
Profitability Analysis	Return on Total Assets (%)	( 6.58)	( 11.63)	( 14.98)	17.89	( 20.13)
	Return on Equity (%)	( 10.76)	( 18.38)	( 23.39)	30.60	( 39.56)
	Ratio of income before tax to paid-in capital (%)	( 37.84)	( 72.84)	( 112.40)	207.61	( 212.68)
	Net Margin (%)	( 66.38)	( 121.85)	( 109.45)	54.35	( 28.49)
	Basic Earnings Per Share (NT\$)	( 3.75)	( 7.27)	( 11.43)	14.72	( 20.58)
Cash Flow	Cash Flow Ratio (%)	( 37.97)	( 46.57)	( 52.84)	( 48.38)	( 54.61)
	Cash Flow Adequacy Ratio (%)	( 3,720.56)	( 1,230.30)	( 1,109.66)	( 862.49)	( 567.10)
	Cash Flow Reinvestment Ratio (%)	( 16.67)	( 22.13)	( 27.02)	( 22.47)	( 38.73)
Leverage	Operating Leverage	( 0.07)	0.04	0.09	0.19	0.06
	Financial Leverage	0.99	1	1	1	1

(Concluded)

### 1. Financial Structure and solvency

Financial structure-related ratios slightly increased due to HTC's drawdown of its syndicated bank loan. Although HTC continued to streamline its operations and control its costs and expenses with a strict manner, the competitiveness of the industry still led HTC to suffer a loss in 2021. The loss led to a decrease in operating cash outflow, resulting in a decrease in current assets, current ratio, and quick ratio. As the loss was less compared to prior year, debt services coverage ratio improved.

### 2. Operating ability

As a result of HTC's active inventory management, the average inventory in the last two years decreased. In addition, average inventory turnover and average inventory turnover days in 2021 have both improved as compared to prior year.

### 3. Profitability

Changes in product mix improved gross profit in 2021. With the continual enforcement of HTC's austerity policy, losses in 2021 was reduced compared to the prior year, leading to improved profitability.

### 4. Cash flow

Improved gross profit and enforcement of HTC's austerity policy led to a decrease of net cash outflow from operating activities as compared to prior year. Cash flow ratio and cash reinvestment ratio increased, while cash flow adequacy ratio decreased as a result of reduced capital expenditures.

### 8.3.2. Consolidated Financial Analysis - IFRS

Item	Year					As of 2022.03.31	
	2021	2020	2019	2018	2017		
Capital Structure Analysis	Debt Ratio (%)	38	34	34	33	49	40
	Long-term Fund to Fixed Assets Ratio (%)	396	394	448	538	313	440
Liquidity Analysis	Current Ratio (%)	181	194	206	217	117	189
	Quick Ratio (%)	168	182	190	197	84	174
	Debt Services Coverage Ratio (%)	( 58)	( 407)	( 489)	8,998	( 508)	( 32)
Operating Performance Analysis	Average Collection Turnover (Times)	9.95	10.57	7.68	4.28	4.80	9.52
	Days Sales Outstanding	37	35	48	85	76	38
	Average Inventory Turnover (Times)	1.76	1.65	1.92	2.68	4.10	1.29
	Average Payment Turnover (Times)	0.63	0.66	0.96	1.91	2.98	0.50
	Average Inventory Turnover Days	207	221	190	136	89	283
	Fixed Assets Turnover (Times)	0.69	0.75	1.23	2.47	5.44	0.61
	Total Assets Turnover (Times)	0.12	0.12	0.17	0.35	0.73	0.10
Profitability Analysis	Return on Total Assets (%)	( 6.86)	( 12.29)	( 15.60)	17.91	( 19.90)	( 1.65)
	Return on Equity (%)	( 10.86)	( 18.60)	( 23.53)	30.50	( 39.60)	( 2.77)
	Ratio of income before tax to paid-in capital (%)	( 37.65)	( 73.62)	( 115.04)	210.41	( 206.61)	( 9.17)
	Net Margin (%)	( 59.05)	( 103.74)	( 93.99)	50.65	( 27.24)	( 68.44)
Cash Flow	Basic Earnings Per Share (NT\$)	( 3.75)	( 7.27)	( 11.43)	14.72	( 20.58)	( 0.92)
	Cash Flow Ratio (%)	( 30.86)	( 50.64)	( 53.08)	( 42.55)	( 57.94)	( 9.71)
	Cash Flow Adequacy Ratio (%)	( 2,617.72)	( 2,561.76)	( 855.67)	( 646.86)	( 480.86)	( 1,765.92)
Leverage	Cash Flow Reinvestment Ratio (%)	( 12.46)	( 20.21)	( 22.79)	( 17.62)	( 38.56)	( 3.65)
	Operating Leverage	( 0.23)	( 0.12)	( 0.11)	0.19	0.06	( 0.23)
	Financial Leverage	0.99	1	1	1	1	0.98

### 1. Financial Structure and solvency

Financial structure-related ratios slightly increased due to HTC's drawdown of its syndicated bank loan. Although HTC continued to streamline its operations and control its costs and expenses with a strict manner, the competitiveness of the industry still led HTC to suffer a loss in 2021. The loss led to a decrease in operating cash outflow, resulting in a decrease in current assets, current ratio, and quick ratio. As the loss was less compared to prior year, debt services coverage ratio improved.

### 2. Operating capacity

As a result of HTC's active inventory management, the average inventory in the last two years decreased. In addition, average inventory turnover and average inventory turnover days in 2021 have both improved as compared to prior year.

### 3. Profitability

Changes in product mix improved gross profit in 2021. With the continual enforcement of HTC's austerity policy, losses in 2021 was reduced compared to the prior year, leading to improved profitability.

### 4. Cash flow

Improved gross profit and enforcement of HTC's austerity policy led to a decrease of net cash outflow from operating activities as compared to prior year. Cash flow ratio and cash reinvestment ratio increased, while cash flow adequacy ratio decreased as a result of reduced capital expenditures.

## 8.4. Audit Committee Review Report

### HTC CORPORATION

#### Audit Committee Review Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements and proposal for deficit compensation. HTC Corporation's Financial Statements have been audited and certified by Chi-Ming Hsu CPA, and Kuo-Tyan Hong CPA, of Deloitte & Touche and an audit report relating to the Financial Statements has been issued. The Business Report, Financial Statements and proposal for deficit compensation have been reviewed and considered to be complied with relevant rules by the undersigned, the Audit Committee of HTC Corporation. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

HTC CORPORATION  
Chairman of the Audit Committee:  
Chen-Kuo Lin

March 7, 2022

## 8.5. INDEPENDENT AUDITORS' REPORT

### The Board of Directors and Shareholders

#### HTC Corporation

##### **Opinion**

We have audited the accompanying parent company only financial statements of HTC Corporation, which comprise the parent company only balance sheets as of December 31, 2021 and 2020, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of HTC Corporation as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of HTC Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the parent company only financial statements for the year ended December 31, 2021 are as follows:

##### **Revenue Recognition**

HTC Corporation sells virtual reality products to some customers via its subsidiaries. Because the sales growth rate of such end customers is relatively high and the impact on the overall the parent company only financial statements is significant, the recognition of such income is a key audit matter.

We performed the following audit procedures in respect of the above key audit matter:

1. Evaluate the design and implementation of the subsidiaries' internal control system for such end customers over order modifications and shipment operations, and perform effectiveness tests.
2. Sampling and testing the orders, shipping documents, invoices and payment records from the details of such revenue to confirm the occurrence and correctness of its revenue recognition.
3. Check whether there are any significant or abnormal subsequent sales returns after the period.

### **Responsibilities of Management and those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing HTC Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate HTC Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing HTC Corporation's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HTC Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on HTC Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause HTC Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within HTC Corporation to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chi-Ming Hsu and Kenny Hong.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 7, 2022

#### Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

HTC CORPORATION  
PARENT COMPANY ONLY BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 2,923,024	6	\$ 2,271,628	5
Financial assets at fair value through profit or loss - current (Notes 7 and 29)	107,071	-	173,357	-
Trade receivables, net (Note 10)	81,093	-	136,360	-
Trade receivables - related parties, net (Notes 10 and 30)	334,284	1	367,180	1
Other receivables (Note 10)	10,513	-	24,544	-
Current tax assets (Note 25)	6,965	-	17,435	-
Inventories (Note 11)	1,024,696	2	958,024	2
Prepayments (Notes 12 and 30)	294,853	1	222,948	1
Other current financial assets (Notes 9 and 31)	344,242	1	2,472,010	5
Other current assets	584	-	443	-
<b>Total current assets</b>	<b>5,127,325</b>	<b>11</b>	<b>6,643,929</b>	<b>14</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	2,395	-	3,340	-
Investments accounted for using the equity method (Note 13)	27,639,945	61	27,827,285	59
Property, plant and equipment (Notes 14 and 30)	6,633,450	15	6,876,940	15
Right-of-use assets (Note 15)	2,777	-	3,721	-
Investment properties, net (Note 16)	2,034,163	5	2,148,401	4
Intangible assets	32,108	-	31,848	-
Deferred tax assets (Note 25)	3,124,430	7	3,217,527	7
Refundable deposits	2,718	-	2,247	-
Net defined benefit asset - non-current (Note 21)	346,814	1	331,282	1
Other non-current financial assets (Notes 9 and 31)	69,208	-	142,483	-
Other non-current assets (Note 12)	5,886	-	12,030	-
<b>Total non-current assets</b>	<b>39,893,894</b>	<b>89</b>	<b>40,597,104</b>	<b>86</b>
<b>TOTAL</b>	<b>\$ 45,021,219</b>	<b>100</b>	<b>\$ 47,241,033</b>	<b>100</b>

(Continued)

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2021		2020	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ 2,600,000	6	\$ 900,000	2
Financial liabilities at fair value through profit or loss - current (Notes 7 and 29)	81,706	-	90,599	-
Note and trade payables (Notes 18 and 30)	6,393,192	14	8,368,129	18
Other payables (Notes 19 and 30)	5,189,332	12	6,223,740	13
Current tax liabilities (Note 25)	10,511	-	10,811	-
Provisions - current (Note 20)	1,088,864	2	1,217,854	2
Lease liabilities - current (Note 15)	2,516	-	2,434	-
Other current liabilities (Note 19)	203,434	1	305,247	1
<b>Total current liabilities</b>	<b>15,569,555</b>	<b>35</b>	<b>17,118,814</b>	<b>36</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 17)	2,000,000	5	-	-
Deferred tax liabilities (Note 25)	91,487	-	84,333	-
Lease liabilities - non-current (Note 15)	301	-	1,335	-
Guarantee deposits received (Note 29)	136,974	-	144,012	1
<b>Total non-current liabilities</b>	<b>2,228,762</b>	<b>5</b>	<b>229,680</b>	<b>1</b>
<b>Total liabilities</b>	<b>17,798,317</b>	<b>40</b>	<b>17,348,494</b>	<b>37</b>
<b>EQUITY (Note 22)</b>				
Share capital - ordinary shares	8,245,050	18	8,186,444	17
Capital surplus	16,005,339	36	15,761,158	33
Retained earnings			15,725,509	33
Legal reserve	12,335,031	27	3,080,480	7
Special reserve	3,080,480	7	( 7,390,476)	( 16)
Accumulated deficits	(7,226,492)	(16)	( 5,470,576)	( 11)
Other equity	(5,216,506)	(12)		
<b>Total equity</b>	<b>27,222,902</b>	<b>60</b>	<b>29,892,539</b>	<b>63</b>
<b>TOTAL</b>	<b>\$ 45,021,219</b>	<b>100</b>	<b>\$ 47,241,033</b>	<b>100</b>

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

(Concluded)

HTC CORPORATION  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	(In Thousands of New Taiwan Dollars, Except Loss Per Share)			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 23 and 30)	\$ 4,629,364	100	\$ 4,882,966	100
OPERATING COST (Notes 11, 24 and 30)	3,609,800	78	4,238,885	87
GROSS PROFIT	1,019,564	22	644,081	13
UNREALIZED GAIN	( 315,723)	( 7)	( 58,511)	( 1)
REALIZED GAIN (LOSS)	58,511	2	( 31,956)	( 1)
REALIZED GROSS GAIN	762,352	17	553,614	11
OPERATING EXPENSES (Notes 24 and 30)				
Selling and marketing	1,069,052	23	1,152,508	23
General and administrative	1,514,948	33	2,091,571	43
Research and development	2,265,548	49	3,647,827	75
Total operating expenses	4,849,548	105	6,891,906	141
OPERATING LOSS	( 4,087,196)	( 88)	( 6,338,292)	(130)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 24)	9,791	-	68,947	1
Other income (Notes 24 and 30)	766,694	17	853,131	18
Other gains and losses (Notes 14 and 24)	( 220,827)	( 5)	( 386,666)	( 8)
Finance costs (Note 24)	( 46,458)	( 1)	( 5,474)	-
Share of the profit or loss of subsidiaries (Note 13)	458,032	10	( 154,277)	( 3)
Total non-operating income and expenses	967,232	21	375,661	8
LOSS BEFORE INCOME TAX	( 3,119,964)	( 67)	( 5,962,631)	(122)
INCOME TAX BENEFIT (Note 25)	46,832	1	12,689	-
LOSS FOR THE YEAR	( 3,073,132)	( 66)	( 5,949,942)	(122)

(Continued)

	(In Thousands of New Taiwan Dollars, Except Loss Per Share)			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME AND LOSS, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 21)	\$ 18,480	-	\$ 2,075	-
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	( 945)	-	( 902)	-
Share of the comprehensive income of subsidiaries - items that will not be reclassified to profit or loss	917,604	20	1,612,416	33
Income tax relating to items that will not be reclassified to profit or loss (Note 25)	( 2,218)	-	( 249)	-
	932,921	20	1,613,340	33
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	( 832,213)	( 18)	( 789,379)	( 16)
Other comprehensive income and loss for the year, net of income tax	100,708	2	823,961	17
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ ( 2,972,424)	( 64)	\$ ( 5,125,981)	(105)
LOSS PER SHARE (Note 26)				
Basic	\$ ( 3.75)		\$ ( 7.27)	

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

(Concluded)

HTC CORPORATION  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	Share Capital			Retained Earnings		Other Equity			Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Deficits	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE, JANUARY 1, 2020	\$ 8,188,086	\$ 15,594,766	\$ 18,895,136	\$ 3,080,480	\$ ( 7,169,626)	\$ ( 2,738,857)	\$ ( 996,215)	\$ 34,853,770	
Legal reserve in covering accumulated losses	-	-	( 3,169,627)	-	3,169,627	-	-	-	
Net loss for the year ended December 31, 2020	-	-	-	-	( 5,949,942)	-	-	( 5,949,942)	
Other comprehensive income and loss for the year ended December 31, 2020	-	-	-	-	1,826	( 789,379)	1,611,514	823,961	
Share-based payments	( 1,642)	166,392	-	-	-	-	-	164,750	
Disposal of investments in equity instruments at fair value through other comprehensive income by subsidiaries	-	-	-	-	2,557,639	-	( 2,557,639)	-	
BALANCE, DECEMBER 31, 2020	8,186,444	15,761,158	15,725,509	3,080,480	( 7,390,476)	( 3,528,236)	( 1,942,340)	29,892,539	
Appropriation of 2020 earnings									
Legal reserve in covering accumulated losses	-	-	( 3,390,478)	-	3,390,478	-	-	-	
Net loss for the year ended December 31, 2021	-	-	-	-	( 3,073,132)	-	-	( 3,073,132)	
Other comprehensive income and loss for the year ended December 31, 2021	-	-	-	-	16,262	( 832,213)	916,659	100,708	
Issuance of shares due to exercise of employee share options	58,606	149,445	-	-	-	-	-	208,051	
Share-based payments	-	94,736	-	-	-	-	-	94,736	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	( 169,624)	-	169,624	-	
BALANCE, DECEMBER 31, 2021	\$ 8,245,050	\$ 16,005,339	\$ 12,335,031	\$ 3,080,480	\$ ( 7,226,492)	\$ ( 4,360,449)	\$ ( 856,057)	\$ 27,222,902	

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



HTC CORPORATION  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	(In Thousands of New Taiwan Dollars)	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	\$ ( 3,119,964)	\$ ( 5,962,631)
Adjustments for:		
Depreciation expense	382,966	450,994
Amortization expense	-	171
Expected credit loss reversed on trade receivables	( 20,000)	( 160,000)
Finance costs	46,458	5,474
Interests income	( 9,791)	( 68,947)
Compensation costs of employee share-based payments	85,999	156,448
Share of the profit or loss of subsidiaries	( 458,032)	154,277
Net gain on disposal of property, plant and equipment	( 478)	( 4,445)
Net loss on disposal of intangible assets	150	290
Impairment loss on non-financial assets	141,055	398,662
Unrealized gain on sales	315,723	58,511
Realized (gain) loss on sales	( 58,511)	31,956
Gain from lease modifications	( 4)	( 19)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	57,393	( 133,458)
Decrease in trade receivables	75,267	213,577
Decrease (increase) in trade receivables - related parties	32,896	( 260,230)
Decrease in other receivables	8,808	39,770
(Increase) decrease in inventories	( 207,119)	385,636
(Increase) decrease in prepayments	( 71,905)	48,392
Increase in other current assets	( 141)	( 441)
Decrease (increase) in other non-current assets	2,948	( 39,743)
Decrease in trade payables	( 1,974,937)	( 1,829,702)
Decrease in other payables	( 1,032,573)	( 1,313,358)
Decrease in provisions	( 128,990)	( 220,295)
Decrease in other current liabilities	( 101,813)	( 294,322)
Cash used in operations	( 6,034,595)	( 8,343,433)
Interest received	15,014	69,387
Interest paid	( 46,458)	( 5,474)
Income tax refunded	155,035	307,575
Net cash used in operating activities	( 5,911,004)	( 7,971,945)

(Continued)

	(In Thousands of New Taiwan Dollars)	
	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	\$ ( 23,692)	\$ ( 74,620)
Proceeds from disposal of property, plant and equipment	6,051	4,445
Increase in refundable deposits	( 471)	-
Decrease in refundable deposits	-	75,818
Payments for intangible assets	( 498)	( 1,305)
Proceeds from disposal of intangible assets	88	40
Payments for investment properties	-	( 153,274)
Increase in other financial assets	-	( 677,099)
Decrease in other financial assets	2,201,043	-
Dividends received	582,288	-
Net cash generated from (used in) investing activities	2,764,809	( 825,995)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	1,700,000	900,000
Increase in long-term borrowings	2,000,000	-
Proceeds from guarantee deposits received	-	7,196
Refund of guarantee deposits received	( 7,038)	-
Repayment of the principal portion of lease liabilities	( 3,422)	( 4,435)
Employee share options executed	208,051	-
Net cash outflow on acquisition of subsidiaries	( 100,000)	( 285,593)
Net cash generated from financing activities	3,797,591	617,168
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	651,396	( 8,180,772)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	2,271,628	10,452,400
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 2,923,024	\$ 2,271,628

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

(Concluded)

## HTC CORPORATION

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

**1. GENERAL INFORMATION**

HTC Corporation (the “Company”) was incorporated on May 15, 1997 under the Company Act of Taiwan, the Republic of China. The Company is engaged in designing, manufacturing, assembling, processing, and selling smart mobile and virtual reality devices and after-sales service.

In March 2002, the Company had its stock listed on the Taiwan Stock Exchange. On November 19, 2003, the Company listed some of its shares of stock on the Luxembourg Stock Exchange in the form of global depositary receipts.

The parent company only financial statements are presented in the Company’s functional currency, New Taiwan dollars.

**2. APPROVAL OF FINANCIAL STATEMENTS**

The parent company only financial statements were approved by the Company’s board of directors and authorized for issue on March 7, 2022.

**3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

**a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)**

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

**b. The IFRSs endorsed by the FSC for application starting from 2022**

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1:	The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.
Note 2:	The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
Note 3:	The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
Note 4:	The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company assesses that the application of above standards and interpretations will not impact the Company’s financial position and financial performance.

**c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC**

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1:	Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.
Note 2:	The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
Note 3:	The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.
Note 4:	Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Statement of Compliance**

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

**Basis of Preparation**

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net

defined benefit assets which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its parent company only financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and parent company only basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and unappropriated earnings (accumulated deficits), as appropriate, in the parent company only financial statements.

**Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within twelve months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities are:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the

consolidated financial statements are authorized for issue; and

- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The aforementioned assets and liabilities that are not classified as current are classified as non-current.

### Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that present the ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

### Foreign Currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise

except for:

- a. Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- b. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the parent company only financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

### Inventories

Inventories consist of raw materials, finished goods and work-in-process are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

### Investments in Subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiaries are the entities controlled by the Company.

Under the equity method, investments in a subsidiary are initially recognized in the parent company only balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiaries. The Company also recognizes the changes in the equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated

recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and side stream transactions between subsidiaries are recognized in the Company' parent company only financial statements only to the extent of interests in the subsidiary that are not related to the Company.

### Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed

at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

### Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer from the property, plant and equipment classification to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

### Intangible Assets

#### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

#### Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

#### **Impairment of Tangible and Intangible Assets Other Than Goodwill**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified. Corporate assets are allocated to the individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of

that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

### Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

#### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### **1) Measurement category**

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

#### **a) Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income;

any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29.

#### **b) Financial assets at amortized cost**

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other current financial assets and other receivables and refundable deposits, are measured at amortized cost, which equals to their gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

**c) Investments in equity instruments at FVTOCI**

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is in contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

**2) Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI and lease receivables.

The Company always recognizes lifetime Expected Credit Losses (ECLs) for trade receivables and operating lease receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the

expected credit losses that will result from all possible default events over the expected life of the financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- a) Internal or external information show that the debtor is unlikely to pay its creditors.
- b) When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

**3) Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings,

without recycling through profit or loss.

**b. Equity instruments**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

**c. Financial liabilities**

**1) Subsequent measurement**

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

- Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 29.

**2) Derecognition of financial liabilities**

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

**d. Derivative financial instruments**

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedged relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

**Provisions**

Provisions, including those arising from contractual obligation specified in service concession arrangement to maintain or restore infrastructure before it is handed over to the grantor, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**a. Warranty provisions**

The Company provides warranty service for one year to two years. The warranty liability is estimated on the basis of evaluation of the products under warranty, past warranty experience, and pertinent factors.

**b. Onerous contracts**

Onerous contracts are those in which the Company's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

**Revenue Recognition**

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

**a. Revenue from the sale of goods**

Revenue from the sale of goods comes from sales of electronic equipment. Sales of electronic equipment are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

**b. Revenue from the rendering of services**

Revenue from the rendering of services comes from product design, online subscription content service, device examinations, and extended warranty services.

**c. Licensing revenue**

The Company does not promise to undertake activities that will change the functionality of software in software licensing transaction. Furthermore, such software remains functional without the updates and the technical support. Therefore, the upfront royalty is recognized as revenue when the patents subsequent usage occurs.

**Leases**

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

**a. The Company as lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and

rewards of ownership to the lessee. All other leases are classified as operating leases. The current lease contract of the Company are all operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

**b. The Company as lessee**

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

**Borrowing Costs**

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**Employee Benefits****Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

**Retirement benefits**

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

**Other long-term employee benefits**

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

**Termination benefits**

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

**Share-based Payment Arrangements****Share-based payment transactions of the Company**

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the share options granted vest immediately.

Restricted shares for employees are recognized as other equity - unearned employ's bonus on the date of grant, with

a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options and capital surplus - restricted shares for employees.

## Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### a. Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the parent company only financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary

difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### c. Current and deferred tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## Accrued Marketing Expenses

The Company accrues marketing expenses on the basis of agreements and any known factors that would significantly affect the accruals. In addition, depending on the nature of relevant events, the accrued marketing expenses are accounted for as an increase in marketing expenses or as a decrease in revenues.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key Sources of Estimation Uncertainty

#### a. Valuation of inventories

Inventories are measured at the lower of cost or net realizable value. Judgment and estimation are applied in the determination of net realizable value at the end of reporting period.

Inventories are usually written down to net realizable value item by item if those inventories are damaged, have become wholly or partially obsolete, or if their selling prices have declined.

As of December 31, 2021 and 2020, the carrying amounts of inventories were NT\$1,024,696 thousand and NT\$958,024 thousand, respectively.

#### b. Realization of deferred tax assets

Deferred tax assets should be recognized only to the extent that the entity has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available. Management applies judgment and accounting estimates to evaluate the realization of deferred tax assets. Management takes expected sales growth, profit rate, duration of exemption, tax credits, tax planning and etc. into account when making accounting judgement and estimates. Any changes in the global economy, industry environment and regulations may result in material

adjustments to deferred tax assets.

As of December 31, 2021 and 2020, the carrying amounts of deferred tax assets were NT\$3,124,430 thousand and NT\$3,217,527 thousand, respectively.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 560	\$ 595
Checking accounts and demand deposits	1,885,023	2,056,434
Time deposits (with original maturities less than three months)	<u>1,037,441</u>	<u>214,599</u>
	<u>\$ 2,923,024</u>	<u>\$ 2,271,628</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2021	2020
Deposit	0.01%-0.14%	0.01%-0.40%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	2020
<u>Financial assets - current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange contracts	<u>\$ 107,071</u>	<u>\$ 173,357</u>
<u>Financial liabilities - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange contracts	<u>\$ 81,706</u>	<u>\$ 90,599</u>

The Company entered into forward exchange contracts to manage its exposure to exchange rate fluctuations of foreign currency denominated assets and liabilities. At the

end of the reporting period, outstanding forward exchange contracts not under hedge accounting are as follows:

### Forward Exchange Contracts

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
<b>December 31, 2021</b>					
Foreign exchange contracts	Sell	EUR/USD	2022.1.12-2022.2.16	EUR	30,000
Foreign exchange contracts	Sell	JPY/USD	2022.1.12-2022.3.9	JPY	4,306,000
Foreign exchange contracts	Sell	GBP/USD	2022.1.12-2022.3.9	GBP	52,000
Foreign exchange contracts	Sell	CAD/USD	2022.2.23	CAD	6,000
Foreign exchange contracts	Sell	RMB/USD	2022.1.12-2022.3.9	RMB	720,000
Foreign exchange contracts	Sell	AUD/USD	2022.2.16	AUD	8,000
Foreign exchange contracts	Sell	SGD/USD	2022.3.9	SGD	2,747
Foreign exchange contracts	Buy	RMB/USD	2022.1.12-2022.3.9	RMB	764,105
Foreign exchange contracts	Buy	JPY/USD	2022.1.12-2022.3.9	JPY	3,818,335
Foreign exchange contracts	Buy	USD/NTD	2022.1.12-2022.2.23	USD	282,000
Foreign exchange contracts	Buy	EUR/USD	2022.1.12-2022.3.9	EUR	54,000
Foreign exchange contracts	Buy	GBP/USD	2022.1.12-2022.3.16	GBP	212,000
Foreign exchange contracts	Buy	AUD/USD	2022.1.12-2022.2.16	AUD	16,000
Foreign exchange contracts	Buy	SGD/USD	2022.1.19-2022.2.16	SGD	183,491
Foreign exchange contracts	Buy	EUR/USD	2022.2.23	EUR	9,000
<b>December 31, 2020</b>					
Foreign exchange contracts	Sell	EUR/USD	2021.1.13-2021.3.10	EUR	26,000
Foreign exchange contracts	Sell	JPY/USD	2021.1.13-2021.3.10	JPY	4,806,000
Foreign exchange contracts	Sell	GBP/USD	2021.1.13-2021.2.24	GBP	34,000
Foreign exchange contracts	Sell	CAD/USD	2021.1.20	CAD	6,000
Foreign exchange contracts	Sell	RMB/USD	2021.1.13-2021.3.10	RMB	592,850
Foreign exchange contracts	Buy	RMB/USD	2021.1.13-2021.3.10	RMB	734,631
Foreign exchange contracts	Buy	JPY/USD	2021.1.13-2021.3.10	JPY	2,418,335
Foreign exchange contracts	Buy	USD/NTD	2021.1.13-2021.3.10	USD	210,000
Foreign exchange contracts	Buy	EUR/USD	2021.1.20-2021.3.10	EUR	50,000
Foreign exchange contracts	Buy	GBP/USD	2021.1.13-2021.3.10	GBP	46,000
Foreign exchange contracts	Buy	AUD/USD	2021.1.20	AUD	6,000
Foreign exchange contracts	Buy	SGD/USD	2021.3.10	SGD	180,827

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	December 31	
	2021	2020
Domestic investments		
Listed shares and emerging market shares	\$ 734	\$ 456
Unlisted shares	<u>1,661</u>	<u>2,884</u>
	<u>\$ 2,395</u>	<u>\$ 3,340</u>

These investments in equity instruments are not held for trading. Instead, they are held for business development strategic purposes. Management decided to designate these investments in equity instruments as at FVTOCI as they have determined that recognizing short-term fluctuations in these investments' fair value in profit or loss would not

be consistent with the Company's strategy of holding these investments for long-term purposes.

## 9. OTHER FINANCIAL ASSETS

	December 31	
	2021	2020
Time deposits with original maturities of more than three months	\$ 412,486	\$ 2,613,493
Restricted demand deposits	<u>964</u>	<u>1,000</u>
	<u>\$ 413,450</u>	<u>\$ 2,614,493</u>
Current	\$ 344,242	\$ 2,472,010
Non-current	<u>69,208</u>	<u>142,483</u>
	<u>\$ 413,450</u>	<u>\$ 2,614,493</u>

For details of pledged other financial assets, refer to Note 31.

## 10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2021	2020
<b>Trade and overdue receivables</b>		
At amortized cost		
Trade receivables	\$ 142,406	\$ 207,231
Trade receivables - related parties	334,284	367,180
Overdue receivables	71,529	961,961
Less: Allowances for impairment loss	( 61,313)	( 70,871)
Less: Allowances for impairment loss - overdue receivables	<u>( 71,529)</u>	<u>( 961,961)</u>
	<u>\$ 415,377</u>	<u>\$ 503,540</u>
<b>Other receivables</b>		
Interest receivables	\$ 779	\$ 6,002
Others	<u>9,734</u>	<u>18,542</u>
	<u>\$ 10,513</u>	<u>\$ 24,544</u>

### a. Trade receivables at amortized cost

The average credit period of the sales of goods was 30-75 days. No interest was charged on trade receivables for the first 75 days from the date of the invoice.

Thereafter, interest was charged at 1%-18% per annum on the outstanding balance. The Company adopted a policy of dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the

credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

In order to minimize credit risk, management has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, management considers the Company's credit risk to have significantly reduced.

The Company uses the expected credit loss during the duration to recognize the allowance for losses of accounts receivable. The expected credit loss during the duration is mainly based on the customer's past default record, current financial situation and industrial economic situation.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty without realistic prospect of recovery. For trade receivables that have been written off, The Company continues to engage in enforcement activities to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables.

	December 31, 2021				
	Non Yet Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	\$ 421,250	\$ -	\$ 751	\$ 54,689	\$ 476,690
Loss allowance (Lifetime ECL)	<u>( 5,873)</u>	<u>-</u>	<u>( 751)</u>	<u>( 54,689)</u>	<u>( 61,313)</u>
Amortized cost	<u>\$ 415,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,377</u>
December 31, 2020					
	Non Yet Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	\$ 511,812	\$ -	\$ 2,494	\$ 60,105	\$ 574,411
Loss allowance (Lifetime ECL)	<u>( 8,272)</u>	<u>-</u>	<u>( 2,494)</u>	<u>( 60,105)</u>	<u>( 70,871)</u>
Amortized cost	<u>\$ 503,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 503,540</u>



The movements of the loss allowance of trade receivables and overdue receivables were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ 1,032,832	\$ 2,183,569
Less: Loss allowance reversed	( 20,000)	( 160,000)
Less: Amounts written off	( 879,990)	( 990,737)
Balance, end of the year	<u>\$ 132,842</u>	<u>\$ 1,032,832</u>

## b. Other receivables

Others receivables were primarily prepayments on behalf of vendors and customers and grants from suppliers.

The movements of the loss allowance of other receivables were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of period	\$ -	\$ 1,467,997
Less: Amounts written off	-	(1,467,997)
Balance, end of period	<u>\$ -</u>	<u>\$ -</u>

Receivables from disposal of investments are derived from the sale of shares of Saffron Media Group Ltd. in 2013. In March 2020, the Company wrote off all receivables with reference to cost benefit.

## 11. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 290,991	\$ 306,016
Work-in-process	11,393	12,312
Semi-finished goods	84,303	95,522
Raw materials	558,702	425,070
Inventory in transit	<u>79,307</u>	<u>119,104</u>
	<u>\$ 1,024,696</u>	<u>\$ 958,024</u>

The cost of inventories written down recognized as operating costs for the years ended December 31, 2021 and 2020 were NT\$140,447 thousand and NT\$400,685 thousand, respectively.

## 12. PREPAYMENTS

	December 31	
	2021	2020
Prepaid expenses	\$ 169,537	\$ 109,996
Prepaid royalty	50,782	52,274
Prepaid Software and hardware maintenance	45,971	58,121
Prepaid service	25,240	2,122
Prepaid equipment	5,886	12,030
Prepayments to suppliers	<u>3,323</u>	<u>435</u>
	<u>\$ 300,739</u>	<u>\$ 234,978</u>
Current	\$ 294,853	\$ 222,948
Non-current	<u>5,886</u>	<u>12,030</u>
	<u>\$ 300,739</u>	<u>\$ 234,978</u>

## 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investment in subsidiaries	<u>\$ 27,639,945</u>	<u>\$ 27,827,285</u>

### Investments in Subsidiaries

	December 31	
	2021	2020
<b>Unlisted equity investments</b>		
H.T.C. (B.V.I.) Corp.	\$ 2,199,051	\$ 2,022,567
High Tech Computer Asia Pacific Pte. Ltd.	20,383,727	21,107,693
HTC Investment Corporation	146,394	166,463
PT. High Tech Computer Indonesia	62	62
HTC Holding Cooperatief U.A.	13	13
HTC Investment One (BVI) Corporation	368,239	287,646
HTC Investment (BVI) Corp.	3,611,492	3,311,457
HTC VIVE Holding (BVI) Corp.	186,960	195,502
HTC VIVE INVESTMENT (BVI) Corp.	287,626	286,453
DeepQ Holding (BVI) Corp.	336,764	402,934
HTC Smartphone (BVI) Corp.	564	677
HTC VR Content (BVI) Corp.	44,059	45,818
REIGN Technology Corporation	32,049	-
Viveport Digital Corporation	<u>42,945</u>	<u>-</u>
	<u>\$ 27,639,945</u>	<u>\$ 27,827,285</u>

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the

Company were as follows:

Name of Subsidiaries	December 31	
	2021	2020
H.T.C. (B.V.I.) Corp.	100.00%	100.00%
High Tech Computer Asia Pacific Pte. Ltd.	100.00%	100.00%
HTC Investment Corporation	100.00%	100.00%
PT. High Tech Computer Indonesia	1.00%	1.00%
HTC Holding Cooperatief U.A.	0.01%	0.01%
HTC Investment One (BVI) Corporation	100.00%	100.00%
HTC Investment (BVI) Corp.	100.00%	100.00%
HTC VIVE Holding (BVI) Corp.	100.00%	100.00%
HTC VIVE INVESTMENT (BVI) Corp.	100.00%	100.00%
DeepQ Holding (BVI) Corp.	100.00%	100.00%
HTC Smartphone (BVI) Corp.	100.00%	100.00%
HTC VR Content (BVI) Corp.	100.00%	100.00%
REIGN Technology Corporation	100.00%	-
Viveport Digital Corporation	100.00%	-

Refer to Note 13 to the consolidated financial statements for the year ended December 31, 2021 for the details of the subsidiaries indirectly held by the Company.

The Company and its subsidiary, High Tech Computer Asia Pacific Pte. Ltd., acquired equity interests of 1% and 99%, respectively, in PT. High Tech Computer Indonesia and acquired equity interests of 0.01% and 99.99%, respectively, in the Company Holding Cooperatief U.A. As a result, PT. High Tech Computer Indonesia and the Company Holding

Cooperatief U.A. are considered as subsidiaries of the Company.

The Company invested and established REIGN Technology Corporation on September 30, 2021 with the amount of NT\$40,000 thousand. REIGN Technology Corporation is engaged in 5G set-ups with apps associated and after-sale services. The Company acquired the equity interests of 100%, and is accounted for under the equity method.

The Company invested and established Viveport Digital Corporation on October 1, 2021 with the amount of NT\$60,000 thousand. Viveport Digital Corporation is engaged in interactive contextual experience services. The Company acquired equity interests of 100%, and accounted the investment under the equity method.

The share of net income or loss and other comprehensive income from subsidiaries under equity method were accounted for based on the audited financial statements.

## 14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2021	2020
Carrying amounts		
Land	\$ 4,566,756	\$ 4,566,756
Buildings	2,005,609	2,147,339
Machinery and equipment	39,786	113,258
Other equipment	<u>21,299</u>	<u>49,587</u>
	<u>\$ 6,633,450</u>	<u>\$ 6,876,940</u>

Movements of property, plant and equipment for the years ended December 31, 2021 and 2020 were as follows:

	2021				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<b>Cost</b>					
Balance, beginning of the year	\$ 4,566,756	\$ 3,604,485	\$ 2,924,118	\$ 647,037	\$ 11,742,396
Additions	-	1,909	21,775	4,317	28,001
Disposals	-	-	( 181,020)	( 106,745)	( 287,765)
Reclassified from investment properties	-	<u>30,875</u>	-	-	( 30,875)
Balance, end of the year	<u>4,566,756</u>	<u>3,637,269</u>	<u>2,764,873</u>	<u>544,609</u>	<u>11,513,507</u>
<b>Accumulated depreciation</b>					
Balance, beginning of the year	-	1,457,146	2,708,074	592,888	4,758,108
Depreciation expenses	-	153,824	94,639	27,032	275,495
Disposals	-	-	( 180,969)	( 101,172)	( 282,141)
Reclassified from investment properties	-	( 20,690)	-	-	20,690
Balance, end of the year	-	<u>1,631,660</u>	<u>2,621,744</u>	<u>518,748</u>	<u>4,772,152</u>

(Continued)

	2021				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<b>Accumulated impairment</b>					
Balance, beginning of the year	\$ -	\$ -	\$ 102,786	\$ 4,562	\$ 107,348
Impairment losses recognized	-	-	608	-	608
Disposals	-	-	( 51)	-	( 51)
Balance, end of the year	-	-	103,343	4,562	107,905
Net book value, end of the year	<u>\$ 4,566,756</u>	<u>\$ 2,005,609</u>	<u>\$ 39,786</u>	<u>\$ 21,299</u>	<u>\$ 6,633,450</u>
	2020				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<b>Cost</b>					
Balance, beginning of the year	\$ 4,546,099	\$ 3,819,601	\$ 3,341,220	\$ 660,363	\$ 12,367,283
Additions	20,657	9,245	20,402	29,843	80,147
Disposals	-	( 134,454)	( 437,504)	( 43,169)	( 615,127)
Reclassified as investment properties	-	( 89,907)	-	-	( 89,907)
Balance, end of the year	<u>4,566,756</u>	<u>3,604,485</u>	<u>2,924,118</u>	<u>647,037</u>	<u>11,742,396</u>
<b>Accumulated depreciation</b>					
Balance, beginning of the year	-	1,495,591	2,959,015	594,780	5,049,386
Depreciation expenses	-	155,747	147,266	39,929	342,942
Disposals	-	( 134,454)	( 398,207)	( 41,821)	( 574,482)
Reclassified as investment properties	-	( 59,738)	-	-	( 59,738)
Balance, end of the year	-	<u>1,457,146</u>	<u>2,708,074</u>	<u>592,888</u>	<u>4,758,108</u>
<b>Accumulated impairment</b>					
Balance, beginning of the year	-	-	140,130	5,910	146,040
Impairment losses recognized	-	-	1,953	-	1,953
Disposals	-	-	( 39,297)	( 1,348)	( 40,645)
Balance, end of the year	-	-	102,786	4,562	107,348
Net book value, end of the year	<u>\$ 4,566,756</u>	<u>\$ 2,147,339</u>	<u>\$ 113,258</u>	<u>\$ 49,587</u>	<u>\$ 6,876,940</u>

(Concluded)

For the years ended December 31, 2021 and 2020, the Company determined that the carrying amounts of some of equipment were expected to be unrecoverable. Thus, it recognized impairment losses of NT\$608 thousand and NT\$1,953 thousand classified as other gains and losses, respectively. Refer to Note 24 for details.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	5-50 years
Machinery and equipment	3-6 years
Other equipment	3-5 years

The major component parts of the buildings held by the Company included plants, electro-powering machinery

and engineering systems, etc., which are depreciated over their estimated useful lives of 40 to 50 years, 20 years and 5 to 10 years, respectively.

The Company designated parts of its real estate as for lease and for its own use. The parts for lease are reclassified to investment properties and the parts for its own use are classified under property, plant and equipment. Both are accounted for in accordance with the applicable accounting standards. For details, refer to Note 16.

Property pledged as collateral for bank borrowings are set out in Note 31.

There were no capitalized interests for the years ended December 31, 2021 and 2020.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	December 31	
	2021	2020
<b>Carrying amounts</b>		
Buildings	<u>\$ 2,777</u>	<u>\$ 3,721</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 2,810</u>	<u>\$ 1,760</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 3,418</u>	<u>\$ 4,479</u>

### b. Lease liabilities

	December 31	
	2021	2020
<b>Carrying amounts</b>		
Current	<u>\$ 2,516</u>	<u>\$ 2,434</u>
Non-current	<u>\$ 301</u>	<u>\$ 1,335</u>

Discount rate for lease liabilities were as follows:

	December 31	
	2021	2020
Buildings	2%	2%

### c. Material lease-in activities and terms

The Company leases certain buildings for the use of plants and offices with original lease terms of 2 to 3 years. The Company does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

### d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 16.

For the Year Ended December 31

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 3,360</u>	<u>\$ 5,064</u>
Total cash outflow for leases	<u>\$ ( 6,871)</u>	<u>\$ ( 9,643)</u>

The Company leases certain office equipment and other equipment which qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 16. INVESTMENT PROPERTIES, NET

Movement of investment properties, net for the years ended December 31, 2021 and 2020 were as follows:

	2021		2020	
	2021	2020	2021	2020
<b>Cost</b>				
Balance, beginning of the year	\$ 3,294,926	\$ 3,123,895		
Additions	-	153,274		
Disposals	( 9,607)	( 72,150)		
Reclassification	( 30,875)	89,907		
Balance, end of the year	<u>3,254,444</u>	<u>3,294,926</u>		
<b>Accumulated depreciation</b>				
Balance, beginning of the year	\$ 1,146,525	\$ 1,055,364		
Depreciation expense	104,053	103,573		
Disposals	( 9,607)	( 72,150)		
Reclassification	( 20,690)	59,738		
Balance, end of the year	<u>1,220,281</u>	<u>1,146,525</u>		
Net book value, end of the year	<u>\$ 2,034,163</u>	<u>\$ 2,148,401</u>		

The abovementioned investment properties were leased out for 3 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2021 and 2020 were as follows:

	December 31	
	2021	2020
Year 1	\$ 335,646	\$ 621,177
Year 2	9,203	326,055
Year 3	<u>9,116</u>	<u>-</u>
	<u>\$ 353,965</u>	<u>\$ 947,232</u>

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	40-50 years
Electricity distribution system	20 years
Air-conditioning	5-10 years
Others	3-5 years

The fair value of the investment properties were measured by referencing appraisal reports completed by independent qualified professional appraisers on December 31, 2021 and 2020. The fair values as of December 31, 2021 and 2020 were NT\$3,884,317 thousand and NT\$3,107,498 thousand, respectively. The fair values in the appraisal reports were measured by using Level 3 inputs, and were arrived at by referencing market evidence of transaction prices for similar properties.

The investment properties pledged as collateral for bank borrowings are set out in Note 31.

## 17. BORROWINGS

### a. Short-term borrowings

	December 31	
	2021	2020
Unsecured borrowings		
Line of credit borrowings	<u>\$ 2,600,000</u>	<u>\$ 900,000</u>

The range of interest rates on line of credit borrowings was 1.20%-1.36% and 0.98%-1.10% per annum at December 31, 2021 and 2020.

### b. Long-term borrowings

	December 31	
	2021	2020
Secured borrowings		
Bank loans	\$ 2,000,000	\$ -
Less: Current portion	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

In June 2020, the Company entered into a 5-year syndicated loan with a group of financial institutions arranged by CTBC Bank. The credit line was divided into part A, B, and C which amounted to NT\$5 billion, NT\$2 billion, and NT\$2 billion, respectively; and the total line of credit amounted to NT\$9 billion. The Company is required to maintain certain financial covenants including debt ratio, equity, and net cash during the tenor of the loan. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements or quarterly reviewed consolidated financial statements. As of December 31, 2021, the Company has met the financial ratios mentioned above.

The Company drew out NT\$2,000,000 thousand from its part A syndicated loan on December 31, 2021, at an interest rate of 1.70% p.a.

The Company pledged land and buildings as collateral for the long-term borrowings (refer to Note 31).

## 18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2021	2020
Notes payable	\$ 58	\$ -
Trade payables	6,391,872	8,364,974
Trade payables - related parties	<u>1,262</u>	<u>3,155</u>
	<u>\$ 6,393,192</u>	<u>\$ 8,368,129</u>

The average payment term is two to four months. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The Company periodically negotiates with vendors to amend payment obligations. Amendments, based on their nature, are adjusted in operating cost or expense.

## 19. OTHER LIABILITIES

	December 31	
	2021	2020
<u>Other payables</u>		
Accrued expenses	\$ 5,184,981	\$ 6,217,554
Payables for purchase of equipment	<u>4,351</u>	<u>6,186</u>
	<u>\$ 5,189,332</u>	<u>\$ 6,223,740</u>
<u>Other current liabilities</u>		
Advance receipts	\$ 117,023	\$ 159,196
Agency receipts	23,389	25,770
Others	<u>63,022</u>	<u>120,281</u>
	<u>\$ 203,434</u>	<u>\$ 305,247</u>

### Accrued Expenses

	December 31	
	2021	2020
Services	\$ 2,200,032	\$ 2,463,196
Marketing	1,380,664	1,608,059
		(Continued)

Movement of provisions for the years ended December 31, 2021 and 2020 were as follows:

	2021		
	Warranty Provision	Others	Total
Balance, beginning of the year	\$ 1,207,610	\$ 10,244	\$ 1,217,854
Provisions recognized (reversed)	33,447	( 1,820)	31,627
Utilized	( 155,376)	( 2,520)	( 157,896)
Effect of foreign currency exchange differences	( 2,721)	-	( 2,721)
Balance, end of the year	<u>\$ 1,082,960</u>	<u>\$ 5,904</u>	<u>\$ 1,088,864</u>
	2020		
	Warranty Provision	Others	Total
Balance, beginning of the year	\$ 1,409,032	\$ 29,117	\$ 1,438,149
Provisions recognized	39,228	( 15,396)	23,832
Usage	( 235,384)	( 3,477)	( 238,861)
Effect of foreign currency exchange differences	( 5,266)	-	( 5,266)
Balance, end of the year	<u>\$ 1,207,610</u>	<u>\$ 10,244</u>	<u>\$ 1,217,854</u>

The Company provides warranty services for its customers. The warranty period varies by product and is generally one to two years. The warranties are estimated based on an evaluation of the products under warranty, historical warranty trends, and pertinent factors.

	December 31	
	2021	2020
Salaries, bonuses and compensation	\$ 888,529	\$ 1,212,546
Materials and molding expenses	481,564	551,455
Import, export and freight	43,701	40,362
Repairs, maintenance and sundry purchase	26,602	34,836
Others	<u>163,889</u>	<u>307,100</u>
	<u>\$ 5,184,981</u>	<u>\$ 6,217,554</u>

(Concluded)

## 20. PROVISIONS

	December 31	
	2021	2020
Warranties	\$ 1,082,960	\$ 1,207,610
Others	<u>5,904</u>	<u>10,244</u>
	<u>\$ 1,088,864</u>	<u>\$ 1,217,854</u>

Others are mainly onerous contracts in which the Company's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

## 21. RETIREMENT BENEFIT PLANS

### Defined Contribution Plans

The pension plan under the Labor Pension Act (the “LPA”) is a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The total expenses recognized in the statement of comprehensive income were NT\$98,034 thousand and NT\$127,593 thousand, representing the contributions made and to be made to these plans by the Company at the rates specified in the plans for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, contributions payable was NT\$22,266 thousand and NT\$28,127 thousand, respectively, and the amounts were paid subsequent to the end of the reporting period.

### Defined Benefit Plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated based on the years of services and the average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries

Movements in net defined benefit asset were as follows:

	December 31		
	2021	2020	2020
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset
Balance at January 1, 2020	\$( 325,332)	\$ 614,796	\$ 289,464
Current service cost	(8,404)	-	( 8,404)
Past service cost	45,252	-	45,252
Net interest (expense) income	( 3,253)	6,148	2,895
Recognized in profit or loss	33,595	6,148	39,743
Remeasurement			
Return on plan assets	-	18,696	18,696
Actuarial loss - changes in demographic assumptions	( 372)	-	( 372)
Actuarial loss - changes in financial assumptions	( 24,439)	-	( 24,439)
Actuarial gain - experience adjustments	8,190	-	8,190
Recognized in other comprehensive income	( 16,621)	18,696	2,075
Benefits paid	4,022	( 4,022)	-
Balance at December 31, 2020	( 304,336)	635,618	331,282
Current service cost	( 4,604)	-	( 4,604)
Net interest (expense) income	( 1,519)	3,175	1,656
Recognized in profit or loss	( 6,123)	3,175	( 2,948)
Remeasurement			
Return on plan assets	-	8,145	8,145
Actuarial loss - changes in demographic assumptions	( 9,680)	-	( 9,680)
Actuarial gain - experience adjustments	20,015	-	20,015
Recognized in other comprehensive income	10,335	8,145	18,480
Benefits paid	7,440	( 7,440)	-
Balance at December 31, 2021	\$( 292,684)	\$ 639,498	\$ 346,814

and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy. The Company had applied a suspension of pension contribution to the pension fund from May 2021 to April 2022 and May 2020 to April 2021, and had been approved by the competent authority in May 2021 and May 2020, respectively.

The amounts included in the balance sheets in respect of the obligation under the defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$( 292,684)	\$( 304,336)
Fair value of plan assets	639,498	635,618
Net defined benefit asset	\$ 346,814	\$ 331,282

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- Investment risk: The plan assets are invested in domestic or foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan’s debt investments.
- Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate	0.500%	0.500%
Expected rate of salary increase	4.000%	4.000%

If a probable and reasonable change occurs in each significant actuarial assumption while all other assumptions remain constant, the present value of the defined benefit obligation would (increase) decrease as follows:

	December 31	
	2021	2020
Discount rate		
0.25% increase	\$ 9,712	\$ 10,787
0.25% decrease	\$ ( 10,129)	\$ ( 11,280)
Expected rate of salary increase		
0.25% increase	\$ ( 9,642)	\$ ( 10,743)
0.25% decrease	\$ 9,303	\$ 10,339

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the

change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
The expected contributions to the plan for the next year	\$ -	\$ -
The average duration of the defined benefit obligation	14.04 years	15.45 years

## 22. EQUITY

### Share Capital

#### a. Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands of shares)	1,000,000	1,000,000
Shares authorized	\$ 10,000,000	\$ 10,000,000
Number of shares issued and fully paid (in thousands of shares)	824,505	818,644
Shares issued	\$ 8,245,050	\$ 8,186,444

In 2020, the Company retired 165 thousand restricted shares for employees. As a result, the amount of the Company’s issued and outstanding ordinary shares as of December 31, 2020 decreased to NT\$8,186,444 thousand, divided into 818,644 thousand ordinary shares at a par value of NT\$10. Every ordinary share carries one vote per share and the rights to dividends.

In 2021, the Company executed 5,861 thousand shares for employee share options, totaling NT\$58,606 thousand. As a result, the amount of the Company’s issued and outstanding ordinary shares as of December 31, 2021 increased to NT\$8,245,050 thousand, divided into 824,505 thousand ordinary shares at a par value of NT\$10. Every ordinary share carries one vote per share and the rights to dividends.

A total of 80,000 thousand shares of the Company’s ordinary shares authorized were reserved for the issuance of employee share options.

#### b. Global depositary receipts

In November 2003, the Company issued 14,400 thousand ordinary shares, corresponding to 3,600 thousand units of Global Depositary Receipts (“GDRs”).

For this GDR issuance, the Company's shareholders, including Via Technologies Inc., also issued 12,878.4 thousand ordinary shares, corresponding to 3,219.6 thousand GDR units. Thus, the entire offering consisted of 6,819.6 thousand GDR units, corresponding to 27,278.4 thousand ordinary shares. Taking into account the effect of share dividends, the GDRs increased to 8,782.1 thousand units (36,060.5 thousand shares). The holders of these GDRs requested the Company to redeem the GDRs to acquire the Company's ordinary shares. As of September 30, 2021, there were 8,630.3 thousand units of GDRs redeemed, representing 34,521 thousand ordinary shares, and the outstanding GDRs represented 1,539.5 thousand ordinary shares or 0.18% of the Company's outstanding ordinary shares.

### Capital Surplus

	December 31	
	2021	2020
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital</u>		
Arising from the issuance of ordinary shares	\$ 14,966,699	\$ 14,728,086
Arising from consolidation excess	23,288	23,288
<u>May be used to offset a deficit only</u>		
Changes in equity-method associates capital surplus	26,752	26,752
Arising from expired share options	693,266	656,431
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>295,334</u>	<u>326,601</u>
	<u>\$ 16,005,339</u>	<u>\$ 15,761,158</u>

The capital surplus arising from shares issued in excess of par (including share premium from the issuance of ordinary shares, treasury share transactions and consolidation excess) and donations may be used to offset a deficit. In addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

	(The Accumulated Deficits Off-setting)			
	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For 2020	For 2019	For 2020	For 2019
Legal reserve used to offset accumulated deficits	\$ 3,390,478	\$ 3,169,627	\$ -	\$ -

The accumulated deficits off-set for 2021, which was proposed by the Company's board of directors on March 7, 2022, was as follows:

For details of capital surplus - employee share options and employee restricted shares, refer to Note 27.

### Retained Earnings and Dividend Policy

Under the Company's Articles of Incorporation, the Company should make appropriations from its net income in the following order:

- To pay taxes.
- To cover accumulated losses, if any.
- To appropriate 10% legal reserve unless the total legal reserve accumulated has already reached the amount of the Company's authorized capital.
- To recognize or reverse special reserve return earnings.
- The board of directors shall propose allocation ratios for any remainder profit after withholding the amounts under subparagraphs 1 to 4 above plus any unappropriated retained earnings of previous years based on the dividend policy set forth in the Article and propose such allocation ratio at the shareholders' meeting.

As part of a high-technology industry, the Company takes into consideration its operating environment, industry developments and long-term interests of shareholders when determining share or cash dividends to be paid. Other factors such as whether it can maintain operating efficiency and meet its capital expenditure budget and financial goals are also key considerations. The Company's dividend policy stipulates that at least 50% of total dividends may be distributed as cash dividends.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's capital. Legal reserve may be used to offset its deficit. If the Company has no accumulated deficit and the legal reserve has exceeded 25% of its issued and outstanding ordinary shares, the excess may be transferred to ordinary shares or distributed in cash.

The accumulated deficits off-set for 2020 and 2019 were approved in the shareholders' meeting on July 20, 2021 and June 19, 2020. The accumulated deficits off-set and dividends per share were as follows:

For the Year Ended December 31, 2021	
Legal reserve used to offset accumulated deficits	<u>\$ 3,226,493</u>

The accumulated deficits off-set for 2021 will be resolved by the shareholders in their meeting to be held on June 17, 2022.

Information on the appropriation of earnings proposed by the Company's board of directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

### Other Equity Items

#### a. Exchange differences on translation of foreign operations

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.

#### b. Unrealized gains or losses on financial assets at FVTOCI

Unrealized gains or losses on financial assets at FVTOCI represents the cumulative gains and losses arising from the revaluation of financial assets at FVTOCI that have been recognized in other comprehensive income. The cumulative unrealized gains or losses will not be reclassified to profit or loss on disposal of the equity investments.

### 23. OPERATING REVENUE

	For the Year Ended December 31	
	2021	2020
Sale of goods	\$ 4,511,946	\$ 4,607,924
Other operating income	<u>117,418</u>	<u>275,042</u>
	<u>\$ 4,629,364</u>	<u>\$ 4,882,966</u>

### 24. NET LOSS FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME AND LOSS

#### a. Interest income

	For the Year Ended December 31	
	2021	2020
Interest income		
Bank deposits	<u>\$ 9,791</u>	<u>\$ 68,947</u>

#### b. Other income

	For the Year Ended December 31	
	2021	2020
Rental income	\$ 707,144	\$ 713,699
Others	<u>59,550</u>	<u>139,432</u>
	<u>\$ 766,694</u>	<u>\$ 853,131</u>

#### c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net gain on the disposal of property, plant and equipment	\$ 478	\$ 4,445
Net loss on the disposal of intangible assets	( 150)	( 290)
Net foreign exchange gain	57,627	92,226
Net gain on valuation of financial instruments at fair value through profit or loss	25,365	82,758
Impairment loss (recognized) reversed on non-financial assets (Note 14)	( 608)	2,023
Other expenses	<u>( 303,539)</u>	<u>( 567,828)</u>
	<u>\$ ( 220,827)</u>	<u>\$ ( 386,666)</u>

#### d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 45,243	\$ 1,519
Interest on lease liabilities	89	144
Others	<u>1,126</u>	<u>3,811</u>
	<u>\$ 46,458</u>	<u>\$ 5,474</u>

#### e. Gain on reversal of impairment loss on financial assets

	For the Year Ended December 31	
	2021	2020
Trade receivables (included in operating expense)	\$ ( 20,000)	\$ ( 160,000)

#### f. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 275,495	\$ 342,942
Investment properties	104,053	103,573
Intangible assets	-	171
Right-of-use assets	3,418	4,479
	<u>\$ 382,966</u>	<u>\$ 451,165</u>
An analysis of depreciation - by function		
Operating costs	\$ 41,566	\$ 43,085
Operating expenses	237,347	304,336
Other expenses	104,053	103,573
	<u>\$ 382,966</u>	<u>\$ 450,994</u>
An analysis of amortization - by function		
Operating costs	\$ -	\$ -
Operating expenses	-	171
	<u>\$ -</u>	<u>\$ 171</u>

#### g. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term benefits	\$ 2,277,165	\$ 2,919,650
Post-employment benefits (Note 21)		
Defined contribution plans	98,034	127,593
Defined benefit plans	2,948	( 39,743)
	<u>100,982</u>	<u>87,850</u>
Share-based payments (Note 27)		
Equity-settled share-based payments	85,999	156,448
Separation benefits	54,562	321,750
Total employee benefits expense	<u>\$ 2,518,708</u>	<u>\$ 3,485,698</u>
An analysis of employee benefits expense - by function		
Operating costs	\$ 313,648	\$ 325,851
Operating expenses	2,150,498	2,838,097
Other losses	54,562	321,750
	<u>\$ 2,518,708</u>	<u>\$ 3,485,698</u>

#### h. Employees' compensation and remuneration of directors and supervisors

In compliance with its Articles of Incorporation, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 4% and of no more than 0.25%, respectively, of net profit before income tax, compensation of employees and remuneration of directors and supervisors. No compensation of employees and remuneration of directors and supervisors were estimated as the Company reported net losses for the years ended December 31, 2021 and 2020, respectively. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate in the subsequent year.

For any further information on the employees' compensation and remuneration of directors and supervisors approved in the meetings of the board of directors in 2021 and 2020, see disclosures in the Market Observation Post System.

#### i. Impairment loss on non-financial assets (reversed)

	For the Year Ended December 31	
	2021	2020
Inventories (included in operating costs)	\$ 140,447	\$ 400,685
Intangible assets (included in other gains and losses)	-	( 3,976)
Property, plant and equipment (included in other gains and losses)	608	1,953
	<u>\$ 141,055</u>	<u>\$ 398,662</u>

#### j. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2021	2020
Foreign exchange gains	\$ 497,762	\$ 809,006
Foreign exchange losses	( 440,135)	( 716,780)
Net gain (loss) on valuation of financial instruments at fair value through profit or loss	25,365	82,758
	<u>\$ 82,992</u>	<u>\$ 174,984</u>

## 25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

#### a. Income tax benefit recognized in profit or loss

	For the Year Ended December 31	
	2021	2020
In respect of the current year		
Current tax	\$ -	\$ -
Deferred tax	( 46,832)	( 12,689)
	<u>( 46,832)</u>	<u>( 12,689)</u>
Adjustments for previous years		
Current tax	( 144,865)	( 288,405)
Deferred tax	144,865	288,405
	<u>-</u>	<u>-</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ ( 46,832)</u>	<u>\$ ( 12,689)</u>

A reconciliation of accounting loss and income tax benefit and the applicable tax rate were as follows:

	For the Year Ended December 31	
	2021	2020
Loss before income tax	\$ ( 3,119,964)	\$ ( 5,962,631)
Income tax benefit calculated at 20% in 2021 and 2020, respectively	( 623,993)	( 1,192,526)
Effect of expenses that were not deductible in determining taxable profit	9,174	26,073
Share of the profit or loss of subsidiaries	( 91,606)	30,855
		(Continued)

	2021			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<b>Deferred tax assets</b>				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 62,531	\$( 19,032)	\$ -	\$ 43,499
Unrealized profit	10,933	48,063	-	58,996
Unrealized royalties	321,489	( 17,749)	-	303,740
Unrealized marketing expenses	112,564	( 15,917)	-	96,647
Unrealized warranty expense	144,912	( 14,957)	-	129,955
Unrealized contingent losses on purchase orders	1,229	( 521)	-	708
Others	141,361	( 12,104)	-	129,257
Loss carryforwards	2,422,508	( 60,880)	-	2,361,628
	<u>\$ 3,217,527</u>	<u>\$ ( 93,097)</u>	<u>\$ -</u>	<u>\$ 3,124,430</u>
<b>Deferred tax liabilities</b>				
Temporary differences				
Defined benefit plans	\$ 39,753	\$( 354)	\$ 2,218	\$ 41,617
Financial instruments at FVTPL	9,931	( 6,887)	-	3,044
Others	34,649	12,177	-	46,826
	<u>\$ 84,333</u>	<u>\$ 4,936</u>	<u>\$ 2,218</u>	<u>\$ 91,487</u>

	For the Year Ended December 31	
	2021	2020
Effect of temporary differences and loss carryforward	659,593	1,122,909
Income tax benefit recognized in profit or loss	<u>\$ ( 46,832)</u>	<u>\$ ( 12,689)</u>
		(Concluded)

#### b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<b>Deferred tax</b>		
Recognized in current year		
Income tax expense of remeasurement on defined benefit plan	\$ 2,218	\$ 249

#### c. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets		
Tax refund receivable	\$ 6,965	\$ 17,435
Current tax liabilities		
Income tax payable	\$ 10,511	\$ 10,811

#### d. Deferred tax balances

Movements of deferred tax assets and deferred tax liabilities for the years ended December 31, 2021 and 2020 were as follows:

	2020			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<b>Deferred tax assets</b>				
Temporary differences				
Allowance for loss on decline in value of inventory	\$ 74,363	\$( 11,832)	\$ -	\$ 62,531
Unrealized profit	-	10,933	-	10,933
Unrealized royalties	422,597	( 101,108)	-	321,489
Unrealized marketing expenses	152,086	( 39,522)	-	112,564
Unrealized warranty expense	169,083	( 24,171)	-	144,912
Unrealized contingent losses on purchase orders	3,494	( 2,265)	-	1,229
Financial instruments at FVTPL	6,084	( 6,084)	-	-
Others	129,064	12,297	-	141,361
Loss carryforwards	2,511,711	( 89,203)	-	2,422,508
	<u>\$ 3,468,482</u>	<u>\$( 250,955)</u>	<u>\$ -</u>	<u>\$ 3,217,527</u>
<b>Deferred tax liabilities</b>				
Temporary differences				
Defined benefit plans	\$ 36,906	\$ 2,598	\$ 249	\$ 39,753
Financial instruments at FVTPL	-	9,931	-	9,931
Unrealized loss	5,971	( 5,971)	-	-
Others	16,446	18,203	-	34,649
	<u>\$ 59,323</u>	<u>\$ 24,761</u>	<u>\$ 249</u>	<u>\$ 84,333</u>

**e. Amounts of deductible temporary differences, unused carryforward and unused tax credits for which deferred tax assets have not been recognized**

	December 31	
	2021	2020
Loss carryforward	<u>\$ 79,024,697</u>	<u>\$ 74,268,847</u>
Deductible temporary differences	<u>\$ 3,802,261</u>	<u>\$ 4,930,335</u>

**f. Information about unused loss carry-forward**

Loss carryforwards as of December 31, 2021 comprised of:

Remaining Carrying	Expiry Year
\$ 4,068,142	2024
22,459,646	2025
22,167,741	2026
17,905,848	2027
11,997,453	2029
7,766,406	2030
4,467,600	2031
<u>\$ 90,832,836</u>	

**g. The aggregate amount of temporary difference associated with investments for which deferred tax assets (liabilities) have not been recognized**

As of December 31, 2021 and 2020, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax assets have been recognized were NT\$6,230,049 thousand and NT\$5,987,783 thousand, respectively.

**h. Income tax assessments**

The Company's tax returns through 2019 had been assessed by the tax authorities.

**26. LOSS PER SHARE**

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2021	2020
Basic loss per share	<u>\$ ( 3.75)</u>	<u>\$ ( 7.27)</u>

The loss and weighted average number of ordinary shares outstanding for the computation of loss per share were as follows:

**Net Loss for the Years**

	For the Year Ended December 31	
	2021	2020
Net loss for the year	<u>\$ ( 3,073,132)</u>	<u>\$ ( 5,949,942)</u>

**Number of Shares**

	Unit: In Thousands of Shares	
	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic loss per share	<u>819,721</u>	<u>818,731</u>

**27. SHARE-BASED PAYMENT ARRANGEMENTS**

**Employee Share Option Plan of the Company**

Qualified employees of the Company were granted 15,000 thousand options in November 2013. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 7 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of the Company were granted 19,000 thousand options in October 2014. Each option entitles the

holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of the Company were granted 1,000 thousand options in August 2015. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of the Company were granted 20 thousand options in May 2019. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of the Company were granted 10,000 thousand options in November 2019. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

The exercise price equals to the closing price of the Company's ordinary shares on the grant date. For any subsequent changes in ordinary shares, the exercise price is adjusted accordingly.

Information on employee share options are as follows:

	For the Year Ended December 31			
	2021		2020	
	Number of Shares (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Shares (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance, beginning of the year	30,531	\$ 45.32	35,961	\$ 53.41
Shares granted	( 5,861)	35.50	-	-
Shares forfeited	( 4,273)	-	( 5,430)	-
Balance, end of the year	<u>20,397</u>	45.16	<u>30,531</u>	45.32
Options exercisable, end of the year	<u>5,603</u>	-	<u>3,210</u>	-

Information about outstanding options as of the reporting date was as follows:

	December 31	
	2021	2020
Range of exercise price (NT\$)	\$ 35.05-\$149	\$ 35.05-\$ 149
Weighted-average remaining contractual life (years)	7.12 years	8.06 years

Options granted in November and May 2019 were priced using the Black-Scholes option pricing model. Options granted in August 2015, October 2014 and November 2013

were priced using the trinomial option pricing model. The inputs to the model are as follows:

	November 2019	May 2019	August 2015	October 2014	November 2013
Grant-date share price (NT\$)	\$35.05	\$35.50	\$54.50	\$134.50	\$149.00
Exercise price (NT\$)	\$35.05	\$35.50	\$54.50	\$134.50	\$149.00
Expected volatility	43.64%-44.09%	44.94-45.01%	39.26%	33.46%	45.83%
Expected life (years)	10 years	10 years	10 years	10 years	7 years
Expected dividend yield	-	-	4.04%	4.40%	5.00%
Risk-free interest rate	0.6125%-0.6348%	0.6082%-0.6224%	1.3965%	1.7021%	1.63%

Expected volatility was based on the historical share price volatility over the past 1-7 year. The Company assumed that employees would exercise their options after the vesting date when the share price was 1.63 times the exercise price.

### Employee Restricted Shares

In the shareholders' meetings on June 19, 2014 and June 2, 2015, the shareholders approved a restricted share plan for employees amounting to NT\$50,000 thousand and NT\$75,000 thousand, consisting of 5,000 thousand and 7,500 thousand shares, respectively. In 2014 and 2015, the Company's Board of Directors passed a resolution to issue 5,000 thousand and 7,500 thousand shares, respectively.

The restrictions on the rights of the employees who acquired the restricted shares but have not met the vesting conditions are as follows:

- The employees cannot sell, pledge, transfer, donate or in any other way dispose of these shares.
- The employees holding these shares are entitled to receive dividends in cash or shares.
- The employees holding these shares have no voting rights.

### Compensation Cost of Share-based Payment Arrangements

Compensation cost of share-based payment arrangement recognized was NT\$85,999 thousand and NT\$156,448 thousand for the years ended December 31, 2021 and 2020, respectively.

## 28. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure its ability to continue as a going concern while maximizing the returns to shareholders. The Company periodically reviews its capital structure by taking into consideration macroeconomic conditions, prevailing interest rate, and adequacy of cash flows generated from operations; as the situation would allow, the Company pays dividends, issues new shares, repurchases shares, borrows loans, and pays loans.

The Company is not subject to any externally imposed capital requirements.

## 29. FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments That Are Not Measured at Fair Value

Financial instruments not carried at fair value held by the Company include financial assets measured at cost. The management considers that the carrying amounts of financial assets not measured at fair value approximate their fair value or the fair value are not measured reliably.

### Fair Value of Financial Instruments That Are Measured at Fair Value on a Recurring Basis

### a. Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 107,071	\$ -	\$ 107,071
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 734	\$ -	\$ -	\$ 734
Domestic unlisted shares	-	-	1,661	1,661
	\$ 734	\$ -	\$ 1,661	\$ 2,395
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 81,706	\$ -	\$ 81,706

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 173,357	\$ -	\$ 173,357
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 456	\$ -	\$ -	\$ 456
Domestic unlisted shares	-	-	2,884	2,884
	\$ 456	\$ -	\$ 2,884	\$ 3,340
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 90,599	\$ -	\$ 90,599

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

### b. Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

	Financial Assets at FVTOCI
Financial Assets	Equity Instruments
Balance at January 1, 2021	\$ 2,884
Recognized in other comprehensive income	( 1,223)
Balance at December 31, 2021	\$ 1,661

For the year ended December 31, 2020

	Financial Assets at FVTOCI
Financial Assets	Equity Instruments
Balance at January 1, 2020	\$ 3,936
Recognized in other comprehensive income	( 1,052)
Balance at December 31, 2020	\$ 2,884

### c. Valuation techniques and inputs applied to Level 2 financial instruments at fair value.

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

### d. Valuation techniques and inputs applied to Level 3 financial instruments at fair value

Fair value measurements categorized within Level 3 of the fair value hierarchy are investments in equity instruments. The lack of quoted prices in an active market places these financial assets in the Level 3 category, in which fair values are based on valuation provided by market participants or quoted prices of the counter party. Quantitative information has not been disclosed since the relationship between significant unobservable inputs and fair value cannot be fully controlled.



### e. Valuation process for Level 3 financial instruments at fair value

The investment department will assess the reliability, independence, and consistency of the information sources to confirm whether the valuation is representative of the exercise price. Adjustments are made to ensure the rationality of the valuation presented.

### f. Sensitivity analysis of Level 3 fair value measurements with respect to alternative replacement assumptions

A sensitivity analysis of replacement assumptions for the valuation of Level 3 financial instruments at fair value is not required since the valuation model used by the Company is reasonable and not internally constructed.

### Categories of Financial Instruments

	For the Year Ended December 31	
	2021	2020
<b>Financial assets</b>		
Financial assets at FVTPL		
Held for trading	\$ 107,071	\$ 173,357
Amortized cost (Note 1)	3,765,082	5,416,452
Financial assets at FVTOCI		
Equity instruments	2,395	3,340
<b>Financial liabilities</b>		
Financial liabilities at FVTPL		
Held for trading	81,706	90,599
Amortized cost (Note 2)	16,345,912	15,661,651

Note 1: These balances include financial assets measured at amortized cost which comprise of cash and cash equivalents, other financial assets, trade receivables (included related parties), other receivables and refundable deposits.

Note 2: These balances include financial liabilities measured at amortized cost, which comprise of short-term borrowings, notes and trade payables, other payables, agency receipts, long-term borrowings and guarantee deposits received.

### Financial Risk Management Objectives and Policies

The Company's major financial instruments include equity and debt investments, trade receivables, other receivables, borrowings, notes payable and trade payables and other payables. The Company's Corporate Treasury function provides services to the business and coordinates access to domestic and international financial markets. It also monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze the exposures by degree and magnitude

of risks. These risks include market risk, credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments and non-derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies, which are approved by the board of directors. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies is reviewed by the internal auditors on a continuous basis. The Company has not entered into or traded financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Company's audit committee and board of directors in order to monitor risks and implement policies to mitigate risk exposures.

#### a. Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates. The Company has entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

There was no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

#### 1) Foreign currency risk

The Company undertook transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arose. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets, monetary liabilities, and derivatives which are exposed to foreign currency risk at the end of the reporting period are set out in Note 34.

#### Sensitivity analysis

The Company was mainly exposed to currency fluctuations of the United States dollar (USD), Euro (EUR), Renminbi (RMB) and Japanese yen (JPY).

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar ("NTD", the functional currency) against relevant foreign currencies. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges. A positive number indicates an increase in pre-tax profit/loss or equity associated with the NTD strengthens 1% against the relevant currency. For a 1% weakening of the NTD against the relevant currency, there would be an equal and opposite impact on pre-tax profit/loss or equity, and the balances below would be negative.

	Pre-tax Profit or Loss	Equity
<u>For the year ended</u>		
<u>December 31, 2021</u>		
USD	\$ 127,034	\$( 81,967)
EUR	( 1,285)	( 6,355)
RMB	( 3,167)	( 63,337)
JPY	( 1,523)	( 2,593)
<u>For the year ended</u>		
<u>December 31, 2020</u>		
USD	71,485	( 171,300)
EUR	( 210)	( 8,911)
RMB	( 1,039)	( 71,772)
JPY	2,455	( 5,154)

#### 2) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of reporting period were as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 1,449,927	\$ 2,828,092
Financial liabilities	4,602,817	903,769
Cash flow interest rate risk		
Financial assets	-	-
Financial liabilities	-	-

#### Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the period was outstanding for the whole year. A sensitivity rate

of 0.1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

#### 3) Other price risk

The Company was exposed to equity price risk through its investments in domestic listed shares and emerging market shares and domestic unlisted shares.

If equity prices had been 1% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by NT\$24 thousand and NT\$33 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

#### b. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparty to discharge an obligation and financial guarantees provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets. The Company does not issue any financial guarantee involving credit risk.

The Company basically adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit risk information of trade receivables is disclosed in the Note 10.

#### c. Liquidity risk

The Company's current liabilities exceeds current assets by \$10,442,229 thousand. The Company is able to meet all of its contract obligations with managing the Taiwan and overseas cash and cash equivalents positions through a consolidated structure. Resulting in no liquidity risk of inability to provide sufficient funds to fulfil its obligations.

The Company manages liquidity risk to ensure that the Company possesses sufficient financial flexibility by maintaining adequate reserves of cash and cash

equivalents and reserving financing facilities, and also monitor liquidity risk of shortage of funds by the maturity date of financial instruments and financial assets.

### 1) Liquidity risk tables for non-derivative financial liabilities

December 31, 2021			
	Less Than 3 Months	3 to 12 Months	Over 1 Year
Short-term borrowings	\$ 1,600,000	\$ 1,000,000	\$ -
Notes and trade payables	1,387,392	5,005,800	-
Other payables	3,609,507	1,579,825	-
Lease liabilities	895	1,651	301
Agency receipts	23,389	-	-
Long-term borrowings	-	-	2,000,000
Guarantee deposits received	-	-	136,974
	<u>\$ 6,621,183</u>	<u>\$ 7,587,276</u>	<u>\$ 2,137,275</u>

December 31, 2020			
	Less Than 3 Months	3 to 12 Months	Over 1 Year
Short-term borrowings	\$ 800,000	\$ 100,000	\$ -
Trade payables	2,107,180	6,260,949	-
Other payables	4,068,891	2,154,849	-
Lease liabilities	622	1,865	1,345
Agency receipts	25,770	-	-
Guarantee deposits received	-	-	144,012
	<u>\$ 7,002,463</u>	<u>\$ 8,517,663</u>	<u>\$ 145,357</u>

### 2) Liquidity risk tables for derivative financial instruments

The following table details the Company's liquidity analysis for its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2021			
	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<b>Net settled</b>			
Foreign exchange contracts	<u>\$ 10,091</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Gross settled</b>			
Foreign exchange contracts			
Inflows	\$ 25,491,810	\$ -	\$ -
Outflows	( 25,477,732)	-	-
	<u>\$ 14,078</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020			
	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<b>Net settled</b>			
Foreign exchange contracts	<u>\$ 31,550</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Gross settled</b>			
Foreign exchange contracts			
Inflows	\$ 21,228,990	\$ -	\$ -
Outflows	( 21,174,628)	-	-
	<u>\$ 54,362</u>	<u>\$ -</u>	<u>\$ -</u>

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company is required to pay. The table includes both interest and principle cash flows.

### 3) Bank credit limit

	December 31	
	2021	2020
Unsecured bank general credit limit		
Amount used	\$ 2,780,007	\$ 1,173,605
Amount unused	<u>9,137,538</u>	<u>12,942,388</u>
	<u>\$ 11,917,545</u>	<u>\$ 14,115,993</u>
Secured bank general credit limit		
Amount used	\$ 2,000,000	\$ -
Amount unused	<u>3,000,000</u>	<u>5,000,000</u>
	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

Amount used included short-term borrowings, long-term borrowings, guarantees for customs duties and patent litigation.

## 30. RELATED-PARTY TRANSACTIONS

### The Names and Relationships of Related-parties

Related-party	Relationship with the Company
H.T.C. (B.V.I) Corp.	Subsidiary
High Tech Computer Asia Pacific Pte. Ltd.	Subsidiary
PT. High Tech Computer Indonesia	Subsidiary
HTC (Australia and New Zealand) PTY LTD.	Subsidiary
HTC (Thailand) Limited	Subsidiary
HTC India Private Limited	Subsidiary
HTC Communication Co., Ltd.	Subsidiary
HTC HK, Limited	Subsidiary
HTC Communication Technologies (SH)	Subsidiary
HTC Vietnam Services One Member Limited Liability Company	Subsidiary
HTC Communication (BJ) Tech Co.	Subsidiary
HTC Netherlands BV.	Subsidiary
HTC EUROPE CO., LTD.	Subsidiary
VIVE Arts Limited	Subsidiary
HTC Belgium BVBA/SPRL	Subsidiary
HTC NIPPON Corporation	Subsidiary

Related-party	Relationship with the Company
HTC FRANCE CORPORATION	Subsidiary
HTC Germany GmbH.	Subsidiary
HTC Poland sp. z o.o.	Subsidiary
HTC South Eastern Europe Limited Liability Company	Subsidiary
HTC Communication Canada, Ltd.	Subsidiary
HTC Communication Sweden AB	Subsidiary
HTC Middle East FZ-LLC	Subsidiary
HTC Communication Solutions Mexico, S.A DE C.V.	Subsidiary
HTC America Inc.	Subsidiary
One & Company Design, Inc.	Subsidiary
HTC America Innovation Inc.	Subsidiary
HTC America Content Services, Inc.	Subsidiary
Dashwire, Inc.	Subsidiary
Inquisitive Minds, Inc.	Subsidiary
HTC Belgium BVBA, Russia Branch	Subsidiary
DeepQ Technology Corp.	Subsidiary
HTC BRASIL	Subsidiary (Note)
DeepQ Technology (Beijing)	Subsidiary
HTC Malaysia Sdn. Bhd.	Subsidiary
VIA Technologies Inc.	Its chairman is HTC's director
Xander International Corp.	Its chairman is HTC's director
VIA Labs, Inc.	Its chairman is HTC's director
Way Chih Investment Co., Ltd.	Its director is HTC's chairwoman
HTC Education Foundation	Its chairman is HTC's director
Nan Ya Plastics Corporation	Its director and HTC's chairwoman are relatives
Employees' Welfare Committee	Employees' Welfare Committee of HTC
Kun Chang Investment Co., Ltd.	Its director is HTC's chairwoman
Chengdu Weiai New Economic Technology Institute	Subsidiary of associates
HTC Social Welfare and Charity Foundation	Its chairman is HTC's director
TVBS Media Inc.	Its chairman is HTC's director

(Continued)

(Concluded)

Note: The dissolution of HTC BRASIL was approved in its shareholders' meeting held on September 22, 2020. The liquidation process was completed on May 17, 2022.

## Operating Sales

	For the Year Ended December 31	
	2021	2020
Subsidiaries		
HTC America Inc.	\$ 1,491,123	\$ 1,260,361
HTC Communication Co., Ltd.	666,709	275,726
HTC NIPPON Corporation	195,635	192,769
Others	358	829
Other related parties	<u>3,934</u>	<u>27,487</u>
	<u>\$ 2,357,759</u>	<u>\$ 1,757,172</u>

The following balances of trade receivables from related parties were outstanding at the end of the reporting period:

	December 31	
	2021	2020
Subsidiaries		
HTC America Inc.	\$ 286,127	\$ 324,452
HTC NIPPON Corporation	43,821	40,725
HTC Communication Inc.	2,179	-
Others	<u>2,157</u>	<u>2,003</u>
	<u>\$ 334,284</u>	<u>\$ 367,180</u>

Products sold to all related parties will be lower than those sold to outsiders, except for some related parties who have no comparison with those sold to third parties. No guarantees had been given or received for trade receivables from related parties. Trade receivables from related parties were assessed to have no debt risk, hence no bad debt expense had been recognized for the years ended December 31, 2021 and 2020.

## Purchase

	For the Year Ended December 31	
	2021	2020
Purchase		
Subsidiaries	\$ 5,392	\$ 121,639
Other related parties	<u>6,084</u>	<u>4,846</u>
	<u>\$ 11,476</u>	<u>\$ 126,485</u>

The following balances of trade payables from related parties were outstanding at the end of the reporting period:

	December 31	
	2021	2020
Subsidiaries	\$ -	\$ 1,503
Other related parties	<u>1,262</u>	<u>1,652</u>
	<u>\$ 1,262</u>	<u>\$ 3,155</u>

Purchase prices for related parties and third parties were similar. The outstanding balances of trade payables to related parties are unsecured and will be settled in cash.

## Compensation of Key Management Personnel

	For the Year Ended December 31	
	2021	2020
Short-term benefits	\$ 87,578	\$ 168,925
Post-employment benefits	951	1,912
Share-based payments	<u>23,942</u>	<u>11,107</u>
	<u>\$ 112,471</u>	<u>\$ 181,944</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## Lease Expense

	For the Year Ended December 31	
	2021	2020
Other related parties	<u>\$ 1,128</u>	<u>\$ 3,451</u>

The Company leased meeting rooms owned by other related party under an operating lease agreement.

## Lease Arrangements - the Group Is Lessor Arrangements under Operating Leases

The Group leases out part of the offices to its associate under operating lease with lease term of 3 years, and the rental is based on similar asset's market rental rates and fixed lease payments are received monthly. As of December 31, 2021, the gross lease payments to be received are NT\$9,143 thousand. The amounts of lease income recognized for the years ended December 31, 2021 and 2020 were NT\$4,571 thousand and NT\$1,143 thousand, respectively.

## Acquisition of Property, Plant and Equipment

	Price	
	For the Year Ended December 31	
	2021	2020
Other related parties	<u>\$ 91</u>	<u>\$ 84</u>

## Services, Marketing and Commission Expenses

	For the Year Ended December 31	
	2021	2020
Subsidiaries		
HTC Communication Technologies (SH)	\$ 161,691	\$ 375,576
HTC EUROPE CO., LTD.	287,635	319,357
Others	432,623	626,900
Other related parties	<u>-</u>	<u>96</u>
	<u>\$ 881,949</u>	<u>\$ 1,321,929</u>

The following balances of other payables from related parties were outstanding at the end of the reporting period:

	December 31	
	2021	2020
Subsidiaries	\$ 1,086,016	\$ 1,366,006
Other related parties	<u>315</u>	<u>709</u>
	<u>\$ 1,086,331</u>	<u>\$ 1,366,715</u>

The subsidiaries provided services such as overseas business activities, research and development, technical support, business consulting and after-sales maintenance for the Company, and all service fees, advertising fees and commission fees are taken into account.

## Other Related-party Transactions

Other related parties provide digital photography and consultancy service and sell epidemic prevention products to the Company. The cost and fee were NT\$0 thousand and NT\$1,886 thousand for the years ended December 31, 2021 and 2020, respectively.

The Company collects property management fees, utility fees, disposal of restricted assets and processing charges from other related companies. Other income was NT\$9,289 thousand and NT\$10,865 thousand for the years ended December 31, 2021 and 2020, respectively.

## 31. PLEDGED ASSETS

As of December 31, 2021 and 2020, the time deposits and demand deposits classified as other financial assets totaled NT\$161,525 thousand and NT\$237,521 thousand, respectively. These deposits were provided as collateral for rental deposits, customs duties, patent litigation, supplier contract and performance bond.

The following assets were pledged as collateral for bank borrowings:

	December 31	
	2021	2020
Property, plant and equipment		
Land	\$ 3,337,100	\$ 3,337,100
Buildings	1,077,194	1,171,670
Investment properties	<u>781,774</u>	<u>848,872</u>
	<u>\$ 5,196,068</u>	<u>\$ 5,357,642</u>

## 32. COMMITMENTS, CONTINGENCIES AND SIGNIFICANT CONTRACTS

- The Company and IPCom GmbH & Co. KG ("IPCom") were involved in patent litigations in a number of jurisdictions, including Germany and the UK. The parties have decided to resolve their dispute and reached a settlement in Q4 2021. As a result, both sides have withdrawn all existing lawsuits.
- On the basis of its past experience and consultations with its legal counsel, the Company has measured the possible effects of the contingent lawsuits on its business and financial condition.

## 33. OTHER ITEMS

Due to the impact of the COVID-19 pandemic, some of the Company's subsidiaries, customers and suppliers were forced to implement quarantine measures. After an overall assessment by the management, there was no significant impact on the Company's operation, financial statements and as well as going concern assumption.

## 34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: In Thousands of Foreign Currencies

	December 31			
	2021		2020	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<b>Financial assets</b>				
Monetary items				
USD	\$ 594,213	27.68	\$ 512,893	28.50
EUR	76,646	31.30	55,241	35.04
JPY	4,742,687	0.2404	3,744,545	0.2764
RMB	793,004	4.34	584,117	4.38
Investments accounted for using the equity method				
USD	274,683	27.68	230,217	28.50
SGD	1,011,175	20.50	982,557	21.57
<b>Financial liabilities</b>				
Monetary items				
USD	1,053,101	27.68	763,749	28.50
EUR	72,540	31.30	54,642	35.04
JPY	4,108,998	0.2404	4,632,713	0.2764
RMB	720,094	4.34	560,401	4.38

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange gain were NT\$82,992 thousand and NT\$174,984 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transactions.

### 35. SIGNIFICANT CONTRACTS

The Company specializes in the research, design, manufacture and sale of smart mobile devices and virtual reality devices. To enhance the quality of its products and manufacturing technologies, the Company has patent agreements, as follows:

Contract Type	Contractor	Term	Description	Restrictive Covenants
Patent License	Qualcomm Incorporated	December 20, 2000 to the following dates: a. If the Company materially breaches any agreement terms and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents. b. Any time when the Company is not using any of Qualcomm's intellectual property, the Company may terminate this agreement upon 60 days' prior written notice to Qualcomm.	Authorization to use CDMA technology to manufacture and sell units, royalty payment based on agreement.	No
Patent License	InterDigital Technology Corporation	December 31, 2003 to the expiry dates of these patents stated in the agreement.	Authorization to use TDMA and CDMA technologies; royalty payment based on agreement.	No
Patent License	KONINKLIJKE PHILIPS NV.	December 23, 2019 - December 31, 2024	Authorization to use UMTS/LTE patents and portable feature patents; royalty payment based on agreement.	No

### 36. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
  - 1) Financing provided to others (None)
  - 2) Endorsements/guarantees provided (None)
  - 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities) (Table 1)
  - 4) Marketable securities acquired or disposed of at cost or prices of at least NT\$300 million or 20% of the paid-in capital (Table 2)
  - 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital (Table 3)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
  - 9) Trading in derivative instruments (Note 7)
  - 10) Information on investees (Table 6)
- b. Information on investments in mainland China
  - 1) Information on investee companies in mainland China, including the name, principal business activities, paid-in capital, accounting method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in mainland China (Table 7)
  - 2) Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, their prices, payment terms and unrealized gains or losses (Table 8):
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
    - c) The amount of property transactions and the amount of the resulting gains or losses
    - d) The balance of negotiable instrument

endorsements, guarantees or pledges of collateral at the end of the year and their purposes

- e) The most significant balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- c. Information of major shareholders: Names of shareholders with ownership of 5% or more, number of shares owned and the percentage of ownership of each shareholder (Table 9).

**HTC CORPORATION****TABLE 1**

## MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES)

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
HTC Corporation	<u>Listed shares</u>							
	VIA Technologies, Inc.	Its chairman is HTC's director	Financial assets at fair value through other comprehensive income - non-current	8.5	\$ 734	-	\$ 734	
	<u>Unlisted shares</u>							
	Hua-Chuang Automobile Information Technical Center Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	Note 1
	Bandrich, Inc.	-	"	2,025	1,661	9.96	1,661	
H.T.C. (B.V.I.) Corp.	<u>Unlisted equity investments</u>							
	SoundHound Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,050	-	3.17	-	
	GSUO Inc.	-	"	30,888	-	10.32	-	
	KKBOX Inc.	-	"	1.19	263,985	8.28	263,985	
	Magnet Systems, Inc.	-	"	5,560	2,624	17.10	2,624	
	High Fidelity, Inc.	-	"	451	32,270	1.40	32,270	
	WEVR, Inc.	-	"	2,916	331,227	17.01	331,227	
	Radd3, Inc.	-	"	935	-	6.24	-	
	MobiSocial Incorporated	-	"	121	6,990	0.41	6,990	
	EMISSIVE	-	"	17	29,910	-	29,910	
	MyndVR Inc.	-	"	700	8,305	2.45	8,305	
	Baobab Studios Inc.	-	"	434	48,446	1.90	48,446	
	WI Harper Fund VII	-	"	-	130,711	-	130,711	
	TransLink Capital Fund Partners II, L.P.	-	"	-	404,788	-	404,788	
	WI Harper Fund IX	-	"	-	25,028	-	25,028	
	Race capital	The co-founder of the fund is a senior executive of the company	"	-	222,098	-	222,098	
		<u>Convertible bonds</u>						
	Bitmark Inc.	-	Financial assets at fair value through profit or loss - non-current	-	13,843	-	13,843	
	Steelwool	-	"	-	6,782	-	6,782	
	Cognitive VR	-	"	-	6,921	-	6,921	
HTC Investment Corporation	<u>Unlisted shares</u>							
	Luminous Optical Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	501	28,131	10.02	28,131	Note 2
	<u>Listed shares</u>							
	Sino-American silicon products Inc.	-	Financial assets at fair value through other comprehensive income - non-current	65	15,340	0.01	15,340	
	<u>Emerging market shares</u>							
	HLJ technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	948	13,961	1.02	13,961	

(Continued)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
HTC Investment (BVI) Corp.	<u>Listed shares</u>							
	Intuit Inc.	-	Financial assets at fair value through other comprehensive income - current	1.5	\$ 26,638	-	\$ 26,638	
	Coinbase Global, Inc.	-	"	7	50,798	-	50,798	
	<u>Unlisted equity investments</u>							
	Lumus Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	28	41,525	0.50	41,525	
	Event X	-	"	1,466	110,732	6.80	110,732	
	Imverse SA	-	"	-	30,058	-	30,058	
	Felicis Ventures II LP	-	"	-	251,661	-	251,661	
	Rothenberg Ventures 2015 Fund, LLC	-	"	-	42,187	-	42,187	
	Presence Capital Fund I, LP	-	"	-	109,296	-	109,296	
	Ally Bridge Group	-	"	-	206,086	-	206,086	
	Ally Bridge Group-CMRCO	-	"	-	192,729	-	192,729	
	<u>Convertible bonds</u>							
	Modrokk Inc.	-	Financial assets at fair value through profit or loss - non-current	-	166,099	-	166,099	
	Canopy Technologies Limited	-	"	-	6,921	-	6,921	
HTC VIVE Investment (BVI) Corp.	<u>Unlisted shares</u>							
	Drop Software Inc.	-	Financial assets at fair value through other comprehensive income - non-current	813	-	10.00	-	
	Fish Bowl VR, Inc.	-	"	36	554	6.00	554	
	Apmatrix, Inc.	-	"	36	-	2.74	-	
	CleVR Forever, Inc.	-	"	300	-	3.33	-	
	Immersv, Inc.	-	"	655	9,984	2.21	9,984	
	Surreal VR, Inc.	-	"	644	-	7.03	-	
	Augmented Intelligence, Inc.	-	"	700	1,385	7.00	1,385	
	Opaque Productions, Inc.	-	"	1	2,768	8.00	2,768	
	Glowstick Entertainment Inc.	-	"	800	1,661	8.00	1,661	
	KALEIDOSCOPE VR INC.	-	"	700	-	7.00	-	
	LyraVR, Inc.	-	"	81	1,661	7.50	1,661	
	BreqLabs, Inc.	-	"	261	692	8.00	692	
	LumiereVR, Inc	-	"	870	692	8.00	692	
	The Metaverse Channel Inc.	-	"	8	692	8.00	692	
	Metaverse Technology Limited	-	"	8	720	8.00	720	
	Subdream Studios Inc.	-	"	45	-	1.00	-	
	Appnori Inc.	-	"	-	1,938	7.02	1,938	
	Snobal Pty Ltd	-	"	-	1,107	6.54	1,107	
	VRANI Inc.	-	"	17	1,385	4.00	1,385	
	COGNITIVE VR INC.	-	"	280	-	2.01	-	
	Limitless Entertainment, Limited	-	"	24	-	0.75	-	
	AuroraTech Company	-	"	800	-	8.00	-	

(Continued)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
HTC VIVE Investment (BVI) Corp.	<u>Unlisted shares</u>							
	Realiteer Corp.	-	Financial assets at fair value through other comprehensive income - non-current	720	\$ -	6.00	\$ -	
	Construct Studio Inc.	-	"	565	-	7.00	-	
	Forbidden Mechanism Inc.	-	"	354	-	10.00	-	
	Hyperfair Inc.	-	"	835	-	4.00	-	
	bHaptics Inc.	-	"	9	28	3.00	28	
	Opaque X PTY LTD	-	"	1	2,768	7.50	2,768	
	Xikaku Inc.	-	"	600	1,938	6.00	1,938	
	Broken Colors Inc.	-	"	-	-	6.02	-	
	Soccer Science, S.L.	-	"	6	-	5.00	-	
	Fitix Visualization Ltd	-	"	129	-	6.00	-	
	PlusOne, Inc.	-	"	538	-	7.00	-	
	Invrse Reality Limited	-	"	1,600	-	8.00	-	
	ByondVR LTD	-	"	18	-	1.50	-	
	Wondergate holding (Cayman) Limited	-	"	2,041	-	2.00	-	
	Intugame Inc.	-	"	490	678	7.00	678	
	ThermoReal Inc.	-	"	0.18	1,385	3.00	1,385	
	Mixed Realms Pte. Ltd.	-	"	-	1,661	4.00	1,661	
	Red Pill Lab Ltd.	-	"	50	1,385	8.00	1,385	
	COVER CORPORATION	-	"	5	1,273	1.43	1,273	
	VRCOLLAB PTE. LTD.	-	"	1	1,661	8.00	1,661	
	Looxid Labs Inc.	-	"	2	289	1.00	289	
	360Stories Corp.	-	"	213	1,938	-	1,938	
	Z-Emotion	-	"	-	138	-	138	
	eLoupes, Inc.	-	"	959	7,474	-	7,474	
	Fable Studio Inc.	-	"	-	4,152	-	4,152	
	Maze Theory Ltd.	-	"	34	3,239	2.92	3,239	
	DatavizVR	-	"	-	4,152	-	4,152	
	Neurable Inc.	-	"	67	3,322	-	3,322	
	Nanome Inc.	-	"	80	4,152	-	4,152	
	Mindesk Inc.	-	"	944	3,322	-	3,322	
	Karuna Labs	-	"	211	4,152	1.90	4,152	
	Talespin LLC	-	"	1,116	8,304	0.76	8,304	
	Vivid Vision	-	"	-	4,152	-	4,152	
	<u>Convertible bonds</u>							
	Drop Software Inc.	-	Financial assets at fair value through profit or loss - non-current	-	2,215	-	2,215	
	Fish Bowl VR, Inc.	-	"	-	2,768	-	2,768	
	Apmatrix, Inc.	-	"	-	5,537	-	5,537	
	CleVR Forever, Inc.	-	"	-	3,322	-	3,322	
	Surreal VR, Inc.	-	"	-	3,322	-	3,322	

(Continued)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
HTC VIVE Investment (BVI) Corp.	<u>Convertible bonds</u>							
	Realiteer Corp.	-	Financial assets at fair value through profit or loss - non-current	-	\$ 2,768	-	\$ 2,768	
	KALEIDOSOPE VR INC.	-	"	-	3,322	-	3,322	
	COGNITIVEVR INC.	-	"	-	3,322	-	3,322	
	Limitless Entertainment, Limited	-	"	-	4,152	-	4,152	
	AuroraTech Company	-	"	-	2,076	-	2,076	
	Construct Studio Inc.	-	"	-	3,322	-	3,322	
	Forbidden Mechanism Inc.	-	"	-	5,537	-	5,537	
	Hyperfair Inc.	-	"	-	3,322	-	3,322	
	Broken Colors Inc.	-	"	-	1,385	-	1,385	
	Soccer Science, S.L.	-	"	-	2,076	-	2,076	
	Fitix Visualization Ltd	-	"	-	1,385	-	1,385	
	PlusOne, Inc.	-	"	-	1,385	-	1,385	
	Invrse Reality Limited	-	"	-	2,076	-	2,076	
	ByondVR LTD	-	"	-	2,768	-	2,768	
	Cloudgate Studio, Inc.	-	"	-	3,322	-	3,322	
	Apelab, Inc.	-	"	-	4,152	-	4,152	
	Quantum Capture	-	"	-	4,152	-	4,152	
	Intugame Inc.	-	"	-	2,644	-	2,644	
	Pillow's Willow VR Studios B.V.	-	"	-	2,076	-	2,076	
	Modal System Inc.	-	"	-	2,768	-	2,768	
	MyndVR LLC	-	"	-	3,799	-	3,799	
	Immersv, Inc.	-	"	-	2,686	-	2,686	
	Yerba Buena VR	-	"	-	2,768	-	2,768	
	Prime Software	-	"	-	2,768	-	2,768	
	Kagenova Ltd	-	"	-	3,659	-	3,659	
	JCR Group Ltd	-	"	-	4,600	-	4,600	
	Extended Reality	-	"	-	4,152	-	4,152	
	ORamaVR	-	"	-	4,152	-	4,152	
	Imaged Reality	-	"	-	4,770	-	4,770	
	<u>Exchange contracts</u>							
	Realities.io Inc.	-	Financial assets at fair value through profit or loss - non-current	-	3,322	-	3,322	
	Subdream Studios Inc.	-	"	-	4,152	-	4,152	
	Rogue Initiative, LLC	-	"	-	5,537	-	5,537	
	Directive Games Limited	-	"	-	1,385	-	1,385	
	Visby Camera Corporation	-	"	-	2,768	-	2,768	
	LIV Inc.	-	"	-	2,768	-	2,768	
	Six Degrees Space Ltd	-	"	-	1,661	-	1,661	
	Tvori Inc.	-	"	-	4,152	-	4,152	

Note 1: Hua-Chuang Automobile Information Technical Center Co., Ltd. increased its share capital on August 17, 2020. The Group did not subscribe for these newly issued shares at its existing ownership percentage, thus its shareholding ratio decreased.

Note 2: Luminous Optical Technology Co., Ltd. reduced its share capital on December 2, 2021. The Group reduced share capital at its existing ownership percentage, hence, the total number of shares held decreased but the shareholding ratio remained the same.

(Concluded)



**TABLE 2****HTC CORPORATION**

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance (Note)		
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
					(In Thousands)		(In Thousands)		(In Thousands)				(In Thousands)	
HTC America Holding Inc.	HTC America Inc.	Consolidated individual	Reduction of capital and return of investments	Subsidiary	1	\$ 6,339,209	-	\$ -	-	\$ 4,982,940	\$ 4,982,940	\$ -	1	\$ 972,892
HTC Europe Co., Ltd.	HTC America Holding Inc.	Consolidated individual	Reduction of capital and return of investments	Subsidiary	371,617	8,259,397	-	-	-	5,536,600	5,536,600	-	371,617	2,239,662

Note: The amount at the end of the period includes the share of profit and loss and other comprehensive income from subsidiaries and associates accounted for using the equity method.

**TABLE 3****HTC CORPORATION**

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COST OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counterparty	Nature of Relationships	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
HTC America Holding Inc.	US real estate	2021.01.22	US\$ 16,450	Paid in full	Shattuck Office, LLC	-	-	-	\$ -	According to the appraisal report from the real estate appraisal company, the price is based on US\$16,700.	Office needs	-	

**TABLE 4****HTC CORPORATION**

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

Company Name	Related Party	Nature of Relationship	Transaction Details		Abnormal Transaction				Notes/Accounts Payable or Receivable		
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	Note
HTC Corporation	HTC America Inc.	Grandson company	Sales	\$( 1,491,123)	(32)	60 days	More favorable than unrelated parties	Similar to unrelated parties	\$ 286,127	52	
	HTC Communication Co., Ltd.	Grandson company	Sales	( 666,709)	(14)	30 days	More favorable than unrelated parties	Similar to unrelated parties	2,179	-	
	HTC NIPPON Corporation	Grandson company	Sales	( 195,635)	( 4)	45 days	More favorable than unrelated parties	Similar to unrelated parties	43,821	8	
HTC America Inc.	HTC Corporation	Parent company	Purchases	1,491,123	99	60 days	No comparable unrelated parties	Similar to unrelated parties	( 286,127)	( 99)	
HTC Communication Co., Ltd.	HTC Corporation	Parent company	Purchases	666,709	99	30 days	No comparable unrelated parties	Similar to unrelated parties	( 2,179)	(100)	
HTC NIPPON Corporation	HTC Corporation	Parent company	Purchases	195,635	99	45 days	No comparable unrelated parties	Similar to unrelated parties	( 43,821)	(100)	

TABLE 5

## HTC CORPORATION

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debt
					Amount	Action Taken		
HTC Corporation	HTC America Inc.	Grandson company	\$ 286,127	4.88	\$ -	-	\$ 274,006	\$ -
HTC EUROPE CO., LTD.	HTC Corporation	Parent company	369,354	0.76	-	-	963	-
HTC (Australia and New Zealand) PTY LTD.	HTC Corporation	Parent company	180,227	0.10	-	-	-	-
HTC HK, Limited	HTC Corporation	Parent company	134,461	0.03	-	-	-	-
HTC America Innovation Inc.	HTC Corporation	Parent company	179,505	0.78	-	-	-	-

TABLE 6

## HTC CORPORATION

## NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENTS IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Business Activity	Original Investment Amount		At the End of the Year			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Beginning Balance	Ending Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
HTC Corporation	H.T.C. (B.V.I.) Corp.	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	International holding company and general investing activities	\$ 4,517,708	\$ 4,517,708	1,476,202	100.00	\$ 2,199,052	\$ ( 393,530)	\$ ( 393,530)	
	High Tech Computer Asia Pacific Pte. Ltd.	#13-00 Robinson 77 Singapore 068896	International holding company; marketing, repair and after-sales services	17,202,180	17,202,180	562,534	100.00	20,383,727	172,466	172,466	Note 1
	HTC Investment Corporation	1F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	General investing activities	300,000	300,000	30,000	100.00	146,395	95	95	
	PT. High Tech Computer Indonesia	PLAZA SEMANGGI 7th Floor, unit No. Z07-006 Kawasan Bisnis Granadha Jl. Jend. Sudirman Kav. 50 Jakarta-12930 Indonesia	Marketing, repair and after-sales services	62	62	2	1.00	62	( 15,527)	-	
	HTC Holding Cooperatief U.A.	Herikerbergweg 88, 1101CM Amsterdam, the Netherlands	International holding company	13	13	-	0.01	13	62,190	-	
	HTC Investment One (BVI) Corporation	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	Holding S3 Graphics Co., Ltd. and general investing activities	10,006,434	10,006,434	333,733	100.00	368,239	89,136	89,136	
	HTC Investment (BVI) Corp.	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	General investing activities	832,990	832,990	26,000	100.00	3,611,491	685,480	685,480	
	HTC VIVE Holding (BVI) Corp.	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	International holding company	234,324	234,324	7,000	100.00	186,960	( 1,519)	( 1,519)	
	HTC VIVE Investment (BVI) Corp.	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	General investing activities	302,807	302,807	10,000	100.00	287,625	( 36)	( 36)	
	DeepQ Holding (BVI) Corp.	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	International holding company	498,565	498,565	16,500	100.00	336,764	( 67,270)	( 67,270)	
	HTC Smartphone (BVI) Corp.	3rd Floor, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands, VG1110	International holding company	1,004	1,004	33	100.00	564	( 94)	( 94)	
	HTC VR Content (BVI) Corp.	3rd Floor, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands, VG1110	International holding company	52,518	52,518	1,710	100.00	44,059	( 1,690)	( 1,690)	
	REIGN Technology Corporation	12F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Construction, application and after-sales services of 5G	40,000	-	4,000	100.00	32,049	( 7,951)	( 7,951)	Note 10

(Continued)

Investor Company	Investee Company	Location	Main Business Activity	Original Investment Amount		At the End of the Year			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Beginning Balance	Ending Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
HTC Corporation	Viveport Digital Corporation	11F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Interactive scenario experience services	\$ 60,000	\$ -	6,000	100.00	\$ 42,945	\$ ( 17,055)	\$ ( 17,055)	Note 11
H.T.C. (B.V.I.) Corp.	East West Artists, LLC	5200 W Century Blvd Suite 701, Los Angeles, CA 90045, US	Human resources management	38,386	38,386	1,200	30.00	-	( 7,603)	-	
	Steel Wool Games Inc.	95 Linden St Suite 4, Oakland, CA 94607	Development of virtual reality contents	171,870	171,870	10,822	49.00	61,081	1,965	963	Note 4
	Surgical Theater, LLC	781 BETA DRIVE MAYFIELD VILLAGE, OHIO 44143 USA	Development of virtual reality contents	437,595	352,456	46	16.30	-	( 304,091)	( 49,567)	Note 5
	MOR Museum Inc.	1601-1252 Hornby Street, Vancouver, BC V6Z 0A3 Canada	Development of virtual reality contents	49,344	49,344	437	25.00	5,653	( 7,782)	( 1,945)	Note 6
	Engage XR Holdings PLC	Unit 9 Cleaboy Business Park, Old Kilmeaden Road, Waterford X91 Ax83, Ireland	Development of virtual reality contents	100,943	100,943	48,284	16.64	67,054	( 107,142)	( 17,828)	Note 9
High Tech Computer Asia Pacific Pte. Ltd.	HTC (Australia and New Zealand) PTY LTD.	SUITE 1 LEVEL 7, 460-62 YORK STREET, SYDNEY NSW 2000	Marketing, repair and after-sales services	117,871	117,871	400	100.00	188,773	600	600	
	HTC Philippines Corporation	UNIT 32 3/F WORLDNET BUSINESS CENTER ZETA BLDG 191, SALCEDO ST LEGASPI VILLAGE, MAKATI CITY 1229	Marketing, repair and after-sales services	6,596	6,596	859	100.00	5,772	-	-	
	PT. High Tech Computer Indonesia	PLAZA SEMANGGI 7th Floor, unit No. Z07-006 Kawasan Bisnis Granadha Jl. Jend. Sudirman Kav. 50 Jakarta-12930 Indonesia	Marketing, repair and after-sales services	6,122	6,122	186	99.00	3,796	( 15,527)	( 15,527)	
	HTC (Thailand) Limited	No. 87/1 Unit 1604-6, 16th Floor, Capital Tower, All Seasons Place, Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	Marketing, repair and after-sales services	23,427	23,427	10,000	100.00	41,698	( 553)	( 553)	
	HTC India Private Limited	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Expention Road, Gurugram, Haryana-122002	Marketing, repair and after-sales services	4,094	4,094	495	99.00	137,483	( 4,058)	( 4,017)	
	HTC Malaysia Sdn. Bhd.	UNIT 30-01, LEVEL 30, TOWER A, VERTICAL BUSINESS SUITE, AVENUE 3, BANGSAR SOUTH, NO. 8, JALAN KERINCHI, 59200 KUALA LUMPUR, MALAYSIA	Marketing, repair and after-sales services	2,313	2,313	25	100.00	20,971	360	360	
	HTC HK, Limited	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	International holding company; marketing, repair and after-sales services	151,634	151,634	37,626	100.00	4,256,584	43,687	43,687	
	HTC Holding Cooperatief U.A.	Herikerbergweg 88, 1101CM Amsterdam, the Netherlands	International holding company	6,815,370	6,815,370	-	99.99	9,666,169	62,190	62,190	Note 2
	HTC Vietnam Services One Member Limited Liability Company	Room 909, 9th Floor, Miss Ao Dai Building, 21 Nguyen Trung Ngan, Ben Nghe Ward, District 1, Ho Chi Minh City, Viet Nam.	Marketing, repair and after-sales services	-	5,981	-	-	-	( 5,666)	( 5,666)	Note 12
	HTC Myanmar Company Limited	No. 174-182, Pansodan Road (Middle Block), Kyauktada Township, Yangon, Myanmar	Marketing, repair and after-sales services	-	3,003	-	-	-	-	-	Note 13
HTC Investment One (BVI) Corporation	S3 Graphics, Co., Ltd.	P.O. Box 709 George Town Grand Cayman	Design, research and development of graphics technology	9,033,450	9,033,450	386,339	100.00	86,125	( 131)	( 131)	
HTC HK, Limited	HTC Myanmar Company Limited	No. 174-182, Pansodan Road (Middle Block), Kyauktada Township, Yangon, Myanmar	Marketing, repair and after-sales services	-	30	-	-	-	-	-	Note 13
HTC Holding Cooperatief U.A.	HTC Servicios DE Operacion Mexico, S.A DE CV.	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	Human resources management	37	37	0.5	1.00	45	27	-	
	HTC Netherlands B.V.	Herikerbergweg 88, 1101CM Amsterdam, the Netherlands	International holding company; marketing, repair and after-sales services	7,050,037	7,050,037	143,882	100.00	9,676,909	62,575	62,575	Note 2
	HTC India Private Limited	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Expention Road, Gurugram, Haryana-122002	Marketing, repair and after-sales services	39	39	5	1.00	1,389	( 4,058)	( 41)	
	HTC South Eastern Europe Limited liability Company	Kifissias 90, Marousi 15125, Athens, Greece	Marketing, repair and after-sales services	1	1	-	0.67	15	-	-	
	HTC Communication Solutions Mexico, S.A DE CV.	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	Marketing, repair and after-sales services	25	25	0.5	1.00	58	192	2	
HTC Netherlands B.V.	HTC EUROPE CO., LTD.	Salamanca Wellington Street Slough Berkshire England SL1 1YP	International holding company; marketing, repair and after-sales services	4,462,260	4,462,260	104,061	100.00	8,624,509	29,774	29,774	Note 2

(Continued)

Investor Company	Investee Company	Location	Main Business Activity	Original Investment Amount		At the End of the Year			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Beginning Balance	Ending Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
HTC Netherlands BV.	HTC Belgium BVBA/SPRL	Havenlaan 86/c, box 204 - 1000 Brussels	Marketing, repair and after-sales services	\$ 783	\$ 783	18.55	100.00	\$ 18,843	\$ 828	\$ 828	
	HTC NIPPON Corporation	The CORNER Nihonbashi east 5th floor, 1-9-1, Nihonbashi Bakurocho, Chuo-ku, Tokyo	Sale of smart mobile devices and virtual reality devices	154,810	154,810	56	100.00	259,254	( 4,384)	( 4,384)	
	HTC FRANCE CORPORATION	83-85 boulevard de Charonne 75011 Paris	Marketing, repair and after-sales services	459,161	459,161	11,000	100.00	35,471	( 339)	( 339)	
	HTC South Eastern Europe Limited liability Company	Kifissias 90, Marousi 15125, Athens, Greece	Marketing, repair and after-sales services	176	176	0.15	99.33	2,171	-	-	
	HTC Nordic ApS.	c/o Redmark, Sommervej 31 C, Hasle, 8210 Aarhus V	Marketing, repair and after-sales services	5,345	5,345	80	100.00	10,021	96	96	
	HTC Italia SRL	c/o Studio Gargani & Associati, Via Nicolò Tartagli, 11, 00197 Roma, Italy	Marketing, repair and after-sales services	51,056	51,056	-	100.00	2,411	( 251)	( 251)	
	HTC Germany GmbH.	Mainzer Landstr. 49 60329 Frankfurt Germany	Marketing, repair and after-sales services	24,550	24,550	25	100.00	104,053	802	802	
	HTC Iberia S.L.	Conde de Vilches, 19, Madrid, 28028, Spain	Marketing, repair and after-sales services	9,402	9,402	3	100.00	22,702	( 282)	( 282)	
	HTC Poland sp. z o.o.	Jerozolimskie Business Park, Al. Jerozolimskie 146A, 02-305 Warszawa, Poland	Marketing, repair and after-sales services	2,301	2,301	4.7	100.00	3,777	291	291	
	HTC Communication Canada, Ltd.	2900-550 Burrard Street, Vancouver BC V6C 0A3, Canada	Marketing, repair and after-sales services	43,915	43,915	1,500	100.00	64,489	( 13)	( 13)	
	HTC Communication Sweden AB	C/o Revideco AB Drottningholmsvägen 22 112 42 Stockholm	Marketing, repair and after-sales services	4,533	4,533	1,000	100.00	5,439	49	49	
	HTC Luxembourg S.a.r.l.	46A Avenue John F. Kennedy L-1855 Luxembourg	Online/download media services	-	2,251,659	-	-	-	1,044	-	Note 7
	HTC Middle East FZ-LLC	DIC building no.3, office no.316, Dubai Internet City, Dubai	Marketing, repair and after-sales services	28,029	28,029	3.5	100.00	52,808	1,047	1,047	
	HTC Communication Solutions Mexico, S.A DE C.V.	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	Marketing, repair and after-sales services	2,460	2,460	49.5	99.00	5,740	192	190	
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	Human resources management	3,690	3,690	49.5	99.00	4,433	27	27	
HTC EUROPE CO., LTD.	HTC America Holding Inc.	308 Occidental Ave S 3rd floor, Seattle, WA 98104	International holding company	11,903,132	11,903,132	371,617	100.00	2,239,662	8,580	8,580	Note 2
HTC America Holding Inc.	HTC America Inc.	308 Occidental Ave S 3rd floor, Seattle, WA 98104	Sale of smart mobile devices and virtual reality devices	5,162,115	5,162,115	1	100.00	972,892	50,365	50,365	Note 2
	One & Company Design, Inc.	308 Occidental Ave S 3rd floor, Seattle, WA 98104	Design, research and development of application software	191,052	191,052	60	100.00	2,618	-	-	
	HTC America Innovation Inc.	308 Occidental Ave S 3rd floor, Seattle, WA 98104	Design, research and development of application software	93,780	93,780	1	100.00	500,241	12,653	12,653	
	Dashwire, Inc.	850 New Burton Road, Suite 201 Dover DE 19904	Design and management of cloud synchronization technology	600,501	600,501	0.1	100.00	( 49,659)	-	-	
	HTC America Content Services, Inc.	308 Occidental Ave S 3rd floor, Seattle, WA 98104	Online/download media services	2,307,650	2,307,650	31	100.00	65,820	( 58,198)	( 58,198)	
	Inquisitive Minds, Inc	308 Occidental Ave S 3rd floor, Seattle, WA 98104	Development and sale of digital education platform	388,982	388,982	0.1	100.00	25,680	104	104	
HTC VIVE Holding (BVI) Corp.	HTC VIVE TECH (BVI) Corp.	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	International holding company	234,324	234,324	70,000	100.00	186,960	( 1,519)	( 1,519)	
HTC VIVE TECH (BVI) Corp.	HTC Vive Tech Corp.	8F, No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Research, development and sale of virtual reality devices	1,000	1,000	100	100.00	718	( 5)	( 5)	
	HTC VIVE TECH (HK) Limited	RM. 2401, 101 King's Road, Fortress Hill, Hong Kong	Research, development and sale of virtual reality devices	206,924	206,924	68,000	100.00	185,890	( 1,218)	( 1,218)	
HTC VIVE TECH (HK) Limited	VIVE Arts Limited	Salamanca, Wellington Street, Slough, Berkshire, United Kingdom SL1 1YP	Research, development and sale of virtual reality devices	182,325	182,325	6,000	100.00	165,639	( 686)	( 686)	Note 3

(Continued)

Investor Company	Investee Company	Location	Main Business Activity	Original Investment Amount		At the End of the Year			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Beginning Balance	Ending Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
DeepQ Holding (BVI) Corp.	DeepQ (BVI) Corp.	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	International holding company	\$ 497,868	\$ 497,868	164,700	100.00	\$ 336,347	\$ ( 67,187)	\$ ( 67,187)	
DeepQ (BVI) Corp.	DeepQ Technology Corp.	13F., No. 207-5, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City	Medical technology and health care	395,212	395,212	39,521	100.00	256,753	( 64,296)	( 64,296)	
HTC Investment (BVI) Corp.	VRChat, Inc.	288 Bryn Mawr Cir, Houston TX 77024, USA	Development of virtual reality contents	391,860	391,860	79,257	36.20	790,267	( 95,769)	( 34,669)	Note 8
HTC VR Content (BVI) Corp.	Uomo vitruviano Corp.	11F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Development of virtual reality contents	50,000	50,000	5,000	100.00	42,178	( 1,595)	( 1,595)	

Note 1: The carrying amount includes unrealized profit of NT\$315,723 thousand at the end of the current period.

Note 2: The carrying amount excludes unrealized profit of NT\$306,543 thousand at the end of the current period.

Note 3: On February 3, 2021, VIVE Arts Limited changed its legal name. Its former name was HTC VIVE TECH (UK) Limited.

Note 4: The Company determined that the carrying amounts were expected to be unrecoverable and thus recognized impairment losses of NT\$78,975 thousand for the current period.

Note 5: The Company determined that the carrying amounts were expected to be unrecoverable and thus recognized impairment losses of NT\$213,434 thousand for the current period.

Note 6: The Company determined that the carrying amounts were expected to be unrecoverable and thus recognized impairment losses of NT\$32,764 thousand for the current period.

Note 7: The Company liquidated on June 14, 2021.

Note 8: VRChat, Inc. issued new shares on June 25, 2021. The Group did not subscribe for these newly issued shares at its existing ownership percentage, which resulted in a decrease in its ownership interest from 50.37% to 36.20%. As the Group lost control over VRChat, Inc. and its subsidiary, this investment has since been accounted for using the equity method accordingly.

Note 9: Engage XR Holdings PLC issued new shares on June 22, 2021. Its former name was VR Education Holdings PLC. The Group did not subscribe for such newly issued shares at its existing ownership percentage, which decreased its ownership interest from 20.00% to 16.64%. After the decrease, the Group continued to exercise significant influence; therefore, the equity method is still applied.

Note 10: REIGN Technology Corporation was incorporated on September 30, 2021 and the Company holds 100% of its ordinary shares.

Note 11: Viveport Digital Corporation was incorporated on October 1, 2021 and the Company holds 100% of its ordinary shares.

Note 12: The Company liquidated on October 12, 2021.

Note 13: The Company liquidated on November 24, 2021.

(Concluded)

**TABLE 7****HTC CORPORATION****INFORMATION ON INVESTMENTS IN MAINLAND CHINA**

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Investee Company	Main Business Activity	Total Amount of Paid-in Capital		Investment Type	Accumulated Outflow of Investment from Taiwan as of the Beginning of the Year	Investment Flows		Accumulated Outflow of Investment from Taiwan as of the End of the Year	Net Income (Loss) of the Investee	Percentage of Ownership (%)	Investment Gain (Loss)	Carrying Amount	Accumulated Inward Remittance of Earnings
		USD				Outflow	Inflow						
High Tech Computer Corp. (Suzhou) (Note 4)	Manufacture and sale of smart mobile devices	USD	-	Investment in company located in mainland China indirectly through H.T.C. (B.V.I.) Corp.	\$ 3,312 (USD 100)	\$ -	\$ -	\$ 3,312 (USD 100)	\$ -	-	\$ -	\$ -	\$ -
HTC Corporation (Shanghai WGQ)	Smart mobile devices examination and after-sale services and technique consultations	USD	1,500	Investment in company located in mainland China indirectly through HTC HK, Limited.	49,845 (USD 1,500)	-	-	49,845 (USD 1,500)	( 2,010)	100.00	( 2,010)	75,906	-
HTC Electronics (Shanghai) Co., Ltd. (Note 5)	Manufacture and sale of smart mobile devices and virtual reality devices	USD	2,909	"	4,106,585 (USD 133,000)	-	-	4,106,585 (USD 133,000)	45,449	100.00	45,449	4,024,004	-
HTC Communication Co., Ltd.	Sale of smart mobile devices and virtual reality devices and after-sales services	USD	127,500	Investment in company located in mainland China indirectly through High Tech Computer Asia Pacific Pte. Ltd.	4,125,897 (USD 127,500)	-	-	4,125,897 (USD 127,500)	( 517)	100.00	( 517)	1,705,115 (Note 3)	-
HTC Communication Technologies (Shanghai) Limited	Design, research and development of application software	USD	4,000	"	120,799 (USD 4,000)	-	-	120,799 (USD 4,000)	9,665	100.00	9,665	520,307	-
Ji Jihh Suo Sin Si Technology (Shanghai) Co., Ltd.	Design and system integration of computer software and wholesale and retail of peripheral equipment software	USD	51,550	Investment in company located in mainland China indirectly through GSUO Inc.	249,678 (USD 8,000)	-	-	249,678 (USD 8,000)	-	10.32	-	-	-

(Continued)

Investee Company	Main Business Activity	Total Amount of Paid-in Capital		Investment Type	Accumulated Outflow of Investment from Taiwan as of the Beginning of the Year	Investment Flows		Accumulated Outflow of Investment from Taiwan as of the End of the Year	Net Income (Loss) of the Investee	Percentage of Ownership (%)	Investment Gain (Loss)	Carrying Amount	Accumulated Inward Remittance of Earnings
						Outflow	Inflow						
HTC Communication (BJ) Tech Co.	Design, research and development of application software	RMB	10,500	Investment in company located in mainland China through the own funds of HTC Communication Technologies (Shanghai) Limited.	-		\$ -	\$ -	\$ 3,947	100.00	\$ 3,947	\$ 104,695	\$ -
Gui Zhou Wei Ai Technology Group Co., Ltd.	Development and sales of virtual reality contents	RMB	11,775	Investment in company located in mainland China through the own funds of HTC Communication Co., Ltd.	-		-	-	2,864	26.05	746	93,096	-
Beijing Transmission Weiku Technology Co., Ltd.	Research and development of virtual reality contents	RMB	64	Investment in company located in mainland China through the own funds of HTC Communication Co., Ltd.	-		-	-	-	6.00	-	726	-
Beijing Seven Vision Virtual Technology Co., Ltd.	Research and development of virtual reality contents	RMB	1,087	"	-		-	-	-	8.00	-	726	-
Waves of Internet Technology (Shanghai) Co., Ltd.	Research and development of virtual reality contents	RMB	28	"	-		-	-	-	3.00	-	727	-
YC Virtual Reality Technology Co., Ltd.	Research and development of virtual reality contents	RMB	5,342	"	-		-	-	-	1.32	-	-	-
Shenzhen Shengda Education Technology Co., Ltd.	Research and development of virtual reality contents	RMB	950	"	-		-	-	-	6.88	-	1,520	-
Shanghai Duowei Network Technology Co., Ltd.	Research and development of virtual reality contents	RMB	133	"	-		-	-	-	5.00	-	2,246	-
Fuzhou Ciyuan Vision Information Technology Co., Ltd.	Research and development of virtual reality contents	RMB	1,679	"	-		-	-	-	2.00	-	2,910	-
Shanghai Chaoshi Business Management Partnership (Limited Partnership)	Research and development of virtual reality contents	RMB	100	"	-		-	-	-	20.00	-	1,216	-
Beijing WEWOD Entertainment Technology Co., Ltd.	Research and development of virtual reality contents	RMB	1,812	"	-		-	-	-	1.50	-	6,515	-
Zhijing (Shanghai) Technology Co., Ltd.	Research and development of virtual reality contents	RMB	4,771	"	-		-	-	-	2.00	-	278	-
Shanghai Judao Network Technology Co., Ltd.	Research and development of virtual reality contents	RMB	142	"	-		-	-	-	2.00	-	2,183	-
Shanghai Lenqiy Information Technology Co., Ltd.	Research and development of virtual reality contents	RMB	3,000	"	-		-	-	-	3.00	-	1,442	-
Beijing Yuanji Technology Co., Ltd.	Research and development of virtual reality contents	RMB	-	"	-		-	-	-	5.00	-	2,172	-
Qinhuangdao Shiyi Technology Co., Ltd.	Research and development of virtual reality contents	RMB	685	"	-		-	-	-	5.00	-	2,172	-
Hefei Yao An Technology Co., Ltd.	Research and development of virtual reality contents	RMB	12,208	"	-		-	-	-	2.00	-	4,344	-
Red Landmark (Beijing) Culture Technology Co., Ltd.	Production of radio and television programs	RMB	12,077	Investment in company located in mainland China through the own funds of HTC Communication Co., Ltd.	-		-	-	-	3.00	-	26,061	-
HTC VIVE TECH (Beijing)	Research, development and sale of virtual reality devices	USD	800	Investment in company located in mainland China indirectly through HTC VIVE TECH (HK) Limited.	24,067		-	-	24,067	( 532)	( 532)	20,231	-
DeepQ Technology (Beijing)	Development and marketing of software technology	USD	3,000	Investment in company located in mainland China indirectly through DeepQ (BVI) Corp.	89,732		-	-	89,732	( 2,807)	( 2,807)	75,053	-

(Concluded)

Accumulated Investment in Mainland China for the Years Ended	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 8,769,915 (US\$ 277,900)	\$ 8,789,293 (US\$ 278,600)	\$ 16,333,742

- Note 1: Investment amounts authorized by the Investment Commission, MOEA: The remitted amount is translated at the exchange rate of the original remittance and the unremitted amount is translated at the exchange rate of NT\$27.683 to US\$1 at December 31, 2021.
- Note 2: Investment gains (losses) and the carrying amount as of December 31, 2021, are based on reviewed financial statements. Gains and losses are translated at the average exchange rate from January to December 2021 of NT\$4.3433 to RMB 1. The carrying amount is translated at the exchange rate on December 31, 2021 of NT\$4.3435 to RMB 1.
- Note 3: The carrying amount excludes unrealized profit of NT\$9,180 thousand at the end of the current period.
- Note 4: The company liquidated on July 5, 2019.
- Note 5: HTC Electronics (Shanghai) Co., Ltd. reduced its share capital by US\$130,000 thousand on September 2019. As of December 31, 2021, the refunded capital has not been repatriated to Taiwan.

**TABLE 8****HTC CORPORATION****SIGNIFICANT TRANSACTIONS WITH SUBSIDIARIES IN MAINLAND CHINA INCLUDING DIRECT AND INDIRECT TRANSACTIONS THROUGH OTHER REGIONS**

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Related Party	Relationship with the Company	Nature of Transaction	Amount	Terms			Notes/Accounts Payable or Receivable		Unrealized Profit
				Price	Payment Terms	Comparison with Normal Transactions	Ending Balance	% of Total	
HTC Communication Co., Ltd.	Grandson company	Sales	\$ 666,709	More favorable than unrelated parties	OA 30 days	The transaction terms are similar to those of general customers.	\$ 2,179	-	\$ 9,180
		Purchases	5,145	No comparable unrelated parties	OA 30 days	The transaction terms are similar to those of general customers.	-	-	-
HTC Communication Technologies (Shanghai) Limited	Grandson company	Service fee	161,691	No comparable unrelated parties	OA 45 days	The transaction terms are similar to those of general customers.	(7,641) Note	-	-
HTC Communication Beijing Tech Co.	Grandson company	Service fee	108,045	No comparable unrelated parties	OA 45 days	The transaction terms are similar to those of general customers.	(16,549) Note	-	-

Note: Classified under other payables.

**TABLE 9****HTC CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS**

DECEMBER 31, 2021

(Number of Shares: Shares)

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Way Chih Investment Co., Ltd.	43,819,290	5.31

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (includes treasury shares) by the Company as of the last business day of the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

## 8.6. INDEPENDENT AUDITORS' REPORT

### The Board of Directors and Shareholders

#### HTC Corporation

##### Opinion

We have audited the accompanying consolidated financial statements of HTC Corporation and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of HTC Corporation and its subsidiaries as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

##### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of HTC Corporation and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2021 are as follows:

##### Revenue Recognition

HTC Corporation and its subsidiaries sell virtual reality products to some customers. Because the sales growth rate of such customers is relatively high and the impact on the overall financial statements is significant, the recognition of such income is a key audit matter.

We performed the following audit procedures in respect of the above key audit matter:

1. Evaluate the design and implementation of the internal control system for such customers over order modifications and shipment operations, and perform effectiveness tests.
2. Sampling and testing the orders, shipping documents, invoices and payment records from the details of such revenue to confirm the occurrence and correctness of its revenue recognition.
3. Check whether there are any significant or abnormal subsequent sales returns after the period.

##### Other Matters

We have also audited the parent company only financial statements of HTC Corporation as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

##### Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing HTC Corporation and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate HTC Corporation and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing HTC Corporation and its subsidiaries' financial reporting process.

##### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HTC Corporation and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on HTC Corporation and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause HTC Corporation and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within HTC Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chi-Ming Hsu and Kenny Hong.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 7, 2022

#### Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

HTC CORPORATION AND SUBSIDIARIES  
**CONSOLIDATED BALANCE SHEETS**

DECEMBER 31, 2021 AND 2020

ASSETS	(In Thousands of New Taiwan Dollars)			
	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 16,576,907	38	\$ 16,375,830	36
Financial assets at fair value through profit or loss - current (Notes 7 and 32)	107,071	-	173,357	-
Financial assets at fair value through other comprehensive income - current (Notes 8 and 32)	77,436	-	68,774	-
Notes, trade receivables, net (Notes 10 and 33)	448,207	1	475,713	1
Other receivables (Note 10)	50,059	-	78,017	-
Current tax assets (Note 27)	178,560	-	242,033	1
Inventories (Note 11)	1,649,574	4	1,527,103	4
Prepayments (Note 12)	325,012	1	269,094	1
Other current financial assets (Notes 9 and 34)	7,022,286	16	9,470,781	21
Other current assets	678	-	2,225	-
<b>Total current assets</b>	<b>26,435,790</b>	<b>60</b>	<b>28,682,927</b>	<b>64</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 32)	334,839	1	336,918	1
Financial assets at fair value through other comprehensive income - non-current (Notes 8, 29 and 32)	2,692,523	6	1,560,351	4
Investments accounted for using equity method (Notes 14 and 29)	1,017,149	2	549,657	1
Property, plant and equipment (Notes 15, 33 and 34)	7,485,331	17	7,666,798	17
Right-of-use assets (Note 16)	185,927	1	139,026	-
Investment properties, net (Notes 17 and 34)	2,378,455	5	2,181,884	5
Intangible assets (Note 18)	34,334	-	101,943	-
Deferred tax assets (Note 27)	3,183,462	7	3,328,452	7
Refundable deposits (Note 31)	13,090	-	27,139	-
Net defined benefit assets - non-current (Note 23)	346,814	1	331,282	1
Other non-current financial assets (Notes 9 and 34)	69,208	-	142,483	-
Other non-current assets (Note 12)	8,035	-	17,477	-
<b>Total non-current assets</b>	<b>17,749,167</b>	<b>40</b>	<b>16,383,410</b>	<b>36</b>
<b>TOTAL</b>	<b>\$ 44,184,957</b>	<b>100</b>	<b>\$ 45,066,337</b>	<b>100</b>

(Continued)

LIABILITIES AND EQUITY	(In Thousands of New Taiwan Dollars)			
	2021		2020	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 19 and 34)	\$ 2,600,000	6	\$ 900,000	2
Financial liabilities at fair value through profit or loss - current (Notes 7 and 32)	81,706	-	90,599	-
Trade payables (Notes 20 and 33)	5,464,538	12	6,028,712	14
Other payables (Notes 21 and 33)	4,857,019	11	5,689,212	13
Current tax liabilities (Note 27)	49,542	-	63,961	-
Provisions - current (Note 22)	1,126,314	3	1,410,042	3
Lease liabilities - current (Notes 16 and 33)	54,524	-	68,220	-
Other current liabilities (Note 21)	334,887	1	524,278	1
<b>Total current liabilities</b>	<b>14,568,530</b>	<b>33</b>	<b>14,775,024</b>	<b>33</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 19 and 34)	2,000,000	5	-	-
Deferred tax liabilities (Note 27)	94,090	-	86,253	-
Lease liabilities - non-current (Notes 16 and 33)	137,371	-	81,834	-
Guarantee deposits received (Note 32)	162,064	-	169,650	1
<b>Total non-current liabilities</b>	<b>2,393,525</b>	<b>5</b>	<b>337,737</b>	<b>1</b>
<b>Total liabilities</b>	<b>16,962,055</b>	<b>38</b>	<b>15,112,761</b>	<b>34</b>
<b>EQUITY (Note 24)</b>				
Share capital - ordinary shares	8,245,050	19	8,186,444	18
Capital surplus	16,005,339	36	15,761,158	35
Retained earnings				
Legal reserve	12,335,031	28	15,725,509	35
Special reserve	3,080,480	7	3,080,480	7
Accumulated deficits	( 7,226,492)	( 16)	( 7,390,476)	( 17)
Other equity	( 5,216,506)	( 12)	( 5,470,576)	( 12)
<b>Total equity attributable to owners of the parent</b>	<b>27,222,902</b>	<b>62</b>	<b>29,892,539</b>	<b>66</b>
<b>NON-CONTROLLING INTERESTS</b>				
<b>Total equity</b>	<b>27,222,902</b>	<b>62</b>	<b>29,953,576</b>	<b>66</b>
<b>TOTAL</b>	<b>\$ 44,184,957</b>	<b>100</b>	<b>\$ 45,066,337</b>	<b>100</b>

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

(Concluded)

HTC CORPORATION AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	(In Thousands of New Taiwan Dollars, Except Loss Per Share)			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 25 and 33)	\$ 5,253,279	100	\$ 5,805,708	100
OPERATING COSTS (Notes 11, 26 and 33)	3,617,222	69	4,240,944	73
GROSS PROFIT	1,636,057	31	1,564,764	27
OPERATING EXPENSES (Notes 26 and 33)				
Selling and marketing	1,588,039	30	1,767,310	30
General and administrative	1,908,121	36	2,604,176	45
Research and development	2,256,331	43	3,584,671	62
Total operating expenses	5,752,491	109	7,956,157	137
OPERATING LOSS	( 4,116,434)	( 78)	( 6,391,393)	( 110)
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 26)	118,150	2	218,526	4
Other income (Notes 26 and 33)	925,573	18	1,052,775	18
Other gains and losses (Notes 12, 14, 15, 18 and 26)	123,126	2	( 883,458)	( 15)
Finance costs (Notes 26 and 33)	( 52,680)	( 1)	( 14,787)	( 1)
Share of profit or loss of associates (Note 14)	( 102,300)	( 2)	( 8,212)	-
Total non-operating income and expenses	1,011,869	19	364,844	6
LOSS BEFORE INCOME TAX	( 3,104,565)	( 59)	( 6,026,549)	( 104)
INCOME TAX BENEFIT (Note 27)	2,748	-	3,951	-
LOSS FOR THE YEAR	( 3,101,817)	( 59)	( 6,022,598)	( 104)
OTHER COMPREHENSIVE INCOME AND LOSS, NET OF INCOME TAX				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 23)	18,480	-	2,075	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	916,659	18	1,611,514	28
Income tax relating to items that will not be reclassified to profit or loss (Note 27)	( 2,218)	-	( 249)	-
	932,921	18	1,613,340	28

(Continued)

	(In Thousands of New Taiwan Dollars, Except Loss Per Share)			
	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ ( 832,837)	( 16)	\$ ( 799,199)	( 14)
Other comprehensive income and loss for the year, net of income tax	100,084	2	814,141	14
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	\$ ( 3,001,733)	( 57)	\$ ( 5,208,457)	( 90)
NET LOSS FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ ( 3,073,132)	( 58)	\$ ( 5,949,942)	( 103)
Non-controlling interests	( 28,685)	( 1)	( 72,656)	( 1)
	\$ ( 3,101,817)	( 59)	\$ ( 6,022,598)	( 104)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ ( 2,972,424)	( 57)	\$ ( 5,125,981)	( 88)
Non-controlling interests	( 29,309)	-	( 82,476)	( 2)
	\$ ( 3,001,733)	( 57)	\$ ( 5,208,457)	( 90)
LOSS PER SHARE (Note 28)				
Basic	\$ ( 3.75)		\$ ( 7.27)	

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

(Concluded)

HTC CORPORATION AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent					Equity Attributable to Owners of the Parent					Total	Non-controlling Interests	Total Equity
	Share Capital		Retained Earnings			Other Equity							
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Deficits	Exchange Differences on Translating Foreign Operations	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income						
BALANCE, JANUARY 1, 2020	\$ 8,188,086	\$ 15,594,766	\$ 18,895,136	\$ 3,080,480	\$ ( 7,169,626)	\$ ( 2,738,857)	\$ ( 996,215)	\$ 34,853,770	\$ 143,513	\$ 34,997,283			
Legal reserve in covering accumulated deficits	-	-	(3,169,627)	-	3,169,627	-	-	-	-	-			
Net loss for the year ended December 31, 2020	-	-	-	-	(5,949,942)	-	-	( 5,949,942)	( 72,656)	( 6,022,598)			
Other comprehensive income and loss for the year ended December 31, 2020	-	-	-	-	1,826	( 789,379)	1,611,514	823,961	( 9,820)	814,141			
Share-based payments	( 1,642)	166,392	-	-	-	-	-	164,750	-	164,750			
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	2,557,639	-	( 2,557,639)	-	-	-			
<b>BALANCE, DECEMBER 31, 2020</b>	<b>8,186,444</b>	<b>15,761,158</b>	<b>15,725,509</b>	<b>3,080,480</b>	<b>( 7,390,476)</b>	<b>( 3,528,236)</b>	<b>(1,942,340)</b>	<b>29,892,539</b>	<b>61,037</b>	<b>29,953,576</b>			
Appropriation of 2020 earnings	-	-	(3,390,478)	-	3,390,478	-	-	-	-	-			
Net loss for the year ended December 31, 2021	-	-	-	-	( 3,073,132)	-	-	( 3,073,132)	( 28,685)	( 3,101,817)			
Other comprehensive income and loss for the year ended December 31, 2021	-	-	-	-	16,262	( 832,213)	916,659	100,708	(624)	100,084			
Issuance of shares due to exercise of employee share options	58,606	149,445	-	-	-	-	-	208,051	-	208,051			
Change in non-controlling interests	-	-	-	-	-	-	-	-	( 31,728)	( 31,728)			
Share-based payments	-	94,736	-	-	-	-	-	94,736	-	94,736			
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	( 169,624)	-	169,624	-	-	-			
<b>BALANCE, DECEMBER 31, 2021</b>	<b>\$ 8,245,050</b>	<b>\$ 16,005,339</b>	<b>\$ 12,335,031</b>	<b>\$ 3,080,480</b>	<b>\$ ( 7,226,492)</b>	<b>\$ ( 4,360,449)</b>	<b>\$ ( 856,057)</b>	<b>\$ 27,222,902</b>	<b>\$ -</b>	<b>\$ 27,222,902</b>			

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

HTC CORPORATION AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	(In Thousands of New Taiwan Dollars)	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	\$ ( 3,104,565)	\$ ( 6,026,549)
Adjustments for:		
Depreciation expense	495,510	627,208
Amortization expense	6,085	8,285
Expected credit loss reversed on trade receivables	( 20,000)	( 160,000)
Finance costs	52,680	14,787
Interest income	( 118,150)	( 218,526)
Dividend income	( 10,951)	( 1,814)
Compensation costs of employee share-based payments	94,736	164,750
Share of the loss of associates	102,300	8,212
Net loss on disposal of property, plant and equipment	7,048	12,003
Net loss on disposal of intangible assets	150	290
Net gain on disposal of subsidiary	( 732,929)	-
Impairment loss on non-financial assets	506,749	353,877
Gain from lease modifications	( 2,054)	( 14,134)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	57,393	( 133,458)
Decrease in note and trade receivables	41,638	106,665
Decrease in other receivables	19,470	42,793
(Increase) decrease in inventories	( 259,482)	485,910
(Increase) decrease in prepayments	( 61,699)	147,105
Increase in other current assets	( 4)	( 582)
Decrease (increase) in other non-current assets	6,218	( 41,156)
Decrease in trade payables	( 564,174)	( 859,459)
Decrease in other payables	( 636,583)	( 1,283,992)
Decrease in provisions	( 283,728)	( 384,194)
Decrease in other current liabilities	( 179,826)	( 440,194)
Cash used in operations	( 4,584,168)	( 7,592,173)
Interest received	136,661	206,539
Interest paid	( 49,582)	( 14,403)
Income tax refund (paid)	1,942	( 81,834)
Net cash used in operating activities	( 4,495,147)	( 7,481,871)

(Continued)

	(In Thousands of New Taiwan Dollars)	
	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ ( 711,737)	\$ ( 87,329)
Proceeds from disposal of financial assets at fair value through other comprehensive income	90,064	2,625,998
Return of investments accounted for fair value through other comprehensive income	333,816	57,414
Purchase of financial assets at fair value through profit or loss	( 11,983)	( 13,198)
Acquisition of investments accounted for using the equity method	( 85,122)	( 100,943)
Net cash decrease in loss of control of subsidiary	( 68,432)	-
Payments for property, plant and equipment	( 100,484)	( 237,628)
Proceeds from disposal of property, plant and equipment	24,299	5,236
Decrease in refundable deposits	14,049	83,386
Payments for intangible assets	( 2,885)	( 1,306)
Proceeds from disposal of intangible assets	181	40
Payments for investment properties	( 475,708)	( 187,146)
Increase in other financial assets	-	( 6,625,409)
Decrease in other financial assets	2,521,770	-
Dividend received	10,951	1,814
Net cash generated from (used in) investing activities	1,538,779	( 4,479,071)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	1,700,000	900,000
Increase in long-term borrowings	2,000,000	-
Proceeds from guarantee deposits received	-	4,781
Refund of guarantee deposits received	( 7,586)	-
Repayment of the principal portion of lease liabilities	( 69,236)	( 103,497)
Employee share options executed	208,051	-
Net cash generated from financing activities	3,831,229	801,284
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	( 673,784)	( 608,273)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	201,077	( 11,767,931)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	16,375,830	28,143,761
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 16,576,907	\$ 16,375,830

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

(Concluded)

## HTC CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

**1. ORGANIZATION AND OPERATIONS**

HTC Corporation (HTC) was incorporated on May 15, 1997 under the Company Law of the Republic of China. HTC and its subsidiaries (collectively referred to as the “Group” or the “Company”) are engaged in designing, manufacturing, assembling, processing, and selling smart mobile and virtual reality devices and after-sales service.

In March 2002, HTC had its stock listed on the Taiwan Stock Exchange. On November 19, 2003, HTC listed some of its shares of stock on the Luxembourg Stock Exchange in the form of global depositary receipts.

The functional currency of HTC is New Taiwan dollars. The consolidated financial statements are presented in New Taiwan dollars since HTC is the ultimate parent of the Group.

**2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by HTC’s board of directors and authorized for issue on March 7, 2022.

**3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS****a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC)****(collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)**

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

**b. The IFRSs endorsed by the FSC for application starting from 2022**

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Company assessed that the application of the above standards and interpretations did not have any material impact on the Company’s accounting policies.

**c. New IFRSs in issue but not yet endorsed and****issued into effect by the FSC**

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Statement of Compliance**

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

**Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit

assets which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability.

**Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within twelve months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities are:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The aforementioned assets and liabilities that are not classified as current are classified as non-current.

**Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of HTC and the entities controlled by HTC (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period

are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 13 for the detailed information on subsidiaries (including the percentage of ownership and main businesses).

### Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may

be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

### Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into the New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in

other comprehensive income and accumulated in equity (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rates of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

### Inventories

Inventories consist of raw materials, finished goods, work-in-process and semi-finished products are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

### Investments in Associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the equity of associates attributable to the Company.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's

proportionate interest in the associate. The Company records such a difference as an adjustment to investments accounted for by the equity method, with a corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated

financial statements only to the extent of interests in the associate that are not related to the Company.

### Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

### Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer from the property, plant and equipment classification to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

### Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Intangible Assets

#### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

#### Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

### Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining

amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

### Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

#### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### **1) Measurement category**

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

#### **a) Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are



not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

#### b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other current financial assets and other receivables and refundable deposits, are measured at amortized cost, which equals to their gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;

- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

#### c) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is in contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

#### 2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI and lease receivables.

The Company always recognizes lifetime Expected Credit Losses (ECLs) for trade receivables and operating lease receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not

increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of the financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- a) Internal or external information show that the debtor is unlikely to pay its creditors.
- b) When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amount of the financial asset is not reduced.

#### 3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is

recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

#### b. Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### c. Financial liabilities

##### 1) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

- Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gains or losses on such financial liabilities are recognized in other gains or losses and any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on such financial liability. Fair value is determined in the manner described in Note 31.

##### 2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration

paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### d. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedged relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

#### Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### a. Warranty provisions

The Company provides warranty service for one year to two years. The warranty liability is estimated on the basis of evaluation of the products under warranty, past warranty experience, and pertinent factors.

#### b. Onerous contracts

Onerous contracts are those in which the Company's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

#### Revenue Recognition

The Company identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

#### a. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of electronic equipment. Sales of electronic equipment are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently. Electronic equipment products sold online are recognized as revenue when the products arrive at the location designated by the customer.

#### b. Revenue from the rendering of services

Revenue from the rendering of services comes from product design, online subscription content service, device examinations, and extended warranty services.

#### c. Licensing revenue

The Company does not promise to undertake activities that will change the functionality of software in software licensing transaction. Furthermore, such software remains functional without the updates and the technical support. Therefore, the upfront royalty is recognized as revenue when the patents subsequent usage occurs.

#### Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

#### a. The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The current lease contract of the Company are all operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

#### b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement

of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

#### Borrowing Costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment

of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### **Employee Benefits**

Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### **Retirement benefits**

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

### **Other long-term employee benefits**

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

### **Termination benefits**

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company

recognizes any related restructuring costs.

### **Share-based Payment Arrangements**

#### **Share-based payment transactions of the Company**

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the share options granted vest immediately.

Restricted shares for employees are recognized as other equity - unearned employ's bonus on the date of grant, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options and capital surplus - restricted shares for employees.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **a. Current tax**

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

#### **b. Deferred tax**

Deferred tax is recognized on temporary differences

between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at

the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### **c. Current and deferred tax**

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### **Accrued Marketing Expenses**

The Company accrues marketing expenses on the basis of agreements and any known factors that would significantly affect the accruals. In addition, depending on the nature of relevant events, the accrued marketing expenses are accounted for as an increase in marketing expenses or as a decrease in revenues.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### **Key Sources of Estimation Uncertainty**

**a. Impairment of investments in associates**

When there are signs of impairment loss suggesting certain investments under the associates might be impaired causing the book amount to be unable to be recovered, the Company will immediately evaluate the impairment of such investments. The management of the Company will assess the impairment based on the financial situation of the associates, and considers the relevant market and industry overview.

Net impairment loss recognized on investments in associates were NT\$325,173 thousand and NT\$0 thousand for the years ended December 31, 2021 and 2020, respectively.

**b. Valuation of inventories**

Inventories are measured at the lower of cost or net realizable value. Judgment and estimation are applied in the determination of net realizable value at the end of the reporting period.

Inventories are usually written down to net realizable value item by item if those inventories are damaged, have become wholly or partially obsolete, or if their selling prices have declined.

This inventory evaluation is based on the current market conditions and historical sales experience of similar products. Changes in product demand and market conditions within a specific period in the future may significantly affect the results of these estimates.

As of December 31, 2021 and 2020, the carrying amounts of inventories were NT\$1,649,574 thousand and NT\$1,527,103 thousand, respectively.

**c. Realization of deferred tax assets**

Deferred tax assets should be recognized only to the extent that the entity has sufficient taxable temporary differences or there is other convincing evidence that sufficient taxable profit will be available. Management applies judgment and accounting estimates to evaluate the realization of deferred tax assets. Management takes expected sales growth, profit rate, duration of exemption, tax credits, tax planning and etc. into account when making accounting judgement and estimates. Any changes in the global economy, industry environment and regulations may result in material adjustments to deferred tax assets.

As of December 31, 2021 and 2020, the carrying amounts of deferred tax assets were NT\$3,183,462 thousand and NT\$3,328,452 thousand, respectively.

**6. CASH AND CASH EQUIVALENTS**

	December 31	
	2021	2020
Cash on hand	\$ 1,140	\$ 1,071
Checking accounts and demand deposits	10,313,241	14,676,832
Time deposits (with original maturities less than three months)	<u>6,262,526</u>	<u>1,697,927</u>
	<u>\$ 16,576,907</u>	<u>\$ 16,375,830</u>

The market rate intervals of cash in the bank at the end of the year were as follows:

	December 31	
	2021	2020
Deposit	0.01%-0.14%	0.01%-0.40%

**7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	December 31	
	2021	2020
<b>Financial assets</b>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange contracts	\$ 107,071	\$ 173,357
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Convertible bonds	309,094	310,416
Warrants	<u>25,745</u>	<u>26,502</u>
	<u>\$ 441,910</u>	<u>\$ 510,275</u>
Current	\$ 107,071	\$ 173,357
Non-current	<u>334,839</u>	<u>336,918</u>
	<u>\$ 441,910</u>	<u>\$ 510,275</u>

(Continued)

	December 31	
	2021	2020
<b>Financial liabilities - current</b>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange contracts	<u>\$ 81,706</u>	<u>\$ 90,599</u>

(Concluded)

**Forward Exchange Contracts**

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
<b>December 31, 2021</b>					
Foreign exchange contracts	Sell	EUR/USD	2022.1.12-2022.2.16	EUR	30,000
Foreign exchange contracts	Sell	JPY/USD	2022.1.12-2022.3.9	JPY	4,306,000
Foreign exchange contracts	Sell	GBP/USD	2022.1.12-2022.3.9	GBP	52,000
Foreign exchange contracts	Sell	CAD/USD	2022.2.23	CAD	6,000
Foreign exchange contracts	Sell	RMB/USD	2022.1.12-2022.3.9	RMB	720,000
Foreign exchange contracts	Sell	AUD/USD	2022.2.16	AUD	8,000
Foreign exchange contracts	Sell	SGD/USD	2022.3.9	SGD	2,747
Foreign exchange contracts	Buy	RMB/USD	2022.1.12-2022.3.9	RMB	764,105
Foreign exchange contracts	Buy	JPY/USD	2022.1.12-2022.3.9	JPY	3,818,335
Foreign exchange contracts	Buy	USD/NTD	2022.1.12-2022.2.23	USD	282,000
Foreign exchange contracts	Buy	EUR/USD	2022.1.12-2022.3.9	EUR	54,000
Foreign exchange contracts	Buy	GBP/USD	2022.1.12-2022.3.16	GBP	212,000
Foreign exchange contracts	Buy	AUD/USD	2022.1.12-2022.2.16	AUD	16,000
Foreign exchange contracts	Buy	SGD/USD	2022.1.19-2022.2.16	SGD	183,491
Foreign exchange contracts	Buy	EUR/GBP	2022.2.23	EUR	9,000
<b>December 31, 2020</b>					
Foreign exchange contracts	Sell	EUR/USD	2021.1.13-2021.3.10	EUR	26,000
Foreign exchange contracts	Sell	JPY/USD	2021.1.13-2021.3.10	JPY	4,806,000
Foreign exchange contracts	Sell	GBP/USD	2021.1.13-2021.2.24	GBP	34,000
Foreign exchange contracts	Sell	CAD/USD	2021.1.20	CAD	6,000
Foreign exchange contracts	Sell	RMB/USD	2021.1.13-2021.3.10	RMB	592,850
Foreign exchange contracts	Buy	RMB/USD	2021.1.13-2021.3.10	RMB	734,631
Foreign exchange contracts	Buy	JPY/USD	2021.1.13-2021.3.10	JPY	2,418,335
Foreign exchange contracts	Buy	USD/NTD	2021.1.13-2021.3.10	USD	210,000
Foreign exchange contracts	Buy	EUR/USD	2021.1.20-2021.3.10	EUR	50,000
Foreign exchange contracts	Buy	GBP/USD	2021.1.13-2021.3.10	GBP	46,000
Foreign exchange contracts	Buy	AUD/USD	2021.1.20	AUD	6,000
Foreign exchange contracts	Buy	SGD/USD	2021.3.10	SGD	180,827

The Company engaged in forward exchange contracts to manage its exposure to exchange rate fluctuations of foreign currency denominated assets and liabilities. At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting are as follows:

**8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME****Investments in Equity Instruments at FVTOCI**

	December 31	
	2021	2020
<b>Foreign investments</b>		
Listed shares	\$ 77,436	\$ 68,774
Unlisted equity investments	<u>2,632,696</u>	<u>1,480,863</u>
	<u>2,710,132</u>	<u>1,549,637</u>
	<u>\$ 2,769,959</u>	<u>\$ 1,629,125</u>
Current	\$ 77,436	\$ 68,774
Non-current	<u>2,692,523</u>	<u>1,560,351</u>
	<u>\$ 2,769,959</u>	<u>\$ 1,629,125</u>

(Continued)

(Concluded)

These investments in equity instruments are not held for trading. Instead, they are held for the purpose of promoting the development of the Metaverse industry and profiting from long-term investments. Management decided to designate these investments in equity instruments as at FVTOCI as they have determined that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

## 9. OTHER FINANCIAL ASSETS

	December 31	
	2021	2020
Time deposits with original maturities of more than three months	\$ 7,090,530	\$ 9,607,821
Restricted demand deposits	964	5,443
	<u>\$ 7,091,494</u>	<u>\$ 9,613,264</u>
Current	\$ 7,022,286	\$ 9,470,781
Non-current	69,208	142,483
	<u>\$ 7,091,494</u>	<u>\$ 9,613,264</u>

For details of pledged other financial assets, refer to Note 34.

## 10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2021	2020
<u>Notes, trade and overdue receivables</u>		
At amortized cost		
Notes receivable	\$ -	\$ 1
Trade receivables	509,520	546,583
Overdue receivables	71,529	961,961
Less: Allowances for impairment loss	( 61,313)	( 70,871)
Less: Allowances for impairment loss - overdue receivables	( 71,529)	( 961,961)
	<u>\$ 448,207</u>	<u>\$ 475,713</u>
Current	\$ 448,207	\$ 475,713
Non-current	-	-
	<u>\$ 448,207</u>	<u>\$ 475,713</u>
<u>Other receivables</u>		
Interest receivables	\$ 23,705	\$ 42,216
VAT refund receivables	134	11,958
Others	26,220	23,843
	<u>\$ 50,059</u>	<u>\$ 78,017</u>

(Continued)

	December 31	
	2021	2020
Current	\$ 50,059	\$ 78,017
Non-current	-	-
	<u>\$ 50,059</u>	<u>\$ 78,017</u>

(Concluded)

### a. Trade receivables at amortized cost

The average credit period of the sales of goods was 30-75 days. No interest was charged on trade receivables for the first 75 days from the date of the invoice. Thereafter, interest was charged at 1%-18% per annum on the outstanding balance. The Company adopted a policy of dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

In order to minimize credit risk, management has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, management considers the Company's credit risk to have significantly reduced.

The Company uses the expected credit loss during the duration to recognize the allowance for losses of accounts receivable. The expected credit loss during the duration is mainly based on the customer's past default record, current financial situation and industrial economic situation.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty without realistic prospect of

recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activities to recover the receivables due. Where recoveries are made, these amounts are recognized in profit or loss.

The following table details the loss allowance of trade receivables.

	December 31, 2021				
	Non Yet Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	\$ 454,080	\$ -	\$ 751	\$ 54,689	\$ 509,520
Loss allowance (Lifetime ECL)	( 5,873)	-	( 751)	( 54,689)	( 61,313)
Amortized cost	<u>\$ 448,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 448,207</u>

	December 31, 2020				
	Non Yet Due	1-90 Days	91-180 Days	Over 181 Days	Total
Expected credit loss rate	0%-4%	4%-40%	10%-100%	100%	
Gross carrying amount	\$ 483,985	\$ -	\$ 2,494	\$ 60,105	\$ 546,584
Loss allowance (Lifetime ECL)	( 8,272)	-	( 2,494)	( 60,105)	( 70,871)
Amortized cost	<u>\$ 475,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,713</u>

The movements of the loss allowance of trade receivables and overdue receivables were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ 1,032,832	\$ 2,183,569
Less: Loss allowance reversed	( 20,000)	( 160,000)
Less: Amounts written off	( 879,990)	( 990,737)
Balance, end of the year	<u>\$ 132,842</u>	<u>\$ 1,032,832</u>

### b. Other receivables

Others receivables were primarily prepayments on behalf of vendors and customers and grants from suppliers.

The movements of the loss allowance of other receivables are as follows:

	For the Year Ended December 31	
	2021	2020
Balance, beginning of the year	\$ -	\$ 1,467,997
Less: Amounts written off	-	( 1,467,997)
Balance, end of the year	<u>\$ -</u>	<u>\$ -</u>

Receivables from disposal of investments are derived from the sale of shares of Saffron Media Group Ltd. in 2013. In March 2020, the Company wrote off all receivables with reference to cost benefit.

## 11. INVENTORIES

	December 31	
	2021	2020
Finished goods	\$ 816,709	\$ 760,047
Work-in-process	12,628	14,337
Semi-finished goods	113,083	133,828
Raw materials	626,874	499,785
Inventory in transit	80,280	119,106
	<u>\$ 1,649,574</u>	<u>\$ 1,527,103</u>

The cost of inventory write-down recognized as operation costs for the years ended December 31, 2021 and 2020 were NT\$137,011 thousand and NT\$346,767 thousand, respectively.

## 12. PREPAYMENTS

	December 31	
	2021	2020
Prepaid expenses	\$ 273,549	\$ 214,084
Net input VAT	46,252	44,867
Prepaid equipment	5,886	12,058
Prepaid software	4,037	15,127
Prepayments to suppliers	3,323	435
	<u>\$ 333,047</u>	<u>\$ 286,571</u>

(Continued)

	December 31	
	2021	2020
Current	\$ 325,012	\$ 269,094
Non-current	8,035	17,477
	<u>\$ 333,047</u>	<u>\$ 286,571</u>

(Concluded)

For the years ended December 31, 2021 and 2020, the Company determined that the carrying amount of some of the prepayments for software were expected to be unrecoverable. Thus, it recognized impairment losses of

NT\$5,781 thousand and NT\$9,133 thousand classified as other gains and losses, respectively, refer to Note 26.

### 13. SUBSIDIARIES

#### a. Subsidiaries included in the consolidated financial statements

The consolidated entities as of December 31, 2021 and 2020 were as follows:

Investor	Investee	Main Businesses	% of Ownership		Remark
			December 31		
			2021	2020	
HTC Corporation	H.T.C. (B.V.I.) Corp.	International holding company and general investing activities	100.00	100.00	-
	High Tech Computer Asia Pacific Pte. Ltd.	International holding company; marketing, repair and after-sales services	100.00	100.00	-
	HTC Investment Corporation	General investing activities	100.00	100.00	-
	PT. High Tech Computer Indonesia	Marketing, repair and after-sales services	1.00	1.00	-
	HTC Holding Cooperatief U.A.	International holding company	0.01	0.01	-
	HTC Investment One (BVI) Corporation	Holding S3 Graphics Co., Ltd. and general investing activities	100.00	100.00	-
	HTC Investment (BVI) Corporation	General investing activities	100.00	100.00	-
	HTC VIVE Holding (BVI) Corp.	International holding company	100.00	100.00	-
	HTC VIVE Investment (BVI) Corp.	General investing activities	100.00	100.00	-
	DeepQ Holding (BVI) Corp.	International holding company	100.00	100.00	-
	HTC VR Content (BVI) Corp.	"	100.00	100.00	-
	HTC Smart phone (BVI) Corp.	"	100.00	100.00	-
	REIGN Technology Corporation	Construction, application and after-sales services of 5G	100.00	-	5)
	Viveport Digital Corporation	Interactive scenario experience services	100.00	-	6)
High Tech Computer Asia Pacific Pte. Ltd.	HTC (Australia and New Zealand) PTY. Ltd.	Marketing, repair and after-sales services	100.00	100.00	-
	HTC Philippines Corporation	"	99.99	99.99	-
	PT. High Tech Computer Indonesia	"	99.00	99.00	-
	HTC (Thailand) Limited	"	100.00	100.00	-
	HTC India Private Ltd.	"	99.00	99.00	-
	HTC Malaysia Sdn. Bhd.	"	100.00	100.00	-
	HTC Communication Co., Ltd.	Sale of smart mobile devices and virtual reality devices and after-sales services	100.00	100.00	-
	HTC HK, Limited	International holding company; marketing, repair and after-sales services	100.00	100.00	-
	HTC Holding Cooperatief U.A.	International holding company	99.99	99.99	-
	HTC Communication Technologies (SH)	Design, research and development of application software	100.00	100.00	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership		Remark
			December 31		
			2021	2020	
High Tech Computer Asia Pacific Pte. Ltd.	HTC Vietnam Services One Member Limited Liability Company	Marketing, repair and after-sales services	-	100.00	7)
	HTC Myanmar Company Limited	"	-	99.00	8)
HTC Investment One (BVI) Corporation	S3 Graphics Co., Ltd.	Design, research and development of graphics technology	100.00	100.00	-
HTC Communication Technologies (SH)	HTC Communication (BJ) Tech Co.	Design, research and development of application software	100.00	100.00	-
HTC HK, Limited	HTC Corporation (Shanghai WGQ)	Smart mobile devices examination and after-sale services and technique consultations	100.00	100.00	-
	HTC Electronics (Shanghai) Co., Ltd.	Manufacture and sale of smart mobile devices and virtual reality devices	100.00	100.00	-
	HTC Myanmar Company Limited	Marketing, repair and after-sales services	-	1.00	8)
HTC Holding Cooperatief U.A.	HTC Netherlands B.V.	International holding company; marketing, repair and after-sales services	100.00	100.00	-
	HTC India Private Ltd.	Marketing, repair and after-sales services	1.00	1.00	-
	HTC South Eastern Europe Limited Liability Company	"	0.67	0.67	-
	HTC Communication Solutions Mexico, S.A DE C.V.	"	1.00	1.00	-
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	1.00	1.00	-
	HTC EUROPE CO., LTD.	International holding company; marketing, repair and after-sales services	100.00	100.00	-
HTC Netherlands B.V.	HTC BRASIL	Marketing, repair and after-sales services	-	-	1)
	HTC Belgium BVBA/SPRL	"	100.00	100.00	-
	HTC NIPPON Corporation	Sale of smart mobile devices and virtual reality devices	100.00	100.00	-
	HTC FRANCE CORPORATION	Marketing, repair and after-sales services	100.00	100.00	-
	HTC South Eastern Europe Limited liability Company	"	99.33	99.33	-
	HTC Nordic ApS.	"	100.00	100.00	-
	HTC Italia SRL	"	100.00	100.00	-
	HTC Germany GmbH	"	100.00	100.00	-
	HTC Iberia, S.L.	"	100.00	100.00	-
	HTC Poland sp. Z.o.o.	"	100.00	100.00	-
	HTC Communication Canada, Ltd.	"	100.00	100.00	-
	HTC Communication Sweden AB	"	100.00	100.00	-
	HTC Luxembourg S.a.r.l.	Online/download media services	-	100.00	3)
	HTC Middle East FZ-LLC	Marketing, repair and after-sales services	100.00	100.00	-
HTC Communication Solutions Mexico, S.A DE C.V.	"	99.00	99.00	-	
HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	99.00	99.00	-	
HTC EUROPE CO., LTD.	HTC America Holding Inc.	International holding company	100.00	100.00	-

(Continued)

Investor	Investee	Main Businesses	% of Ownership		Remark
			December 31		
			2021	2020	
HTC America Holding Inc.	HTC America Inc.	Sale of smart mobile devices and virtual reality devices	100.00	100.00	-
	One & Company Design, Inc.	Design, research and development of application software	100.00	100.00	-
	HTC America Innovation Inc.	"	100.00	100.00	-
	HTC America Content Services, Inc.	Online/download media services	100.00	100.00	-
	Dashwire, Inc.	Design and management of cloud synchronization technology	100.00	100.00	-
	Inquisitive Minds, Inc.	Development and sale of digital education platform	100.00	100.00	-
HTC VIVE Holding (BVI) Corp.	HTC VIVE TECH (BVI) Corp.	International holding company	100.00	100.00	-
HTC VIVE TECH (BVI) Corp.	HTC VIVE TECH Corp.	Research, development and sale of virtual reality devices	100.00	100.00	-
	HTC VIVE TECH (HK) Limited	"	100.00	100.00	-
HTC VIVE TECH (HK) Limited	VIVE Arts Limited	"	100.00	100.00	2)
	HTC VIVE TECH (Beijing)	"	100.00	100.00	-
DeepQ Holding (BVI) Corp.	DeepQ (BVI) Corp.	International holding company	100.00	100.00	-
DeepQ (BVI) Corp.	DeepQ Technology Corp.	Medical technology and health care	100.00	100.00	-
	DeepQ Technology (Beijing)	Development and marketing of software technology	100.00	100.00	-
HTC Investment (BVI) Corporation	VRChat, Inc.	Development of virtual reality contents	36.20	50.37	4)
VRChat, Inc.	VRChat Ca. Development Inc.	"	100.00	100.00	4)
HTC VR Content (BVI) Corp.	Uomo Vitruviano Corp.	"	100.00	100.00	-

(Concluded)

## Remark:

- The dissolution of HTC BRASIL was approved in its shareholders' meeting held on September 22, 2020. The liquidation process was completed on May 17, 2021.
- On February 3, 2021, VIVE Arts Limited changed its legal name. Its former name was HTC VIVE TECH (UK) Limited.
- The dissolution of HTC Luxembourg S.a.r.l. was approved in its shareholders' meeting held on December 28, 2020. The liquidation process was completed on June 14, 2021.
- VRChat, Inc. issued new shares in June 2021. The Group did not subscribe for these newly issued shares at its existing ownership percentage, which resulted in a decrease in its ownership interest from 50.37% to 36.20%. As the Group lost control over VRChat, Inc. and its subsidiary, this investment has

since been accounted for under the equity method accordingly. For details, refer to Notes 14 and 29.

- REIGN Technology Corporation was incorporated on September 30, 2021.
- Viveport Digital Corporation was incorporated on October 1, 2021
- The dissolution of HTC Vietnam Services One Member Limited Liability Company was approved in its shareholders' meeting held on April 6, 2021. The liquidation process was completed on October 12, 2021.
- The dissolution of HTC Myanmar Company Limited was approved in its shareholders' meeting held on April 25, 2021. The liquidation process was completed on November 24, 2021.

**b. Subsidiaries excluded from the consolidated financial statements: None.**

**c. Details of subsidiaries that have material non-controlling interests: None.**

**14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

	December 31	
	2021	2020
Investment in associates	\$ 1,017,149	\$ 549,657

**Investments in Associates - Associates That Are Not Individually Material**

	December 31	
	2021	2020
<b>Unlisted equity investments</b>		
Steel Wool Games, Inc.	\$ 61,081	\$ 143,129
Surgical Theater, LLC	-	184,057
MOR Museum Inc.	5,652	40,429
Engage XR Holdings PLC	67,054	88,922
Gui Zhou Wei Ai Technology Group Co., Ltd.	93,095	93,120
VRChat, Inc.	790,267	-
	\$ 1,017,149	\$ 549,657

On July 26, 2020, Gui Zhou Wei Ai Technology Group Co., Ltd changed its name from Gui Zhou Wei Ai Educational Technology Co., Ltd. and was approved in the shareholders' meeting.

VRChat, Inc. issued new shares in June 2021. The Group did not subscribe for these newly issued shares at its existing ownership percentage, which resulted in a decrease in its ownership interest from 50.37% to 36.20%. As the Group lost control over VRChat, Inc. and its subsidiary, this investment has since been accounted for under the equity method accordingly. For details, refer to Notes 13 and 29.

In October, 2021, Engage XR Holdings PLC changed its legal name. Its former name was VR Education Holdings PLC. Engage XR Holdings PLC issued new shares in June 2021. The Group did not subscribe for such newly issued shares at its existing ownership percentage, which decreased its ownership interest from 20.00% to 16.64%. After the decrease, the Group continued to exercise significant influence; therefore, the equity method is still applied.

In 2021, the Company determined that the carrying amounts of some of the investments in associates were expected to be unrecoverable. Thus it recognized impairment losses of NT\$325,173 thousand classified as other gains and losses, refer to Note 26.

As the end of the reporting periods, the percentage of ownership and voting rights in associates held by the Company were as follows:

Name of Associates	December 31	
	2021	2020
East West Artist, LLC	30.00%	30.00%
Steel Wool Games, Inc.	49.00%	49.00%
Surgical Theater, LLC	16.30%	14.73%
MOR Museum Inc.	25.00%	25.00%
Engage XR Holdings PLC	16.64%	20.00%
Gui Zhou Wei Ai Technology Group Co., Ltd.	26.05%	26.05%
VRChat, Inc.	36.20%	50.37%

Aggregate information of associates that are not individually material:

	For the Year Ended December 31	
	2021	2020
The Company's share of:		
Loss from continuing operations	\$ ( 102,300)	\$ ( 8,212)
Other comprehensive income	-	-
Total comprehensive loss for the year	\$ ( 102,300)	\$ ( 8,212)

**15. PROPERTY, PLANT AND EQUIPMENT**

	December 31	
	2021	2020
Carrying amounts		
Land	\$ 4,867,414	\$ 4,804,109
Buildings	2,513,201	2,567,025
Machinery and equipment	49,905	162,113
Other equipment	54,811	133,551
	\$ 7,485,331	\$ 7,666,798

Movements of property, plant and equipment for the years ended December 31, 2021 and 2020 were as follows:

	2021				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<b>Cost</b>					
Balance, beginning of the year	\$ 4,804,109	\$ 4,116,440	\$ 3,295,903	\$ 1,038,702	\$ 13,255,154
Additions	21,963	48,367	21,886	12,605	104,821
Disposals	-	-	( 522,250)	( 187,221)	( 709,471)
Reclassified from investment properties	52,031	107,684	-	-	159,715
Effect of foreign currency exchange differences	( 10,689)	( 25,420)	( 3,077)	( 7,783)	( 46,969)
Balance, end of the year	<u>4,867,414</u>	<u>4,247,071</u>	<u>2,792,462</u>	<u>856,303</u>	<u>12,763,250</u>
<b>Accumulated depreciation</b>					
Balance, beginning of the year	-	1,549,415	3,031,003	900,584	5,481,002
Depreciation expenses	-	180,644	80,565	56,584	317,793
Disposals	-	-	( 487,613)	( 156,496)	( 644,109)
Reclassified from investment properties	-	23,512	-	-	23,512
Effect of foreign currency exchange differences	-	( 19,701)	15,257	( 6,401)	( 10,845)
Balance, end of the year	-	<u>1,733,870</u>	<u>2,639,212</u>	<u>794,271</u>	<u>5,167,353</u>
<b>Accumulated impairment</b>					
Balance, beginning of the year	-	-	102,787	4,567	107,354
Impairment losses recognized	-	-	23,595	13,638	37,233
Disposals	-	-	( 23,038)	( 10,977)	( 34,015)
Effect of foreign currency exchange differences	-	-	1	( 7)	( 6)
Balance, end of the year	-	-	<u>103,345</u>	<u>7,221</u>	<u>110,566</u>
Net book value, end of the year	<u>\$ 4,867,414</u>	<u>\$ 2,513,201</u>	<u>\$ 49,905</u>	<u>\$ 54,811</u>	<u>\$ 7,485,331</u>

	2020				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<b>Cost</b>					
Balance, beginning of the year	\$ 4,674,635	\$ 4,296,868	\$ 3,716,915	\$ 1,173,671	\$ 13,862,089
Additions	131,547	51,629	20,878	39,101	243,155
Disposals	-	( 134,454)	( 446,621)	( 174,414)	( 755,489)
Reclassified as investment properties	-	( 89,907)	-	-	( 89,907)
Reclassification	-	-	( 23)	23	-
Effect of foreign currency exchange differences	( 2,073)	( 7,696)	4,754	321	( 4,694)
Balance, end of the year	<u>4,804,109</u>	<u>4,116,440</u>	<u>3,295,903</u>	<u>1,038,702</u>	<u>13,255,154</u>
<b>Accumulated depreciation</b>					
Balance, beginning of the year	-	1,579,653	3,274,103	974,106	5,827,862
Depreciation expenses	-	165,080	159,002	87,864	411,946
Disposals	-	( 134,454)	( 406,303)	( 156,848)	( 697,605)
Reclassified as investment properties	-	( 59,738)	-	-	( 59,738)
Reclassification	-	-	( 21)	21	-
Effect of foreign currency exchange differences	-	( 1,126)	4,222	( 4,559)	( 1,463)
Balance, end of the year	-	<u>1,549,415</u>	<u>3,031,003</u>	<u>900,584</u>	<u>5,481,002</u>
<b>Accumulated impairment</b>					
Balance, beginning of the year	-	-	140,130	5,916	146,046
Impairment losses recognized	-	-	1,953	-	1,953
Disposals	-	-	( 39,297)	( 1,348)	( 40,645)
Effect of foreign currency exchange differences	-	-	1	( 1)	-
Balance, end of the year	-	-	<u>102,787</u>	<u>4,567</u>	<u>107,354</u>
Net book value, end of the year	<u>\$ 4,804,109</u>	<u>\$ 2,567,025</u>	<u>\$ 162,113</u>	<u>\$ 133,551</u>	<u>\$ 7,666,798</u>

For the years ended December 31, 2021 and 2020, the Company determined that the carrying amounts of some of equipment were expected to be unrecoverable. Thus, it recognized impairment losses of NT\$37,233 thousand and NT\$1,953 thousand classified as other gains and losses, respectively, refer to Note 26.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	5-50 years
Machinery and equipment	3-6 years
Other equipment	3-5 years

The major components of the buildings held by the Company include plants, electro-powering machinery and engineering systems, etc., which are depreciated over their estimated useful lives of 40 to 50 years, 20 years and 5 to 10 years, respectively.

The Company designated parts of its real estate as for lease and for its own use. The parts for lease are reclassified to investment properties and the parts for its own use are classified under property, plant and equipment. Both are accounted for in accordance with the applicable accounting standards. For details, refer to Note 17.

Property pledged as collateral for bank borrowings are set out in Note 34.

There were no capitalized interests for the years ended December 31, 2021 and 2020.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	December 31	
	2021	2020
<b>Carrying amounts</b>		
Buildings	<u>\$ 185,927</u>	<u>\$ 139,026</u>

	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 179,146</u>	<u>\$ 64,541</u>

(Continued)

	For the Year Ended December 31	
	2021	2020
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 63,187</u>	<u>\$ 111,300</u>

(Concluded)

### b. Lease liabilities

	December 31	
	2021	2020
<b>Carrying amounts</b>		
Current	<u>\$ 54,524</u>	<u>\$ 68,220</u>
Non-current	<u>\$ 137,371</u>	<u>\$ 81,834</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Buildings	0.5%-10%	0.5%-10%

### c. Material lease-in activities and terms

The Company leases certain buildings for the use of plants and offices with original lease terms of 2 to 10 years. The Company does not have bargain purchase options to acquire the buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

### d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 17.

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 16,908</u>	<u>\$ 24,647</u>
Total cash outflow for leases	<u>\$ (91,806)</u>	<u>\$ (137,531)</u>

The Company leases certain office equipment and other equipment which qualify as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.





	2020			
	Patents	Goodwill	Other Intangible Assets	Total
<b>Cost</b>				
Balance, beginning of the year	\$ 11,546,590	\$ 717,982	\$ 1,476,878	\$ 13,741,450
Additions	-	-	1,306	1,306
Disposals	-	-	( 330)	( 330)
Eliminations	( 2,229,400)	( 174,253)	( 884,712)	( 3,288,365)
Effect of foreign currency exchange differences	( 481,350)	( 28,983)	( 25,395)	( 535,728)
Balance, end of the year	<u>8,835,840</u>	<u>514,746</u>	<u>567,747</u>	<u>9,918,333</u>
<b>Accumulated amortization</b>				
Balance, beginning of the year	11,435,505	-	1,244,285	12,679,790
Amortization expenses	-	-	8,285	8,285
Eliminations	( 2,229,400)	-	( 884,712)	( 3,114,112)
Effect of foreign currency exchange differences	( 481,350)	-	( 16,982)	( 498,332)
Balance, end of the year	<u>8,724,755</u>	<u>-</u>	<u>350,876</u>	<u>9,075,631</u>
<b>Accumulated impairment</b>				
Balance, beginning of the year	111,085	650,368	191,330	952,783
Reversed	-	-	( 3,976)	( 3,976)
Eliminations	-	( 174,253)	-	( 174,253)
Effect of foreign currency exchange differences	-	( 25,379)	( 8,416)	( 33,795)
Balance, end of the year	<u>111,085</u>	<u>450,736</u>	<u>178,938</u>	<u>740,759</u>
Net book value, end of the year	<u>\$ -</u>	<u>\$ 64,010</u>	<u>\$ 37,933</u>	<u>\$ 101,943</u>

(Concluded)

Other intangible assets include some digital assets with non-determined service life, intangible assets with definite service life. Amortization expense is calculated on a straight-line basis on the following durable years:

		December 31	
		2021	2020
Other intangible assets	3 years		

	December 31	
	2021	2020
<b>Secured borrowings</b>		
Bank loans	\$ 2,000,000	\$ -
Less: Current portion	-	-
Long-term borrowings	<u>\$ 2,000,000</u>	<u>\$ -</u>

In June 2020, the Company entered into a 5-year syndicated loan with a group of financial institutions arranged by CTBC Bank. The credit line was divided into part A, B, and C which amounted to NT\$5 billion, NT\$2 billion, and NT\$2 billion, respectively; and the total line of credit amounted to NT\$9 billion. The Company is required to maintain certain financial covenants including debt ratio, equity, and net cash during the tenor of the loan. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements or quarterly reviewed consolidated financial statements. As of December 31, 2021, the Company has met the financial ratios mentioned above.

The Company borrowed at a fixed interest rate of 1.70% p.a. on December 31, 2021.

The Company pledged land and buildings as collateral for the long-term borrowings (refer to Note 34).

## 19. BORROWINGS

### a. Short-term borrowings

	December 31	
	2021	2020
<b>Unsecured borrowings</b>		
Line of credit borrowings	<u>\$ 2,600,000</u>	<u>\$ 900,000</u>

The range of interest rates on line of credit borrowings was 1.20%-1.36% and 0.98%-1.10% per annum at December 31, 2021 and 2020.

### b. Long-term borrowings

## 20. TRADE PAYABLES

	December 31	
	2021	2020
Notes payable	\$ 58	\$ -
Trade payables	5,463,218	6,027,060
Trade payables - related parties	<u>1,262</u>	<u>1,652</u>
	<u>\$ 5,464,538</u>	<u>\$ 6,028,712</u>

The average payment term is two to four months. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The Company periodically negotiates with vendors to amend payment obligations. Amendments, based on their nature, are adjusted in operating cost or expense.

## 21. OTHER LIABILITIES

	December 31	
	2021	2020
<b>Other payables</b>		
Accrued expenses	\$ 4,852,668	\$ 5,683,026
Payables for purchase of equipment	<u>4,351</u>	<u>6,186</u>
	<u>\$ 4,857,019</u>	<u>\$ 5,689,212</u>
<b>Other liabilities</b>		
Advance receipts	\$ 197,939	\$ 331,460
Agency receipts	48,309	63,791

(Continued)

	December 31		
	2021	2020	
<b>Other payables</b>			
Accrued expenses	\$ 4,852,668	\$ 5,683,026	
Payables for purchase of equipment	<u>4,351</u>	<u>6,186</u>	
	<u>\$ 4,857,019</u>	<u>\$ 5,689,212</u>	
<b>Other liabilities</b>			
Advance receipts	\$ 197,939	\$ 331,460	
Agency receipts	48,309	63,791	
			(Continued)

	December 31		
	2021	2020	
<b>Warranties</b>			
Warranties	\$ 1,120,410	\$ 1,257,321	
Others	<u>5,904</u>	<u>152,721</u>	
	<u>\$ 1,126,314</u>	<u>\$ 1,410,042</u>	

	December 31		
	2021	2020	
<b>Provisions</b>			
	Warranty Provision	Others	Total
Balance, beginning of the year	\$ 1,257,321	\$ 152,721	\$ 1,410,042
Provisions recognized (reversed)	48,940	( 1,820)	47,120
Utilized	( 182,720)	( 141,605)	( 324,325)
Effect of foreign currency exchange differences	( 3,131)	( 3,392)	( 6,523)
Balance, end of the year	<u>\$ 1,120,410</u>	<u>\$ 5,904</u>	<u>\$ 1,126,314</u>

	December 31		
	2021	2020	
<b>Provisions</b>			
	Warranty Provision	Others	Total
Balance, beginning of the year	\$ 1,477,671	\$ 316,565	\$ 1,794,236
Provisions recognized (reversed)	52,571	( 15,396)	37,175
Utilized	( 268,136)	( 140,466)	( 408,602)
Effect of foreign currency exchange differences	( 4,785)	( 7,982)	( 12,767)
Balance, end of the year	<u>\$ 1,257,321</u>	<u>\$ 152,721</u>	<u>\$ 1,410,042</u>

	December 31	
	2021	2020
Others	\$ 88,639	\$ 129,027
	<u>\$ 334,887</u>	<u>\$ 524,278</u>

(Concluded)

## Accrued Expenses

	December 31	
	2021	2020
Marketing	\$ 1,483,151	\$ 1,767,100
Services	1,109,390	1,162,990
Salaries, bonuses and compensation	996,961	1,386,551
Materials and molding expenses	481,564	551,454
Insurance	44,843	41,961
Import, export and freight	44,398	41,241
Repairs, maintenance and sundry purchase	27,663	35,790
Others	<u>664,698</u>	<u>695,939</u>
	<u>\$ 4,852,668</u>	<u>\$ 5,683,026</u>

## 22. PROVISIONS

Movement of provisions for the years ended December 31, 2021 and 2020 were as follows:

The Company provides warranty service to its customers. The warranty period varies by product and is generally one year to two years. The warranties are estimated on the basis of evaluation of the products under warranty, historical warranty-trends, and pertinent factors.

Onerous contracts are those in which the Company's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

## 23. RETIREMENT BENEFIT PLANS

### Defined Contribution Plans

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, HTC makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Company has defined benefit plans for all qualified employees of HTC. In addition, the employees of the Company's subsidiary are members of a state-managed retirement benefit plan operated by local government. The subsidiaries are required to contribute amounts calculated at a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions to the fund.

The total expenses recognized in the consolidated statement of comprehensive income were NT\$145,043 thousand and NT\$160,600 thousand, representing the contributions made and to be made to these plans by the Company at the rates specified in the plans for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the amounts of contributions

Movements in net defined benefit asset were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ ( 292,684)	\$ ( 304,336)
Fair value of plan assets	<u>639,498</u>	<u>635,618</u>
Net defined benefit asset	<u>\$ 346,814</u>	<u>\$ 331,282</u>

(Continued)

payable were NT\$25,018 thousand and NT\$29,799 thousand, respectively. These and the amounts were paid subsequent to the end of the reporting period.

### Defined Benefit Plans

The defined benefit plan adopted by HTC in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated based on the years of services and the average monthly salaries of the six months before retirement. HTC contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, HTC assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, HTC is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); HTC has no right to influence the investment policy and strategy. HTC had applied a suspension of pension contribution to the pension fund from May 2021 to April 2022 and May 2020 to April 2021, and had been approved by the competent authority in May 2021 and May 2020, respectively.

The amounts included in the consolidated balance sheets in respect of the obligation of HTC under the defined benefit plans were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset
<b>Remeasurement</b>			
Return on plan assets	\$ -	\$ 18,696	\$ 18,696
Actuarial loss - changes in demographic assumptions	( 372)	-	( 372)
Actuarial loss - changes in financial assumptions	( 24,439)	-	( 24,439)
Actuarial gain - experience adjustments	<u>8,190</u>	<u>-</u>	<u>8,190</u>
Recognized in other comprehensive income	<u>( 16,621)</u>	<u>18,696</u>	<u>2,075</u>
Benefits paid	<u>4,022</u>	<u>( 4,022)</u>	<u>-</u>
Balance at December 31, 2020	<u>( 304,336)</u>	<u>635,618</u>	<u>331,282</u>
Current service cost	( 4,604)	-	( 4,604)
Net interest (expense) income	<u>( 1,519)</u>	<u>3,175</u>	<u>1,656</u>
Recognized in profit or loss	<u>( 6,123)</u>	<u>3,175</u>	<u>( 2,948)</u>
<b>Remeasurement</b>			
Return on plan assets	-	8,145	8,145
Actuarial loss - changes in demographic assumptions	( 9,680)	-	( 9,680)
Actuarial gain - experience adjustments	<u>20,015</u>	<u>-</u>	<u>20,015</u>
Recognized in other comprehensive income	<u>10,335</u>	<u>8,145</u>	<u>18,480</u>
Benefits paid	<u>7,440</u>	<u>( 7,440)</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ ( 292,684)</u>	<u>\$ 639,498</u>	<u>\$ 346,814</u>

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- Investment risk: The plan assets are invested in domestic or foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rates	0.500%	0.500%
Expected rates of salary increase	4.000%	4.000%

If a probable and reasonable change occurs in each significant actuarial assumptions while all other assumptions remain constant, the present value of the defined benefit obligation would (increase) decrease as follows:

	December 31	
	2021	2020
<b>Discount rates</b>		
0.25% increase	\$ <u>9,712</u>	\$ <u>10,787</u>
0.25% decrease	\$ <u>( 10,129)</u>	\$ <u>( 11,280)</u>
<b>Expected rates of salary increase</b>		
0.25% increase	\$ <u>( 9,642)</u>	\$ <u>( 10,743)</u>
0.25% decrease	\$ <u>9,303</u>	\$ <u>10,339</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
The expected contributions to the plan for the next year	\$ -	\$ -
The average duration of the defined benefit obligation	14.04 years	15.45 years

## 24. EQUITY

### Share Capital

#### a. Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands of shares)	<u>1,000,000</u>	<u>1,000,000</u>
Shares authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>824,505</u>	<u>818,644</u>
Shares issued	<u>\$ 8,245,050</u>	<u>\$ 8,186,444</u>

In 2020, the Company retired 165 thousand restricted shares for employees. As a result, the amount of the Company's issued and outstanding ordinary shares as of December 31, 2020 decreased to NT\$8,186,444 thousand, divided into 818,644 thousand ordinary shares at a par value of NT\$10. Every ordinary share carries one vote per share and the rights to dividends.

In 2021, the Company executed 5,861 thousand shares for employee share options, totaling NT\$58,606 thousand. As a result, the amount of the Company's issued and outstanding ordinary shares as of December 31, 2021 increased to NT\$8,245,050 thousand, divided into 824,505 thousand ordinary shares at a par value of NT\$10. Every ordinary share carries one vote per share and the rights to dividends.

A total of 80,000 thousand shares of the Company's ordinary shares authorized were reserved for the issuance of employee share options.

#### b. Global depositary receipts

In November 2003, the Company issued 14,400 thousand ordinary shares, corresponding to 3,600 thousand units of Global Depositary Receipts ("GDRs"). For this GDR issuance, the Company's shareholders, including Via Technologies Inc., also issued 12,878.4 thousand ordinary shares, corresponding to 3,219.6 thousand GDR units. Thus, the entire offering consisted of 6,819.6 thousand GDR units, corresponding to 27,278.4 thousand ordinary shares. Taking into account the effect of share dividends, the GDRs increased to 8,782.1 thousand units (36,060.5 thousand shares). The holders of these GDRs requested the Company to redeem the GDRs to acquire the Company's ordinary

shares. As of December 31, 2021, there were 8,630.3 thousand units of GDRs redeemed, representing 34,521 thousand ordinary shares, and the outstanding GDRs represented 1,539.5 thousand ordinary shares or 0.18% of the Company's outstanding ordinary shares.

### Capital Surplus

	December 31	
	2021	2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Arising from issuance of ordinary shares	\$ 14,966,699	\$ 14,728,086
Arising from consolidation excess	23,288	23,288
<u>May be used to offset a deficit only</u>		
Changes in equity-method associates capital surplus	26,752	26,752
Arising from expired share options	693,266	656,431
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>295,334</u>	<u>326,601</u>
	<u>\$ 16,005,339</u>	<u>\$ 15,761,158</u>

The capital surplus arising from shares issued in excess of par (including share premium from the issuance of ordinary shares, treasury share transactions and consolidation excess) and donations may be used to offset a deficit. In addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

For details of capital surplus - employee share options and employee restricted shares, refer to Note 30.

### Retained Earnings and Dividend Policy

Under HTC's Articles of Incorporation, HTC should make appropriations from its net income in the following order:

- To pay taxes.
- To cover accumulated losses, if any.
- To appropriate 10% as legal reserve unless the total legal reserve accumulated has already reached the amount of HTC's authorized capital.
- To recognize or reverse special reserve return earnings.
- The board of directors shall propose allocation ratios for any remainder profit after withholding the amounts under subparagraphs 1 to 4 above plus any unappropriated retained earnings of previous years

based on the dividend policy set forth in the Article and propose such allocation ratio at the shareholders' meeting.

As part of a high-technology industry, the Company takes into consideration its operating environment, industry developments and long-term interests of shareholders when determining share or cash dividends to be paid. Other factors such as whether it can maintain operating efficiency and meet its capital expenditure budget and financial goals are also key considerations. The Company's dividend policy stipulates that at least 50% of total dividends may be distributed as cash dividends.

	Accumulated Deficits Off-set		Dividends Per Share (NT\$)	
	For 2020	For 2019	For 2020	For 2019
Legal reserve used to offset accumulated losses	\$ 3,390,478	\$ 3,169,627	\$ -	\$ -

The accumulated deficits off-set for 2021, which was proposed by the Company's board of directors on March 7, 2022, was as follows:

	For the Year Ended December 31, 2021
Legal reserve used to offset accumulated deficits	<u>\$ 3,226,493</u>

The accumulated deficits off-set for 2021 will be resolved by the shareholders in their meeting to be held on June 17, 2022.

Information on the appropriation of earnings proposed by the Company's board of directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

### Other Equity Items

#### a. Exchange differences on translation of foreign operations

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's capital. Legal reserve may be used to offset its deficit. If the Company has no accumulated deficit and the legal reserve has exceeded 25% of its issued and outstanding ordinary shares, the excess may be transferred to ordinary shares or distributed in cash.

The accumulated deficits off-set for 2020 and 2019 were approved in the shareholders' meeting on July 20, 2021 and June 19, 2020. The accumulated deficits off-set and dividends per share were as follows:

the disposal of the foreign operation.

#### b. Unrealized gains or losses on financial assets at FVTOCI

Unrealized gains or losses on financial assets at FVTOCI represents the cumulative gains and losses arising from the revaluation of financial assets at FVTOCI that have been recognized in other comprehensive income. The cumulative unrealized gains or losses will not be reclassified to profit or loss on disposal of the equity investments.

## 25. OPERATING REVENUE

	For the Year Ended December 31	
	2021	2020
Sale of goods	\$ 4,974,658	\$ 5,413,529
Other operating income	<u>278,621</u>	<u>392,179</u>
	<u>\$ 5,253,279</u>	<u>\$ 5,805,708</u>

### Contract Balance

	2021	2020	2019
	Notes, trade receivables, net (Note 10)	<u>\$ 448,207</u>	<u>\$ 475,713</u>

## 26. NET (LOSS) GAIN FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME AND LOSS

### a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	\$ 118,150	\$ 218,526

### b. Other income

	For the Year Ended December 31	
	2021	2020
Rental income	\$ 740,662	\$ 740,121
Dividends	10,951	1,814
Others	173,960	310,840
	\$ 925,573	\$ 1,052,775

### c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net loss on disposal of property, plant and equipment	\$( 7,048)	\$( 12,003)
Net loss on the disposal of intangible assets	( 150)	( 290)
Net foreign exchange gain (loss)	105,296	( 152,293)
Net gain on valuation of financial instruments at fair value through profit or loss	25,365	82,758
Impairment loss on non-financial assets (Notes 12, 14, 15 and 18)	( 369,738)	( 7,110)
Gain from lease modifications	2,054	14,134
Gain on disposals of subsidiaries (Note 29)	732,929	-
Other expenses	( 365,582)	( 808,654)
	\$ 123,126	\$ ( 883,458)

### d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 45,243	\$ 1,519
Interest on lease liabilities	5,662	9,387
Others	1,775	3,881
	\$ 52,680	\$ 14,787

### e. Gain on reversal of impairment loss on financial assets

	For the Year Ended December 31	
	2021	2020
Trade receivables (included in operating expense)	\$ ( 20,000)	\$ ( 160,000)

### f. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 317,793	\$ 411,946
Investment properties	114,530	103,962
Intangible assets	6,085	8,285
Right-of-use assets	63,187	111,300
	\$ 501,595	\$ 635,493
An analysis of depreciation - by function		
Operating costs	\$ 41,809	\$ 49,233
Operating expenses	339,171	474,013
Other expenses	114,530	103,962
	\$ 495,510	\$ 627,208
An analysis of amortization - by function		
Operating costs	\$ -	\$ -
Operating expenses	6,085	8,285
	\$ 6,085	\$ 8,285

### g. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term benefits	\$ 3,394,212	\$ 4,440,937
Post-employment benefits (Note 23)		
Defined contribution plans	145,043	160,600
Defined benefit plans	2,948	( 39,743)
	147,991	120,857
Share-based payments (Note 30)		
Equity-settled share-based payments	94,736	164,750
Separation benefits	140,000	540,000
Total employee benefits expense	\$ 3,776,939	\$ 5,266,544
An analysis of employee benefits expense - by function		
Operating costs	\$ 371,055	\$ 390,209
Operating expenses	3,265,884	4,336,335
Other expenses	140,000	540,000
	\$ 3,776,939	\$ 5,266,544

### h. Employees' compensation and remuneration of directors and supervisors

In compliance with its Articles of Incorporation, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 4% and of no more than 0.25%, respectively, of net profit before income tax, compensation of employees and remuneration of directors and supervisors. No compensation of employees and remuneration of directors and supervisors were estimated as the Company reported net losses for the years ended December 31, 2021 and 2020, respectively. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate in the subsequent year.

For any further information on the compensation of employees and remuneration of directors and supervisors approved in the meeting of the board of directors in 2021 and 2020, see disclosures in the Market Observation Post System.

### i. Impairment loss recognized (reversed) on non-financial assets

	For the Year Ended December 31	
	2021	2020
Inventories (included in operating costs)	\$ 137,011	\$ 346,767
Intangible asset (included in other gains and losses)	-	( 3,976)
Prepayments (included in other gains and losses)	5,781	9,133
Investment accounted for using equity method (included in other gains and losses)	325,173	-
Property, plant and equipment (included in other gains and losses)	37,233	1,953
Other (included in other gains and losses)	1,551	-
	\$ 506,749	\$ 353,877

### j. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2021	2020
Foreign exchange gains	\$ 871,086	\$ 1,047,810
Foreign exchange losses	( 765,790)	( 1,200,103)
Net benefit of forward foreign exchange assessment	25,365	82,758
	\$ ( 130,661)	\$ ( 69,535)

## 27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax benefit recognized in profit or loss

	For the Year Ended December 31	
	2021	2020
In respect of the current year		
Current tax	\$ ( 7,168)	\$ 11,794
Deferred tax	3,560	( 969)
	( 3,608)	10,825
Adjustments for previous years		
Current tax	( 141,788)	( 101,313)
Deferred tax	142,648	86,537
	860	( 14,776)
Income tax benefit recognized in profit or loss	\$ ( 2,748)	\$ ( 3,951)

A reconciliation of accounting profit and income tax benefit and the applicable tax rate were as follows:

	For the Year Ended December 31	
	2021	2020
Loss before income tax	\$ ( 3,104,565)	\$ ( 6,026,549)
Income tax benefit calculated at the statutory rate	( 620,913)	( 1,205,309)
Effect of expenses that were not deductible in determining taxable profit	34,500	26,769
Effect of temporary differences	621,988	1,084,572
Effect of loss carryforward	109,012	140,039
Effect of different tax rates of subsidiaries operating in other jurisdictions	( 79,195)	( 35,246)
Adjustments for previous years' tax	860	( 14,776)
Income tax benefit recognized in profit or loss	\$ ( 2,748)	\$ ( 3,951)

### b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred tax		
Recognized in current year		
Income tax expense of remeasurement on defined benefit plan	\$ 2,218	\$ 249

**c. Current tax assets and liabilities**

	December 31	
	2021	2020
Current tax assets		
Tax refund receivable	\$ 178,560	\$ 242,033
Current tax liabilities		
Income tax payable	\$ 49,542	\$ 63,961

**d. Deferred tax balances**

Movements of deferred tax assets and deferred tax liabilities for the years ended December 31, 2021 and 2020 were as follows:

	2021				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
<b>Deferred tax assets</b>					
Temporary differences					
Unrealized royalties	\$ 321,489	\$( 17,749)	\$ -	\$ -	\$ 303,740
Unrealized marketing expenses	130,982	( 31,580)	-	( 763)	98,639
Unrealized warranty expense	144,912	( 14,957)	-	-	129,955
Allowance for loss on decline in value of inventory	62,531	( 19,032)	-	-	43,499
Unrealized profit	10,933	48,063	-	-	58,996
Unrealized salary and welfare	33,104	( 1,894)	-	( 1,035)	30,175
Unrealized contingent losses on purchase orders	1,229	( 521)	-	-	708
Others	196,288	41,835	-	( 2,224)	152,229
Loss carryforwards	2,426,984	( 60,880)	-	( 583)	2,365,521
	\$ 3,328,452	\$( 140,385)	\$ -	\$( 4,000)	\$ 3,183,462
<b>Deferred tax liabilities</b>					
Temporary differences					
Financial instruments at FVTPL	\$ 9,931	\$( 6,887)	\$ -	\$ -	\$ 3,044
Defined benefit plans	39,753	( 354)	2,218	-	41,617
Others	36,569	13,064	-	( 204)	49,429
	\$ 86,253	\$ 5,823	\$ 2,218	\$( 204)	\$ 94,090

	2020				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
<b>Deferred tax assets</b>					
Temporary differences					
Unrealized royalties	\$ 422,597	\$( 101,108)	\$ -	\$ -	\$ 321,489
Unrealized marketing expenses	179,295	( 46,950)	-	( 1,363)	130,982
Unrealized warranty expense	169,083	( 24,171)	-	-	144,912
Allowance for loss on decline in value of inventory	74,363	( 11,832)	-	-	62,531
Unrealized profit	-	10,933	-	-	10,933
Unrealized salary and welfare	43,053	( 7,831)	-	( 2,118)	33,104
Unrealized contingent losses on purchase orders	3,494	( 2,265)	-	-	1,229
Financial instruments at FVTPL	6,084	( 6,084)	-	-	-
Others	189,909	6,887	-	( 508)	196,288
Loss carryforwards	2,516,197	( 89,202)	-	( 11)	2,426,984
	\$ 3,604,075	\$( 271,623)	\$ -	\$( 4,000)	\$ 3,328,452
<b>Deferred tax liabilities</b>					
Temporary differences					
Financial instruments at FVTPL	\$ -	\$ 9,931	\$ -	\$ -	\$ 9,931
Defined benefit plans	36,906	2,598	249	-	39,753
Unrealized loss	5,971	( 5,971)	-	-	-
Others	27,797	9,004	-	( 232)	36,569
	\$ 70,674	\$ 15,562	\$ 249	\$( 232)	\$ 86,253

**e. Amounts of deductible temporary differences, unused carryforward and unused tax credits for which deferred tax assets have not been recognized**

	December 31	
	2021	2020
Loss carryforward	\$ 81,728,293	\$ 77,836,411
Deductible temporary differences	\$ 4,157,016	\$ 5,288,033

**f. Information about unused loss carry-forward**

Loss carryforwards as of December 31, 2021 comprised of:

Remaining Carrying	Expiry Year
\$ 985,414	2022
493,298	2023
4,255,539	2024
22,657,332	2025
22,167,741	2026
17,909,272	2027
15,095	2028
12,036,222	2029
7,880,473	2030
4,520,855	2031
625,492	2032-2039
\$ 93,546,733	

**g. The aggregate amount of temporary difference associated with investments for which deferred tax assets have not been recognized:**

As of December 31, 2021 and 2020, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax assets have been recognized were NT\$6,230,049 thousand and NT\$5,987,783 thousand, respectively.

**h. Income tax assessments**

The income tax returns of HTC, HTC Investment Corporation, DeepQ Technology Corp., Uomo Vitruviano Corp. and HTC VIVE TECH Corp. for the years through 2019 have been assessed by the tax authorities.

**28. LOSS PER SHARE**

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2021	2020
Basic loss per share	\$ ( 3.75)	\$ ( 7.27)

The loss and weighted average number of ordinary shares outstanding used for the computation of loss per share are as follows:

**Net Loss for the Years**

	For the Year Ended December 31	
	2021	2020
Loss for the year attributable to owners of the parent	\$ ( 3,073,132)	\$ ( 5,949,942)

**Shares**

	Unit: In Thousands of Shares	
	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic loss per share	819,721	818,731

**29. DISPOSAL OF SUBSIDIARIES**

VRChat, Inc. issued new shares in June 2021. The Group did not subscribe for these newly issued shares at its existing ownership percentage, which resulted in a decrease in its ownership interest from 50.37% to 36.20%. As the Group lost control over VRChat, Inc. and its subsidiary, this investment has since been accounted for under the equity method accordingly.

**a. Consideration received from the disposal**

	VRChat, Inc. and Its Subsidiary
Total consideration received	\$ -

**b. Analysis of assets and liabilities on the date control was lost**

VRChat, Inc. and Its Subsidiary	
Current assets	
Cash and cash equivalents	\$ 68,432
Trade receivables	5,868
Current liabilities	
Other payables	( 805)
Other current liabilities	( 9,565)
Net assets disposed of	<u>\$ 63,930</u>

### c. Gain on disposal of subsidiaries

VRChat, Inc. and Its Subsidiary	
Fair value of shares owned	\$ 830,123
Consideration received	-
Net assets disposed of	( 63,930)
Non-controlling interests	31,728
Goodwill disposed of	( 62,593)
Effect of foreign currency exchange differences	( 2,399)
Gain on disposals	<u>\$ 732,929</u>

### d. Net cash outflow on disposal of subsidiaries

VRChat, Inc. and Its Subsidiary	
Consideration received in cash and cash equivalents	\$ -
Less: Cash and cash equivalent balances disposed of	( 68,432)
	<u>\$ ( 68,432)</u>

## 30. SHARE-BASED PAYMENT ARRANGEMENTS

### Employee Share Option Plan of the Company

Qualified employees of HTC were granted 15,000 thousand

options in November 2013. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 7 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of HTC were granted 19,000 thousand options in October 2014. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of HTC were granted 1,000 thousand options in August 2015. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of HTC were granted 20 thousand options in May 2019. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

Qualified employees of HTC were granted 10,000 thousand options in November 2019. Each option entitles the holder to subscribe for one ordinary share of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary from the grant date.

The exercise price equals to the closing price of the Company's ordinary shares on the grant date. For any subsequent changes in ordinary shares, the exercise price is adjusted accordingly.

Information on employee share options are as follows:

For the Year Ended December 31

	2021		2020	
	Number of Shares (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Shares (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance, beginning of the year	30,531	\$ 45.32	35,961	\$ 53.41
Options granted	( 5,861)	35.50	-	
Options forfeited	( 4,273)		( 5,430)	
Balance, ending of the year	<u>20,397</u>	45.16	<u>30,531</u>	45.32
Options exercisable, end of the year	<u>5,603</u>		<u>3,210</u>	

Information about outstanding options as of the reporting date was as follows:

	December 31	
	2021	2020
Range of exercise price (NT\$)	\$ 35.05-\$149	\$ 35.05-\$149
Weighted-average remaining contractual life (years)	7.12 years	8.06 years

	November 2019	May 2019	August 2015	October 2014	November 2013
Grant-date share price (NT\$)	\$35.05	\$35.50	\$54.50	\$134.50	\$149.00
Exercise price (NT\$)	\$35.05	\$35.50	\$54.50	\$134.50	\$149.00
Expected volatility	43.64%-44.09%	44.94%-45.01%	39.26%	33.46%	45.83%
Expected life (years)	10 years	10 years	10 years	10 years	7 years
Expected dividend yield	-	-	4.04%	4.40%	5.00%
Risk-free interest rate	0.6125%-0.6348%	0.6082%-0.6224%	1.3965%	1.7021%	1.63%

Expected volatility was based on the historical share price volatility over the past 1-7 year. The Company assumed that employees would exercise their options after the vesting date when the share price was 1.63 times the exercise price.

### Employee Restricted Shares

In the shareholders' meetings on June 19, 2014 and June 2, 2015, the shareholders approved a restricted share plan for employees amounting to NT\$50,000 thousand and NT\$75,000 thousand, consisting of 5,000 thousand and 7,500 thousand shares, respectively. In 2014 and 2015, the Company's Board of Directors passed a resolution to issue 5,000 thousand and 7,500 thousand shares, respectively.

The restrictions on the rights of the employees who acquired the restricted shares but have not met the vesting conditions are as follows:

- The employees cannot sell, pledge, transfer, donate or in any other way dispose of these shares.
- The employees holding these shares are entitled to receive dividends in cash or shares.
- The employees holding these shares have no voting rights.

If an employee fails to meet the vesting conditions, the Company will recall or buy back and cancel the restricted shares. For the year ended December 31, 2020, the Company retired 165 thousand restricted shares for employees totaling NT\$1,642 thousand. There are no outstanding employee restricted shares as of December 31, 2021.

Options granted in November and May 2019 were priced using the Black-Scholes option pricing model. Options granted in August 2015, October 2014 and November 2013 were priced using the trinomial option pricing model. The inputs to the model are as follows:

### Compensation Cost of Share-based Payment Arrangements

Compensation cost of share-based payment arrangement recognized was NT\$94,736 thousand and NT\$164,750 thousand for the years ended December 31, 2021 and 2020, respectively.

## 31. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure its ability to continue as a going concern while maximizing the returns to shareholders. The Company periodically reviews its capital structure by taking into consideration macroeconomic conditions, prevailing interest rate, and adequacy of cash flows generated from operations; as the situation would allow, the Company pays dividends, issues new shares, repurchases shares, borrows loans, and pays loans.

The Company is subject to capital structure requirements for the bank syndicated loan, refer to Note 19.

## 32. FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments That Are Not Measured at Fair Value

Financial instruments not measured at fair value held

by the Company include financial assets measured at amortized cost. Management has determined that the carrying amounts of financial assets not measured at fair value approximate their fair values or their fair values cannot be measured reliably.

### Fair Value of Financial Instruments That Are Measured at Fair Value on a Recurring Basis

#### a. Fair value hierarchy

December 31, 2021	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 107,071	\$ -	\$ 107,071
Convertible bonds	-	-	309,094	309,094
Warrants	-	-	25,745	25,745
	<u>\$ -</u>	<u>\$ 107,071</u>	<u>\$ 334,839</u>	<u>\$ 441,910</u>
<b>Financial assets at FVTOCI</b>				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 30,035	\$ -	\$ -	\$ 30,035
Domestic unlisted shares	-	-	29,792	29,792
Overseas listed shares	77,436	-	-	77,436
Overseas unlisted equity investments	-	-	2,632,696	2,632,696
	<u>\$ 107,471</u>	<u>\$ -</u>	<u>\$ 2,662,488</u>	<u>\$ 2,769,959</u>
<b>Financial liabilities at FVTPL</b>				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 81,706	\$ -	\$ 81,706
<b>December 31, 2020</b>				
	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 173,357	\$ -	\$ 173,357
Convertible bonds	-	-	310,416	310,416
Warrants	-	-	26,502	26,502
	<u>\$ -</u>	<u>\$ 173,357</u>	<u>\$ 336,918</u>	<u>\$ 510,275</u>
<b>Financial assets at FVTOCI</b>				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 46,091	\$ -	\$ -	\$ 46,091
Domestic unlisted shares	-	-	33,397	33,397
Overseas listed shares	68,774	-	-	68,774
Overseas unlisted equity investments	-	-	1,480,863	1,480,863
	<u>\$ 114,865</u>	<u>\$ -</u>	<u>\$ 1,514,260</u>	<u>\$ 1,629,125</u>
<b>Financial liabilities at FVTPL</b>				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 90,599	\$ -	\$ 90,599

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

#### b. Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Derivatives	Equity Instruments	
Balance at January 1, 2021	\$ 336,918	\$ 1,514,260	\$ 1,851,178
Recognized in other comprehensive income	-	931,231	931,231
Purchases	11,983	700,267	712,250
Disposals	-	( 16,076)	( 16,076)
Return of investments	-	( 333,816)	( 333,816)
Return of investments - receivable	-	( 10,023)	( 10,023)
Reclassification	-	( 80,101)	( 80,101)
Effect of foreign currency exchange differences	( 14,062)	( 43,254)	( 57,316)
Balance at December 31, 2021	<u>\$ 334,839</u>	<u>\$ 2,662,488</u>	<u>\$ 2,997,327</u>

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Derivatives	Equity Instruments	
Balance at January 1, 2020	\$ 361,307	\$ 1,578,271	\$ 1,939,578
Recognized in other comprehensive income	-	( 31,911)	( 31,911)
Purchases	13,198	87,329	100,527
Disposals	-	( 723)	( 723)
Return of investments	-	( 57,414)	( 57,414)
Reclassification	( 17,953)	17,953	-
Effect of foreign currency exchange differences	( 19,634)	( 79,245)	( 98,879)
Balance at December 31, 2020	<u>\$ 336,918</u>	<u>\$ 1,514,260</u>	<u>\$ 1,851,178</u>

#### c. Valuation techniques and inputs applied to Level 2 financial instruments at fair value

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

#### d. Valuation techniques and inputs applied to Level 3 financial instruments at fair value

Fair value measurements categorized within Level 3 of the fair value hierarchy are investments in equity instruments. The lack of quoted prices in an active market places these financial assets in the Level 3 category, in which fair values are based on valuation provided by market participants or quoted prices of the counter party. Quantitative information has not been disclosed since the relationship between significant unobservable inputs and fair value cannot be fully controlled.

#### e. Valuation process for Level 3 financial instruments at fair value

The investment department will assess the reliability, independence, and consistency of the information sources to confirm whether the valuation is representative of the exercise price. Adjustments are made to ensure the rationality of the valuation presented.

#### f. Sensitivity analysis of Level 3 fair value measurements under replacement assumptions

A sensitivity analysis of replacement assumptions for the valuation of Level 3 financial instruments at fair value is not required since the valuation model used by the Company is reasonable and not internally constructed.

#### Categories of Financial Instruments



	December 31	
	2021	2020
<b>Financial assets</b>		
Financial assets at FVTPL		
Held for trading	\$ 107,071	\$ 173,357
Mandatorily at FVTPL	334,839	336,918
Amortized cost (Note 1)	24,179,757	26,569,963
Financial assets at FVTOCI		
Equity instruments	2,769,959	1,629,125
<b>Financial liabilities</b>		
Financial liabilities at FVTPL		
Held for trading	81,706	90,599
Amortized cost (Note 2)	15,131,930	12,851,365

Note 1: These balances include financial assets measured at amortized cost which comprise of cash and cash equivalents, other financial assets, notes and trade receivables, other receivables and refundable deposits.

Note 2: These balances include financial liabilities measured at amortized cost, which comprise of short-term borrowings, notes and trade payables, other payables, agency receipts, long-term borrowings and guarantee deposits received.

## Financial Risk Management Objectives and Policies

The Company's major financial instruments include equity and debt investments, trade receivables, other receivables, borrowings, trade payables and other payables. The Company's Corporate Treasury function provides services to the business and coordinates access to domestic and international financial markets. It also monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze the exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments and non-derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies, which are approved by the board of directors. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies is reviewed by the internal auditors on a continuous basis. The Company has not entered into or traded financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Company's audit committee and board of directors in order to monitor risks and implement policies to mitigate risk exposures.

### a. Market risk

The activities of the Company exposed it to the financial risks of fluctuations in foreign currency exchange rates. The Company has entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

There was no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

#### 1) Foreign currency risk

The Company undertook transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arose. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets, monetary liabilities, and derivatives which are exposed to foreign currency risk at the end of the reporting period are set out in Note 37.

#### Sensitivity analysis

The Company was mainly exposed to currency fluctuations of the United States dollar (USD), Euro (EUR), Renminbi (RMB) and Japanese yen (JPY).

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar ("NTD", the functional currency) against relevant foreign currencies. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges. A positive number indicates an increase in pre-tax profit/loss or equity associated with the NTD strengthens 1% against the relevant currency. For a 1% weakening of the NTD against the relevant currency, there would be an equal and opposite impact on pre-tax profit/loss or equity, and the balances below would be negative.

	Pre-tax Profit or Loss		Equity	
<u>For the year ended</u>				
<u>December 31, 2021</u>				
USD	\$	127,034	\$(	81,967)
EUR	(	1,285)	(	6,355)
RMB	(	3,167)	(	63,337)
JPY	(	1,523)	(	2,953)

(Continued)

	Pre-tax Profit or Loss		Equity	
<u>For the year ended</u>				
<u>December 31, 2020</u>				
USD	\$	71,485	\$(	171,300)
EUR	(	210)	(	8,911)
RMB	(	1,039)	(	71,772)
JPY		2,455	(	5,154)
				(Concluded)

#### 2) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of reporting period were as follows:

	December 31	
	2021	2020
<b>Fair value interest rate risk</b>		
Financial assets	\$ 13,336,607	\$ 11,288,630
Financial liabilities	4,791,895	1,050,054
<b>Cash flow interest rate risk</b>		
Financial assets	16,449	17,118
Financial liabilities	-	-

#### Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the period was outstanding for the whole year. A sensitivity rate of 0.1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.1% higher/lower and all other variables were held constant, the Company's pre-tax profit/loss for the years ended December 31, 2021 and 2020 would have increased/decreased by a cash outflow of NT\$16 thousand and a cash inflow of NT\$17 thousand, respectively.

#### 3) Other price risk

The Company was exposed to equity price risk through its investments in convertible bonds, warrants, domestic listed shares and emerging market shares, domestic unlisted shares, overseas listed shares and overseas unlisted shares.

If equity prices had been 1% higher/lower, pre-tax

profit for the years ended December 31, 2021 and 2020 would have increased/decreased by NT\$3,348 thousand and NT\$3,369 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by NT\$27,700 thousand and NT\$16,291 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

### b. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparty to discharge an obligation and financial guarantees provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets. The Company does not issue any financial guarantee involving credit risk.

The Company basically adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The credit risk information of trade receivables is disclosed in the Note 10.

### c. Liquidity risk

The Company manages liquidity risk to ensure that the Company possesses sufficient financial flexibility by maintaining adequate reserves of cash and cash equivalents and reserving financing facilities, and also monitors liquidity risk of shortage of funds by the maturity date of financial instruments and financial assets.

#### 1) Liquidity risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

## December 31, 2021

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Short-term borrowings	\$ 1,600,000	\$ 1,000,000	\$ -
Notes and trade payables	458,738	5,005,800	-
Other payables	3,031,207	1,825,812	-
Lease liabilities	14,303	46,150	145,760
Agency receipts	48,309	-	-
Long-term borrowings	-	-	2,000,000
Guarantee deposits received	-	-	162,064
	<u>\$ 5,152,557</u>	<u>\$ 7,877,762</u>	<u>\$ 2,307,824</u>

## December 31, 2020

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Short-term borrowings	\$ 800,000	\$ 100,000	\$ -
Notes and trade payables	837,478	5,191,234	-
Other payables	3,534,363	2,154,849	-
Lease liabilities	23,538	55,971	84,711
Agency receipts	63,791	-	-
Guarantee deposits received	-	-	169,650
	<u>\$ 5,259,170</u>	<u>\$ 7,502,054</u>	<u>\$ 254,361</u>

**2) Liquidity risk tables for derivative financial instruments**

The following table details the Company's liquidity analysis for its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

## December 31, 2021

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<b>Net settled</b>			
Foreign exchange contracts	\$ <u>10,091</u>	\$ <u>-</u>	\$ <u>-</u>
<b>Gross settled</b>			
Foreign exchange contracts			
Inflows	\$ 25,491,810	\$ -	\$ -
Outflows	( 25,477,732)	-	-
	<u>\$ 14,078</u>	<u>\$ -</u>	<u>\$ -</u>

## December 31, 2020

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<b>Net settled</b>			
Foreign exchange contracts	\$ <u>31,550</u>	\$ <u>-</u>	\$ <u>-</u>
<b>Gross settled</b>			
Foreign exchange contracts			
Inflows	\$ 21,228,990	\$ -	\$ -
Outflows	( 21,174,628)	-	-
	<u>\$ 54,362</u>	<u>\$ -</u>	<u>\$ -</u>

**3) Bank credit limit**

	December 31	
	2021	2020
Unsecured bank general credit limit		
Amount used	\$ 2,780,007	\$ 1,173,605
Amount unused	<u>9,137,538</u>	<u>12,942,388</u>
	<u>\$ 11,917,545</u>	<u>\$ 14,115,993</u>
Secured bank overdraft facilities:		
Amount used	\$ 2,000,000	\$ -
Amount unused	<u>3,000,000</u>	<u>5,000,000</u>
	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

Amount used included short-term borrowings, long-term borrowings, guarantees for customs duties and patent litigation.

**33. RELATED-PARTY TRANSACTIONS**

Balances, transactions, revenue and expenses between HTC and its subsidiaries, which are related parties of HTC, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

**The Names and Relationships of Related-parties**

Related-party	Relationship with the Company
VIA Technologies Inc.	Its chairman is HTC's director
Xander International Corp.	Its chairman is HTC's director
VIA Labs, Inc.	Its chairman is HTC's director
Way Chih Investment Co., Ltd.	Its director is HTC's chairwoman
HTC Education Foundation	Its chairman is HTC's director
Nan Ya Plastics Corporation	Its director and HTC's chairwoman are relatives
Employees' Welfare Committee	Employees' Welfare Committee of HTC
VIA Technologies (China) Co., Ltd.	The chairman of its parent company is HTC's director
VIA Technologies (Shenzhen) Co., Ltd.	The chairman of its parent company is HTC's director
Premier Investment & Consultant (Shanghai) Co., Ltd.	Its chairwoman is HTC's chairwoman

(Continued)

Related-party	Relationship with the Company
Chengdu Weiai New Economic Technology Institute	Subsidiary of associates
Weishang Electronics (Shanghai) Co., Ltd.	Related party in substance
Kun Chang Investment Co., Ltd.	Its director is HTC's chairwoman
Shanghai Property Management (Shanghai) Co., Ltd.	Related party in substance
Shanghai Property Management (Shenzhen) Co., Ltd.	Subsidiary of related party in substance
TVBS Media Inc.	Its chairman is HTC's director
HTC Social Welfare and Charity Foundation	Its chairman is HTC's director

(Concluded)

**Operating Sales**

	For the Year Ended December 31	
	2021	2020
Other related parties	<u>\$ 3,934</u>	<u>\$ 27,487</u>

For sales other than those that are made solely to related parties, the terms and prices offered to related parties are more favorable than those to third parties.

**Purchase**

	For the Year Ended December 31	
	2021	2020
Other related parties	<u>\$ 6,084</u>	<u>\$ 4,846</u>

The following balances of trade payables from related parties were outstanding at the end of the reporting period:

	December 31	
	2021	2020
Other related parties	<u>\$ 1,262</u>	<u>\$ 1,652</u>

Purchase prices for related parties and third parties were similar. The outstanding balance of trade payables to related parties are unsecured and will be settled in cash.

**Compensation of Key Management Personnel**

	For the Year Ended December 31	
	2021	2020
Short-term benefits	\$ 94,529	\$ 189,169
Post-employment benefits	951	1,912
Share-based payments	<u>23,942</u>	<u>11,107</u>
	<u>\$ 119,422</u>	<u>\$ 202,188</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

### Lease Liabilities

	December 31	
	2021	2020
VIA Technologies (China) Co., Ltd.	\$ 13,840	\$ 26,117
Premier Investment & Consultant (Shanghai) Co., Ltd.	17,461	27,941
Weishang Electronics (Shanghai) Co., Ltd.	<u>-</u>	<u>41,788</u>
	<u>\$ 31,301</u>	<u>\$ 95,846</u>

### Finance Costs

	For the Year Ended December 31	
	2021	2020
VIA Technologies (China) Co., Ltd.	\$ 916	\$ 953
Premier Investment & Consultant (Shanghai) Co., Ltd.	983	2,327
Weishang Electronics (Shanghai) Co., Ltd.	<u>1,132</u>	<u>2,013</u>
	<u>\$ 3,031</u>	<u>\$ 5,293</u>

### Lease Expense

	For the Year Ended December 31	
	2021	2020
VIA Technologies (China) Co., Ltd.	\$ 886	\$ 1,785
Other related parties	<u>1,128</u>	<u>3,451</u>
	<u>\$ 2,014</u>	<u>\$ 5,236</u>

The Company leased offices, staff dormitory and meeting rooms owned by VIA Technologies (China) Co., Ltd., Weishang Electronics (Shanghai) Co., Ltd., Premier Investment & Consultant (Shanghai) Co., Ltd. and other related party under an operating lease agreement,

respectively. The rental payment is determined at the prevailing rates in the surrounding area.

### Acquisitions of Property, Plant and Equipment

	Price	
	For the Year Ended December 31	
	2021	2020
Other related parties	<u>\$ 91</u>	<u>\$ 84</u>

### Other Related-party Transactions

Other related parties provide property management, digital photography and consultancy service. The costs and fees were NT\$8,763 thousand and NT\$13,706 thousand for the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the outstanding balances of other payables to related parties were NT\$1,062 thousand and NT\$709 thousand, respectively.

The Company collects property management fees, utility fees, disposal of restricted assets and processing charges from other related companies. Other income was NT\$9,509 thousand and NT\$10,865 thousand for the years ended December 31, 2021 and 2020, respectively.

### 34. PLEDGED ASSETS

As of December 31, 2021 and 2020, time deposits and demand deposits classified as other financial assets totaled NT\$161,525 thousand and NT\$237,521 thousand, respectively. These deposits were provided as collateral for rental deposits, customs duties, patent litigation, supplier contract and performance bonds.

The following assets were pledged as collateral for bank borrowings:

	December 31	
	2021	2020
Property, plant and equipment		
Land	\$ 3,337,100	\$ 3,337,100
Buildings	1,077,194	1,171,670
Investment properties	<u>781,774</u>	<u>848,872</u>
	<u>\$ 5,196,068</u>	<u>\$ 5,357,642</u>

### 35. COMMITMENTS, CONTINGENCIES AND SIGNIFICANT CONTRACTS

- The Company and IPCom GmbH & Co. KG (“IPCom”) were involved in patent litigations in a number of jurisdictions, including Germany and the UK. The parties have decided to resolve their dispute and reached a settlement in Q4 2021. As a result, both sides have withdrawn all existing lawsuits.
- On the basis of its past experience and consultations with its legal counsel, the Company has measured the possible effects of the contingent lawsuits on its business and financial condition.

### 36. OTHER ITEMS

Due to the impact of the COVID-19 pandemic for the

	December 31			
	2021		2020	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<b>Financial assets</b>				
Monetary items				
USD	\$ 957,221	27.68	\$ 940,845	28.50
EUR	80,495	31.30	61,653	35.04
JPY	5,194,712	0.2404	4,110,707	0.2764
RMB	1,858,227	4.34	1,658,768	4.38
Non-monetary items				
USD	107,999	27.68	64,249	28.50
RMB	12,717	4.34	12,717	4.38
Investments accounted for using the equity method				
USD	4,833	27.68	16,021	28.50
RMB	21,433	4.34	21,263	4.38
<b>Financial liabilities</b>				
Monetary items				
USD	901,370	27.68	769,458	28.50
EUR	56,167	31.30	53,755	35.04
JPY	4,248,025	0.2404	4,740,907	0.2764
RMB	791,716	4.34	635,223	4.38

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange gain (loss) were NT\$130,661 thousand and NT\$(69,535) thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of foreign currency transactions and functional currencies of the Company’s entities.

years ended December 31, 2021 and 2020, some of the Company’s subsidiaries, customers and suppliers were forced to implement quarantine measures. After an overall assessment by the management, there was no significant impact on the Company’s operation, financial statements and the going concern assumption.

### 37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information includes foreign currencies other than functional currencies of the group entities. Exchange rates between foreign currencies and respective functional currencies are disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

### 38. SIGNIFICANT CONTRACTS

The Company specializes in the research, design, manufacture and sale of smart mobile devices and virtual reality devices. To enhance the quality of its products and manufacturing technologies, the Company has patent

agreements, as follows:

Contract Type	Contractor	Term	Description	Restrictive Covenants
Patent License	Qualcomm Incorporated	December 20, 2000 to the following dates:  a. If the Company materially breaches any agreement terms and fails to take remedial action within 30 days after Qualcomm's issuance of a written notice, the Company will be prohibited from using Qualcomm's property or patents.  b. Any time when the Company is not using any of Qualcomm's intellectual property, the Company may terminate this agreement upon 60 days' prior written notice to Qualcomm.	Authorization to use CDMA technology to manufacture and sell units, royalty payment based on agreement.	No
Patent License	InterDigital Technology Corporation	December 31, 2003 to the expiry dates of these patents stated in the agreement.	Authorization to use TDMA and CDMA technologies; royalty payment based on agreement.	No
Patent License	KONINKLIJKE PHILIPS NV.	December 23, 2019 - December 31, 2024	Authorization to use UMTS/LTE patents and portable feature patents; royalty payment based on agreement.	No

### 39. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities) (Table 1)
- 4) Marketable securities acquired or disposed of at cost or prices of at least NT\$300 million or 20% of the paid-in capital (Table 2)
- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital (Table 3)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (Note 7)
- 10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and significant transactions between them (Table 9)

11) Information on investees (Table 6)

b. Information on investments in mainland China

- 1) Information on investee companies in mainland China, including the name, principal business activities, paid-in capital, accounting method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in mainland China (Table 7)
- 2) Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, their prices, payment terms and unrealized gains or losses (Table 8):
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
  - c) The amount of property transactions and the amount of the resulting gains or losses
  - d) The balance of negotiable instrument endorsements, guarantees or pledges of collateral at the end of the year and their purposes
  - e) The most significant balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

c. Information of major shareholders: Names of shareholders with ownership of 5% or more, number of shares owned and the percentage of ownership of each shareholder (Table 10).

December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Customer A	\$ 423,049	\$ 569,680
Customer B	<u>573,506</u>	<u>478,224</u>
	<u>\$ 996,555</u>	<u>\$ 1,047,904</u>

### 40. SEGMENT INFORMATION

The Company's operations are mainly focused in the areas of research, design, manufacturing and sale of smart mobile and virtual reality devices. Revenue from these operations makes up more than 90% of the total revenue.

Operating segment financial information was as follows:

#### Geographical Areas

The Company's non-current assets (other than financial instruments, deferred tax assets and post-employment benefit assets) by country as of December 31, 2021 and 2020 were as follows:

	December 31	
	2021	2020
Taiwan	\$ 8,714,368	\$ 9,085,082
Country Z	612,786	92,524
Country X	61,617	196,083
Others	<u>703,311</u>	<u>733,439</u>
	<u>\$ 10,092,082</u>	<u>\$ 10,107,128</u>

The countries that accounted for 10% or more of consolidated total revenues for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Taiwan	\$ 700,375	\$ 1,111,152
Country Z	1,897,834	2,104,366
Country X	855,269	406,802
Others	<u>1,799,801</u>	<u>2,183,388</u>
	<u>\$ 5,253,279</u>	<u>\$ 5,805,708</u>

#### Major Customer

External customers which accounted for 10% or more of the Company's total revenues for the years ended

**HTC CORPORATION AND SUBSIDIARIES****TABLE 1**

## MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES)

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
HTC Corporation	<u>Listed shares</u>							
	VIA Technologies, Inc.	Its chairman is HTC's director	Financial assets at fair value through other comprehensive income - non-current	8.5	\$ 734	-	\$ 734	
	<u>Unlisted shares</u>							
	Hua-Chuang Automobile Information Technical Center Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	Note 1
	Bandrich, Inc.	-	"	2,025	1,661	9.96	1,661	
H.T.C. (B.V.I.) Corp.	<u>Unlisted equity investments</u>							
	SoundHound Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,050	-	3.17	-	
	GSUO Inc.	-	"	30,888	-	10.32	-	
	KKBOX Inc.	-	"	1.19	263,985	8.28	263,985	
	Magnet Systems, Inc.	-	"	5,560	2,624	17.10	2,624	
	High Fidelity, Inc.	-	"	451	32,270	1.40	32,270	
	WEVR, Inc.	-	"	2,916	331,227	17.01	331,227	
	Radd3, Inc.	-	"	935	-	6.24	-	
	MobiSocial Incorporated	-	"	121	6,990	0.41	6,990	
	EMISSIVE	-	"	17	29,910	-	29,910	
	MyndVR Inc.	-	"	700	8,305	2.45	8,305	
	Baobab Studios Inc.	-	"	434	48,446	1.90	48,446	
	WI Harper Fund VII	-	"	-	130,711	-	130,711	
	TransLink Capital Fund Partners II, L.P.	-	"	-	404,788	-	404,788	
	WI Harper Fund IX	-	"	-	25,028	-	25,028	
	Race capital	The co-founder of the fund is a senior executive of the company	"	-	222,098	-	222,098	
		<u>Convertible bonds</u>						
	Bitmark Inc.	-	Financial assets at fair value through profit or loss - non-current	-	13,843	-	13,843	
	Steelwool	-	"	-	6,782	-	6,782	
	Cognitive VR	-	"	-	6,921	-	6,921	
HTC Investment Corporation	<u>Unlisted shares</u>							
	Luminous Optical Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	501	28,131	10.02	28,131	Note 2
	<u>Listed shares</u>							
	Sino-American silicon products Inc.	-	Financial assets at fair value through other comprehensive income - non-current	65	15,340	0.01	15,340	
	<u>Emerging market shares</u>							
	HLJ technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	948	13,961	1.02	13,961	
HTC Investment (BVI) Corp.	<u>Listed shares</u>							
	Intuit Inc.	-	Financial assets at fair value through other comprehensive income - current	1.5	26,638	-	26,638	

(Continued)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
HTC Investment (BVI) Corp.	<u>Liseth shares</u>							
	Coinbase Global, Inc.	-	Financial assets at fair value through other comprehensive income - current	7	\$ 50,798	-	\$ 50,798	
	<u>Unlisted equity investments</u>							
	Lumus Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	28	41,525	0.50	41,525	
	Event X	-	"	1,466	110,732	6.80	110,732	
	Imverse SA	-	"	-	30,058	-	30,058	
	Felicis Ventures II LP	-	"	-	251,661	-	251,661	
	Rothenberg Ventures 2015 Fund, LLC	-	"	-	42,187	-	42,187	
	Presence Capital Fund I, LP	-	"	-	109,296	-	109,296	
	Ally Bridge Group	-	"	-	206,086	-	206,086	
	Ally Bridge Group-CMRCO	-	"	-	192,729	-	192,729	
	<u>Convertible bonds</u>							
	Modrokr Inc.	-	Financial assets at fair value through profit or loss - non-current	-	166,099	-	166,099	
	Canopy Technologies Limited	-	"	-	6,921	-	6,921	
HTC VIVE Investment (BVI) Corp.	<u>Unlisted shares</u>							
	Drop Software Inc.	-	Financial assets at fair value through other comprehensive income - non-current	813	-	10.00	-	
	Fish Bowl VR, Inc.	-	"	36	554	6.00	554	
	Apmetrix, Inc.	-	"	36	-	2.74	-	
	CleVR Forever, Inc.	-	"	300	-	3.33	-	
	Immersv, Inc.	-	"	655	9,984	2.21	9,984	
	Surreal VR, Inc.	-	"	644	-	7.03	-	
	Augmented Intelligence, Inc.	-	"	700	1,385	7.00	1,385	
	Opaque Productions, Inc.	-	"	1	2,768	8.00	2,768	
	Glowstick Entertainment Inc.	-	"	800	1,661	8.00	1,661	
	KALEIDOSCOPE VR INC.	-	"	700	-	7.00	-	
	LyraVR, Inc.	-	"	81	1,661	7.50	1,661	
	BreqLabs, Inc.	-	"	261	692	8.00	692	
	LumiereVR, Inc	-	"	870	692	8.00	692	
	The Metaverse Channel Inc.	-	"	8	692	8.00	692	
	Metaverse Technology Limited	-	"	8	720	8.00	720	
	Subdream Studios Inc.	-	"	45	-	1.00	-	
	Appnori Inc.	-	"	-	1,938	7.02	1,938	
	Snobal Pty Ltd	-	"	-	1,107	6.54	1,107	
	VRANI Inc.	-	"	17	1,385	4.00	1,385	
COGNITIVE VR INC.	-	"	280	-	2.01	-		
Limitless Entertainment, Limited	-	"	24	-	0.75	-		
AuroraTech Company	-	"	800	-	8.00	-		
Realiteer Corp.	-	"	720	-	6.00	-		
Construct Studio Inc.	-	"	565	-	7.00	-		

(Continued)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
HTC VIVE Investment (BVI) Corp.	<u>Unlisted shares</u>							
	Forbidden Mechanism Inc.	-	Financial assets at fair value through other comprehensive income - non-current	354	\$ -	10.00	\$ -	
	Hyperfair Inc.	-	"	835	-	4.00	-	
	bHaptics Inc.	-	"	9	28	3.00	28	
	Opaque X PTY LTD	-	"	1	2,768	7.50	2,768	
	Xikaku Inc.	-	"	600	1,938	6.00	1,938	
	Broken Colors Inc.	-	"	-	-	6.02	-	
	Soccer Science, S.L.	-	"	6	-	5.00	-	
	Fitix Visualization Ltd	-	"	129	-	6.00	-	
	PlusOne, Inc.	-	"	538	-	7.00	-	
	Invrse Reality Limited	-	"	1,600	-	8.00	-	
	ByondVR LTD	-	"	18	-	1.50	-	
	Wondergate holding (Cayman) Limited	-	"	2,041	-	2.00	-	
	Intugame Inc.	-	"	490	678	7.00	678	
	ThermoReal Inc.	-	"	0.18	1,385	3.00	1,385	
	Mixed Realms Pte. Ltd.	-	"	-	1,661	4.00	1,661	
	Red Pill Lab Ltd.	-	"	50	1,385	8.00	1,385	
	COVER CORPORATION	-	"	5	1,273	1.43	1,273	
	VRCOLLAB PTE. LTD.	-	"	1	1,661	8.00	1,661	
	Looxid Labs Inc.	-	"	2	289	1.00	289	
	360Stories Corp.	-	"	213	1,938	-	1,938	
	Z-Emotion	-	"	-	138	-	138	
	eLoupes, Inc.	-	"	959	7,474	-	7,474	
	Fable Studio Inc.	-	"	-	4,152	-	4,152	
	Maze Theory Ltd.	-	"	34	3,239	2.92	3,239	
	DatavizVR	-	"	-	4,152	-	4,152	
	Neurable Inc.	-	"	67	3,322	-	3,322	
	Nanome Inc.	-	"	80	4,152	-	4,152	
	Mindesk Inc.	-	"	944	3,322	-	3,322	
	Karuna Labs	-	"	211	4,152	1.90	4,152	
	Talespin LLC	-	"	1,116	8,304	0.76	8,304	
	Vivid Vision	-	"	-	4,152	-	4,152	
	<u>Convertible bonds</u>							
	Drop Software Inc.	-	Financial assets at fair value through profit or loss - non-current	-	2,215	-	2,215	
	Fish Bowl VR, Inc.	-	"	-	2,768	-	2,768	
	Apmetrix, Inc.	-	"	-	5,537	-	5,537	
	CleVR Forever, Inc.	-	"	-	3,322	-	3,322	
	Surreal VR, Inc.	-	"	-	3,322	-	3,322	
	Realiteer Corp.	-	"	-	2,768	-	2,768	
	KALEIDOSOPE VR INC.	-	"	-	3,322	-	3,322	

(Continued)

Holding Company	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	At the End of the Year				Note
				Shares (In Thousand)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
HTC VIVE Investment (BVI) Corp.	<u>Convertible bonds</u>							
	COGNITIVEVR INC.	-	Financial assets at fair value through profit or loss - non-current	-	\$ 3,322	-	\$ 3,322	
	Limitless Entertainment, Limited	-	"	-	4,152	-	4,152	
	AuroraTech Company	-	"	-	2,076	-	2,076	
	Construct Studio Inc.	-	"	-	3,322	-	3,322	
	Forbidden Mechanism Inc.	-	"	-	5,537	-	5,537	
	Hyperfair Inc.	-	"	-	3,322	-	3,322	
	Broken Colors Inc.	-	"	-	1,385	-	1,385	
	Soccer Science, S.L.	-	"	-	2,076	-	2,076	
	Fitix Visualization Ltd	-	"	-	1,385	-	1,385	
	PlusOne, Inc.	-	"	-	1,385	-	1,385	
	Invrse Reality Limited	-	"	-	2,076	-	2,076	
	ByondVR LTD	-	"	-	2,768	-	2,768	
	Cloudgate Studio, Inc.	-	"	-	3,322	-	3,322	
	Apelab, Inc.	-	"	-	4,152	-	4,152	
	Quantum Capture	-	"	-	4,152	-	4,152	
	Intugame Inc.	-	"	-	2,644	-	2,644	
	Pillow's Willow VR Studios B.V.	-	"	-	2,076	-	2,076	
	Modal System Inc.	-	"	-	2,768	-	2,768	
	MyndVR LLC	-	"	-	3,799	-	3,799	
	Immersv, Inc.	-	"	-	2,686	-	2,686	
	Yerba Buena VR	-	"	-	2,768	-	2,768	
	Prime Software	-	"	-	2,768	-	2,768	
	Kagenova Ltd	-	"	-	3,659	-	3,659	
	JCR Group Ltd	-	"	-	4,600	-	4,600	
	Extended Reality	-	"	-	4,152	-	4,152	
	ORamaVR	-	"	-	4,152	-	4,152	
	Imaged Reality	-	"	-	4,770	-	4,770	
	<u>Exchange contracts</u>							
	Realities.io Inc.	-	Financial assets at fair value through profit or loss - non-current	-	3,322	-	3,322	
	Subdream Studios Inc.	-	"	-	4,152	-	4,152	
	Rogue Initiative, LLC	-	"	-	5,537	-	5,537	
	Directive Games Limited	-	"	-	1,385	-	1,385	
	Visby Camera Corporation	-	"	-	2,768	-	2,768	
	LIV Inc.	-	"	-	2,768	-	2,768	
	Six Degrees Space Ltd	-	"	-	1,661	-	1,661	
	Tvori Inc.	-	"	-	4,152	-	4,152	

Note 1: Hua-Chuang Automobile Information Technical Center Co., Ltd. increased its share capital on August 17, 2020. The Group did not subscribe for these newly issued shares at its existing ownership percentage, thus its shareholding ratio decreased.

Note 2: Luminous Optical Technology Co., Ltd. reduced its share capital on December 2, 2021. The Group reduced share capital at its existing ownership percentage, hence, the total number of shares held decreased but the shareholding ratio remained the same.

(Concluded)



**TABLE 2****HTC CORPORATION AND SUBSIDIARIES**

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

													(In Thousands of New Taiwan Dollars)			
Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance (Note)				
					Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares (In Thousands)	Amount		
HTC America Holding Inc.	HTC America Inc.	Consolidated individual	Reduction of capital and return of investments	Subsidiary	1	\$ 6,339,209	-	\$ -	-	\$ 4,982,940	\$ 4,982,940	\$ -	1	\$ 972,892		
HTC Europe Co., Ltd.	HTC America Holding Inc.	Consolidated individual	Reduction of capital and return of investments	Subsidiary	371,617	8,259,397	-	-	-	5,536,600	5,536,600	-	371,617	2,239,662		

Note: The amount at the end of the period includes the share of profit and loss and other comprehensive income from subsidiaries and associates accounted for using the equity method.

**TABLE 3****HTC CORPORATION AND SUBSIDIARIES**

ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COST OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

													(In Thousands of United States Dollars)			
Company Name	Types of Property	Transaction Date	Transaction Amount		Payment Term	Counterparty	Nature of Relationships	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms		
			US\$	Amount				Owner	Relationships	Transfer Date	Amount					
HTC America Holding Inc.	US real estate	2021.01.22	US\$ 16,450	16,450	Paid in full	Shattuck Office, LLC	-	-	-	\$ -	According to the appraisal report from the real estate appraisal company, the price is based on US\$16,700	Office needs	-			

**TABLE 4****HTC CORPORATION AND SUBSIDIARIES**

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

													(In Thousands of New Taiwan Dollars)			
Company Name	Related Party	Nature of Relationship	Transaction Details		% of Total	Payment Terms	Unit Price	Abnormal Transaction		Notes/Accounts Payable or Receivable						
			Purchase/Sale	Amount				Payment Terms	Unit Price	Ending Balance	% of Total	Note				
HTC Corporation	HTC America Inc.	Grandson company	Sales	\$( 1,491,123)	( 32)	60 days	More favorable than unrelated parties	Similar to unrelated parties	\$ 286,127	52						
	HTC Communication Co., Ltd.	Grandson company	Sales	( 666,709)	( 14)	30 days	More favorable than unrelated parties	Similar to unrelated parties	2,179	-						
	HTC NIPPON Corporation	Grandson company	Sales	( 195,635)	( 4)	45 days	More favorable than unrelated parties	Similar to unrelated parties	43,821	8						
HTC America Inc.	HTC Corporation	Parent company	Purchases	1,491,123	99	60 days	No comparable unrelated parties	Similar to unrelated parties	( 286,127)	( 99)						
HTC Communication Co., Ltd.	HTC Corporation	Parent company	Purchases	666,709	99	30 days	No comparable unrelated parties	Similar to unrelated parties	( 2,179)	(100)						
HTC NIPPON Corporation	HTC Corporation	Parent company	Purchases	195,635	99	45 days	No comparable unrelated parties	Similar to unrelated parties	( 43,821)	(100)						

TABLE 5

## HTC CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debt
					Amount	Action Taken		
HTC Corporation	HTC America Inc.	Grandson company	\$ 286,127	4.88	\$ -	-	\$ 274,006	\$ -
HTC EUROPE CO., LTD.	HTC Corporation	Parent company	369,354	0.76	-	-	963	-
HTC (Australia and New Zealand) PTY LTD.	HTC Corporation	Parent company	180,227	0.10	-	-	-	-
HTC HK, Limited	HTC Corporation	Parent company	134,461	0.03	-	-	-	-
HTC America Innovation Inc.	HTC Corporation	Parent company	179,505	0.78	-	-	-	-

TABLE 6

## HTC CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENTS IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Business Activity	Original Investment Amount		At the End of the Year			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Beginning Balance	Ending Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
HTC Corporation	H.T.C. (B.V.I.) Corp.	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	International holding company and general investing activities	\$ 4,517,708	\$ 4,517,708	1,476,202	100.00	\$ 2,199,052	\$ ( 393,530)	\$ ( 393,530)	
	High Tech Computer Asia Pacific Pte. Ltd.	#13-00 Robinson 77 Singapore 068896	International holding company; marketing, repair and after-sales services	17,202,180	17,202,180	562,534	100.00	20,383,727	172,466	172,466	Note 1
	HTC Investment Corporation	1F, No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	General investing activities	300,000	300,000	30,000	100.00	146,395	95	95	
	PT. High Tech Computer Indonesia	PLAZA SEMANGGI 7th Floor, unit No. Z07-006 Kawasan Bisnis Granadha Jl. Jend. Sudirman Kav. 50 Jakarta-12930 Indonesia	Marketing, repair and after-sales services	62	62	2	1.00	62	( 15,527)	-	
	HTC Holding Cooperatief U.A.	Herikerbergweg 88, 1101CM Amsterdam, the Netherlands	International holding company	13	13	-	0.01	13	62,190	-	
	HTC Investment One (BVI) Corporation	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	Holding S3 Graphics Co., Ltd. and general investing activities	10,006,434	10,006,434	333,733	100.00	368,239	89,136	89,136	
	HTC Investment (BVI) Corp.	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	General investing activities	832,990	832,990	26,000	100.00	3,611,491	685,480	685,480	
	HTC VIVE Holding (BVI) Corp.	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	International holding company	234,324	234,324	7,000	100.00	186,960	( 1,519)	( 1,519)	
	HTC VIVE Investment (BVI) Corp.	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	General investing activities	302,807	302,807	10,000	100.00	287,625	( 36)	( 36)	
	DeepQ Holding (BVI) Corp.	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	International holding company	498,565	498,565	16,500	100.00	336,764	( 67,270)	( 67,270)	
	HTC Smartphone (BVI) Corp.	3rd Floor, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands, VG1110	International holding company	1,004	1,004	33	100.00	564	( 94)	( 94)	
	HTC VR Content (BVI) Corp.	3rd Floor, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands, VG1110	International holding company	52,518	52,518	1,710	100.00	44,059	( 1,690)	( 1,690)	
	REIGN Technology Corporation	12F, No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Construction, application and after-sales services of 5G	40,000	-	4,000	100.00	32,049	( 7,951)	( 7,951)	Note 10

(Continued)

Investor Company	Investee Company	Location	Main Business Activity	Original Investment Amount		At the End of the Year			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Beginning Balance	Ending Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
HTC Corporation	Viveport Digital Corporation	11F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Interactive scenario experience services	\$ 60,000	\$ -	6,000	100.00	\$ 42,945	\$ ( 17,055)	\$ ( 17,055)	Note 11
H.T.C. (B.V.I.) Corp.	East West Artists, LLC	5200 W Century Blvd Suite 701, Los Angeles, CA 90045, US	Human resources management	38,386	38,386	1,200	30.00	-	( 7,603)	-	
	Steel Wool Games Inc.	95 Linden St Suite 4, Oakland, CA 94607	Development of virtual reality contents	171,870	171,870	10,822	49.00	61,081	1,965	963	Note 4
	Surgical Theater, LLC	781 BETA DRIVE MAYFIELD VILLAGE, OHIO 44143 USA	Development of virtual reality contents	437,595	352,456	46	16.30	-	( 304,091)	( 49,567)	Note 5
	MOR Museum Inc.	1601-1252 Hornby Street, Vancouver, BC V6Z 0A3 Canada	Development of virtual reality contents	49,344	49,344	437	25.00	5,653	( 7,782)	( 1,945)	Note 6
	Engage XR Holdings PLC	Unit 9 Cleaboy Business Park, Old Kilmeaden Road, Waterford X91 Ax83, Ireland	Development of virtual reality contents	100,943	100,943	48,284	16.64	67,054	( 107,142)	( 17,828)	Note 9
High Tech Computer Asia Pacific Pte. Ltd.	HTC (Australia and New Zealand) PTY LTD.	SUITE 1 LEVEL 7, 460-62 YORK STREET, SYDNEY NSW 2000	Marketing, repair and after-sales services	117,871	117,871	400	100.00	188,773	600	600	
	HTC Philippines Corporation	UNIT 32 3/F WORLDNET BUSINESS CENTER ZETA BLDG 191, SALCEDO ST LEGASPI VILLAGE, MAKATI CITY 1229	Marketing, repair and after-sales services	6,596	6,596	859	100.00	5,772	-	-	
	PT. High Tech Computer Indonesia	PLAZA SEMANGGI 7th Floor, unit No. Z07-006 Kawasan Bisnis Granadha Jl. Jend. Sudirman Kav. 50 Jakarta-12930 Indonesia	Marketing, repair and after-sales services	6,122	6,122	186	99.00	3,796	( 15,527)	( 15,527)	
	HTC (Thailand) Limited	No. 87/1 Unit 1604-6, 16th Floor, Capital Tower, All Seasons Place, Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Thailand	Marketing, repair and after-sales services	23,427	23,427	10,000	100.00	41,698	( 553)	( 553)	
	HTC India Private Limited	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Expention Road, Gurugram, Haryana-122002	Marketing, repair and after-sales services	4,094	4,094	495	99.00	137,483	( 4,058)	( 4,017)	
	HTC Malaysia Sdn. Bhd.	UNIT 30-01, LEVEL 30, TOWER A, VERTICAL BUSINESS SUITE, AVENUE 3, BANGSAR SOUTH, NO. 8, JALAN KERINCHI, 59200 KUALA LUMPUR, MALAYSIA	Marketing, repair and after-sales services	2,313	2,313	25	100.00	20,971	360	360	
	HTC HK, Limited	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	International holding company; marketing, repair and after-sales services	151,634	151,634	37,626	100.00	4,256,584	43,687	43,687	
	HTC Holding Cooperatief U.A.	Herikerbergweg 88, 1101CM Amsterdam, the Netherlands	International holding company	6,815,370	6,815,370	-	99.99	9,666,169	62,190	62,190	Note 2
	HTC Vietnam Services One Member Limited Liability Company	Room 909, 9th Floor, Miss Ao Dai Building, 21 Nguyen Trung Ngan, Ben Nghe Ward, District 1, Ho Chi Minh City, Viet Nam.	Marketing, repair and after-sales services	-	5,981	-	-	-	( 5,666)	( 5,666)	Note 12
	HTC Myanmar Company Limited	No. 174-182, Pansodan Road (Middle Block), Kyauktada Township, Yangon, Myanmar	Marketing, repair and after-sales services	-	3,003	-	-	-	-	-	Note 13
HTC Investment One (BVI) Corporation	S3 Graphics, Co., Ltd.	P.O. Box 709 George Town Grand Cayman	Design, research and development of graphics technology	9,033,450	9,033,450	386,339	100.00	86,125	( 131)	( 131)	
HTC HK, Limited	HTC Myanmar Company Limited	No. 174-182, Pansodan Road (Middle Block), Kyauktada Township, Yangon, Myanmar	Marketing, repair and after-sales services	-	30	-	-	-	-	-	Note 13
HTC Holding Cooperatief U.A.	HTC Servicios DE Operacion Mexico, S.A DE CV.	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	Human resources management	37	37	0.5	1.00	45	27	-	
	HTC Netherlands B.V.	Herikerbergweg 88, 1101CM Amsterdam, the Netherlands	International holding company; marketing, repair and after-sales services	7,050,037	7,050,037	143,882	100.00	9,676,909	62,575	62,575	Note 2
	HTC India Private Limited	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Expention Road, Gurugram, Haryana-122002	Marketing, repair and after-sales services	39	39	5	1.00	1,389	( 4,058)	( 41)	
	HTC South Eastern Europe Limited liability Company	Kifissias 90, Marousi 15125, Athens, Greece	Marketing, repair and after-sales services	1	1	-	0.67	15	-	-	
	HTC Communication Solutions Mexico, S.A DE CV.	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	Marketing, repair and after-sales services	25	25	0.5	1.00	58	192	2	
HTC Netherlands B.V.	HTC EUROPE CO., LTD.	Salamanca Wellington Street Slough Berkshire England SL1 1YP	International holding company; marketing, repair and after-sales services	4,462,260	4,462,260	104,061	100.00	8,624,509	29,774	29,774	Note 2

(Continued)

Investor Company	Investee Company	Location	Main Business Activity	Original Investment Amount		At the End of the Year			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Beginning Balance	Ending Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
HTC Netherlands BV.	HTC Belgium BVBA/SPRL	Havenlaan 86/c, box 204 - 1000 Brussels	Marketing, repair and after-sales services	\$ 783	\$ 783	18.55	100.00	\$ 18,843	\$ 828	\$ 828	
	HTC NIPPON Corporation	The CORNER Nihonbashi east 5th floor, 1-9-1, Nihonbashi Bakurocho, Chuo-ku, Tokyo	Sale of smart mobile devices and virtual reality devices	154,810	154,810	56	100.00	259,254	( 4,384)	( 4,384)	
	HTC FRANCE CORPORATION	83-85 boulevard de Charonne 75011 Paris	Marketing, repair and after-sales services	459,161	459,161	11,000	100.00	35,471	( 339)	( 339)	
	HTC South Eastern Europe Limited liability Company	Kifissias 90, Marousi 15125, Athens, Greece	Marketing, repair and after-sales services	176	176	0.15	99.33	2,171	-	-	
	HTC Nordic ApS.	c/o Redmark, Sommervej 31 C, Hasle, 8210 Aarhus V	Marketing, repair and after-sales services	5,345	5,345	80	100.00	10,021	96	96	
	HTC Italia SRL	c/o Studio Gargani & Associati, Via Nicolò Tartagli, 11, 00197 Roma, Italy	Marketing, repair and after-sales services	51,056	51,056	-	100.00	2,411	( 251)	( 251)	
	HTC Germany GmbH.	Mainzer Landstr. 49 60329 Frankfurt Germany	Marketing, repair and after-sales services	24,550	24,550	25	100.00	104,053	802	802	
	HTC Iberia S.L.	Conde de Vilches, 19, Madrid, 28028, Spain	Marketing, repair and after-sales services	9,402	9,402	3	100.00	22,702	( 282)	( 282)	
	HTC Poland sp. z o.o.	Jerozolimskie Business Park, Al. Jerozolimskie 146A, 02-305 Warszawa, Poland	Marketing, repair and after-sales services	2,301	2,301	4.7	100.00	3,777	291	291	
	HTC Communication Canada, Ltd.	2900-550 Burrard Street, Vancouver BC V6C 0A3, Canada	Marketing, repair and after-sales services	43,915	43,915	1,500	100.00	64,489	( 13)	( 13)	
	HTC Communication Sweden AB	C/o Revideco AB Drottningholmsvägen 22 112 42 Stockholm	Marketing, repair and after-sales services	4,533	4,533	1,000	100.00	5,439	49	49	
	HTC Luxembourg S.a.r.l.	46A Avenue John F. Kennedy L-1855 Luxembourg	Online/download media services	-	2,251,659	-	-	-	1,044	-	Note 7
	HTC Middle East FZ-LLC	DIC building no.3, office no.316, Dubai Internet City, Dubai	Marketing, repair and after-sales services	28,029	28,029	3.5	100.00	52,808	1,047	1,047	
	HTC Communication Solutions Mexico, S.A DE C.V.	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	Marketing, repair and after-sales services	2,460	2,460	49.5	99.00	5,740	192	190	
	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	Human resources management	3,690	3,690	49.5	99.00	4,433	27	27	
HTC EUROPE CO., LTD.	HTC America Holding Inc.	308 Occidental Ave S 3rd floor, Seattle, WA 98104	International holding company	11,903,132	11,903,132	371,617	100.00	2,239,662	8,580	8,580	Note 2
HTC America Holding Inc.	HTC America Inc.	308 Occidental Ave S 3rd floor, Seattle, WA 98104	Sale of smart mobile devices and virtual reality devices	5,162,115	5,162,115	1	100.00	972,892	50,365	50,365	Note 2
	One & Company Design, Inc.	308 Occidental Ave S 3rd floor, Seattle, WA 98104	Design, research and development of application software	191,052	191,052	60	100.00	2,618	-	-	
	HTC America Innovation Inc.	308 Occidental Ave S 3rd floor, Seattle, WA 98104	Design, research and development of application software	93,780	93,780	1	100.00	500,241	12,653	12,653	
	Dashwire, Inc.	850 New Burton Road, Suite 201 Dover DE 19904	Design and management of cloud synchronization technology	600,501	600,501	0.1	100.00	( 49,659)	-	-	
	HTC America Content Services, Inc.	308 Occidental Ave S 3rd floor, Seattle, WA 98104	Online/download media services	2,307,650	2,307,650	31	100.00	65,820	( 58,198)	( 58,198)	
	Inquisitive Minds, Inc	308 Occidental Ave S 3rd floor, Seattle, WA 98104	Development and sale of digital education platform	388,982	388,982	0.1	100.00	25,680	104	104	
HTC VIVE Holding (BVI) Corp.	HTC VIVE TECH (BVI) Corp.	3F, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands	International holding company	234,324	234,324	70,000	100.00	186,960	( 1,519)	( 1,519)	
HTC VIVE TECH (BVI) Corp.	HTC Vive Tech Corp.	8F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Research, development and sale of virtual reality devices	1,000	1,000	100	100.00	718	( 5)	( 5)	
	HTC VIVE TECH (HK) Limited	RM. 2401, 101 King's Road, Fortress Hill, Hong Kong	Research, development and sale of virtual reality devices	206,924	206,924	68,000	100.00	185,890	( 1,218)	( 1,218)	
HTC VIVE TECH (HK) Limited	VIVE Arts Limited	Salamanca, Wellington Street, Slough, Berkshire, United Kingdom SL1 1YP	Research, development and sale of virtual reality devices	182,325	182,325	6,000	100.00	165,639	( 686)	( 686)	Note 3

(Continued)

Investor Company	Investee Company	Location	Main Business Activity	Original Investment Amount		At the End of the Year			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Beginning Balance	Ending Balance	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
DeepQ Holding (BVI) Corp.	DeepQ (BVI) Corp.	3rd Floor, J & C Building P.O. Box 362 Road Town, Tortola British Virgin Islands, VG1110	International holding company	\$ 497,868	\$ 497,868	164,700	100.00	\$ 336,347	\$ ( 67,187)	\$ ( 67,187)	
DeepQ (BVI) Corp.	DeepQ Technology Corp.	13F., No. 207-5, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City	Medical technology and health care	395,212	395,212	39,521	100.00	256,753	( 64,296)	( 64,296)	
HTC Investment (BVI) Corp.	VRChat, Inc.	288 Bryn Mawr Cir, Houston TX 77024, USA	Development of virtual reality contents	391,860	391,860	79,257	36.20	790,267	( 95,769)	( 34,669) Note 8	
HTC VR Content (BVI) Corp.	Uomo vitruviano Corp.	11F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Development of virtual reality contents	50,000	50,000	5,000	100.00	42,178	( 1,595)	( 1,595)	

Note 1: The carrying amount includes unrealized profit of NT\$315,723 thousand at the end of the current period.  
Note 2: The carrying amount excludes unrealized profit of NT\$306,543 thousand at the end of the current period.  
Note 3: On February 3, 2021, VIVE Arts Limited changed its legal name. Its former name was HTC VIVE TECH (UK) Limited.  
Note 4: The Company determined that the carrying amounts were expected to be unrecoverable and thus recognized impairment losses of NT\$78,975 thousand for the current period.  
Note 5: The Company determined that the carrying amounts were expected to be unrecoverable and thus recognized impairment losses of NT\$213,434 thousand for the current period.  
Note 6: The Company determined that the carrying amounts were expected to be unrecoverable and thus recognized impairment losses of NT\$32,764 thousand for the current period.  
Note 7: The Company liquidated on June 14, 2021.  
Note 8: VRChat, Inc. issued new shares on June 25, 2021. The Group did not subscribe for these newly issued shares at its existing ownership percentage, which resulted in a decrease in its ownership interest from 50.37% to 36.20%. As the Group lost control over VRChat, Inc. and its subsidiary, this investment has since been accounted for using the equity method accordingly.  
Note 9: Engage XR Holdings PLC issued new shares on June 22, 2021. Its former name was VR Education Holdings PLC. The Group did not subscribe for such newly issued shares at its existing ownership percentage, which decreased its ownership interest from 20.00% to 16.64%. After the decrease, the Group continued to exercise significant influence; therefore, the equity method is still applied.  
Note 10: REIGN Technology Corporation was incorporated on September 30, 2021 and the Company holds 100% of its ordinary shares.  
Note 11: Viveport Digital Corporation was incorporated on October 1, 2021 and the Company holds 100% of its ordinary shares.  
Note 12: The Company liquidated on October 12, 2021.  
Note 13: The Company liquidated on November 24, 2021.

(Concluded)

**TABLE 7****HTC CORPORATION AND SUBSIDIARIES****INFORMATION ON INVESTMENTS IN MAINLAND CHINA**

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Investee Company	Main Business Activity	Total Amount of Paid-in Capital		Investment Type	Accumulated Outflow of Investment from Taiwan as of the Beginning of the Year	Investment Flows		Accumulated Outflow of Investment from Taiwan as of the End of the Year	Net Income (Loss) of the Investee	Percentage of Ownership (%)	Investment Gain (Loss)	Carrying Amount	Accumulated Inward Remittance of Earnings
		USD				Outflow	Inflow						
High Tech Computer Corp. (Suzhou) (Note 4)	Manufacture and sale of smart mobile devices	USD	-	Investment in company located in mainland China indirectly through H.T.C. (B.V.I.) Corp.	\$ 3,312 (USD 100)	\$ -	\$ -	\$ 3,312 (USD 100)	\$ -	-	\$ -	\$ -	\$ -
HTC Corporation (Shanghai WGQ)	Smart mobile devices examination and after-sale services and technique consultations	USD	1,500	Investment in company located in mainland China indirectly through HTC HK, Limited.	49,845 (USD 1,500)	-	-	49,845 (USD 1,500)	( 2,010)	100.00	( 2,010)	75,906	-
HTC Electronics (Shanghai) Co., Ltd. (Note 5)	Manufacture and sale of smart mobile devices and virtual reality devices	USD	2,909	"	4,106,585 (USD 133,000)	-	-	4,106,585 (USD 133,000)	45,449	100.00	45,449	4,024,004	-
HTC Communication Co., Ltd.	Sale of smart mobile devices and virtual reality devices and after-sales services	USD	127,500	Investment in company located in mainland China indirectly through High Tech Computer Asia Pacific Pte. Ltd.	4,125,897 (USD 127,500)	-	-	4,125,897 (USD 127,500)	( 517)	100.00	( 517)	1,705,115 (Note 3)	-
HTC Communication Technologies (Shanghai) Limited	Design, research and development of application software	USD	4,000	"	120,799 (USD 4,000)	-	-	120,799 (USD 4,000)	9,665	100.00	9,665	520,307	-
Ji Jih Suo Sin Si Technology (Shanghai) Co., Ltd.	Design and system integration of computer software and wholesale and retail of peripheral equipment software	USD	51,550	Investment in company located in mainland China indirectly through GSUO Inc.	249,678 (USD 8,000)	-	-	249,678 (USD 8,000)	-	10.32	-	-	-

(Continued)

Investee Company	Main Business Activity	Total Amount of Paid-in Capital		Investment Type	Accumulated Outflow of Investment from Taiwan as of the Beginning of the Year	Investment Flows		Accumulated Outflow of Investment from Taiwan as of the End of the Year	Net Income (Loss) of the Investee	Percentage of Ownership (%)	Investment Gain (Loss)	Carrying Amount	Accumulated Inward Remittance of Earnings				
						Outflow	Inflow										
HTC Communication (BJ) Tech Co.	Design, research and development of application software	RMB	10,500	Investment in company located in mainland China through the own funds of HTC Communication Technologies (Shanghai) Limited.	\$	-	\$	-	\$	3,947	100.00	\$	3,947	\$	104,695	\$	-
Gui Zhou Wei Ai Technology Group Co., Ltd.	Development and sales of virtual reality contents	RMB	11,775	Investment in company located in mainland China through the own funds of HTC Communication Co., Ltd.		-		-		2,864	26.05		746		93,096		-
Beijing Transmission Weiku Technology Co., Ltd.	Research and development of virtual reality contents	RMB	64	"		-		-		-	6.00		-		726		-
Beijing Seven Vision Virtual Technology Co., Ltd.	Research and development of virtual reality contents	RMB	1,087	"		-		-		-	8.00		-		726		-
Waves of Internet Technology (Shanghai) Co., Ltd.	Research and development of virtual reality contents	RMB	28	"		-		-		-	3.00		-		727		-
YC Virtual Reality Technology Co., Ltd.	Research and development of virtual reality contents	RMB	5,342	"		-		-		-	1.32		-		-		-
Shenzhen Shengda Education Technology Co., Ltd.	Research and development of virtual reality contents	RMB	950	"		-		-		-	6.88		-		1,520		-
Shanghai Duowei Network Technology Co., Ltd.	Research and development of virtual reality contents	RMB	133	"		-		-		-	5.00		-		2,246		-
Fuzhou Ciyuan Vision Information Technology Co., Ltd.	Research and development of virtual reality contents	RMB	1,679	"		-		-		-	2.00		-		2,910		-
Shanghai Chaoshi Business Management Partnership (Limited Partnership)	Research and development of virtual reality contents	RMB	100	"		-		-		-	20.00		-		1,216		-
Beijing WEWOD Entertainment Technology Co., Ltd.	Research and development of virtual reality contents	RMB	1,812	"		-		-		-	1.50		-		6,515		-
Zhijing (Shanghai) Technology Co., Ltd.	Research and development of virtual reality contents	RMB	4,771	"		-		-		-	2.00		-		278		-
Shanghai Judao Network Technology Co., Ltd.	Research and development of virtual reality contents	RMB	142	"		-		-		-	2.00		-		2,183		-
Shanghai Lenqiy Information Technology Co., Ltd.	Research and development of virtual reality contents	RMB	3,000	"		-		-		-	3.00		-		1,442		-
Beijing Yuanji Technology Co., Ltd.	Research and development of virtual reality contents	RMB	-	"		-		-		-	5.00		-		2,172		-
Qinhuangdao Shiyi Technology Co., Ltd.	Research and development of virtual reality contents	RMB	685	"		-		-		-	5.00		-		2,172		-
Hefei Yao An Technology Co., Ltd.	Research and development of virtual reality contents	RMB	12,208	"		-		-		-	2.00		-		4,344		-
Red Landmark (Beijing) Culture Technology Co., Ltd.	Production of radio and television programs	RMB	12,077	Investment in company located in mainland China through the own funds of HTC Communication Co., Ltd.		-		-		-	3.00		-		26,061		-
HTC VIVE TECH (Beijing)	Research, development and sale of virtual reality devices	USD	800	Investment in company located in mainland China indirectly through HTC VIVE TECH (HK) Limited.	(USD	24,067		-	(USD	24,067	100.00	(	532)		20,231		-
DeepQ Technology (Beijing)	Development and marketing of software technology	USD	3,000	Investment in company located in mainland China indirectly through DeepQ (BVI) Corp.	(USD	89,732		-	(USD	89,732	100.00	(	2,807)		75,053		-

(Concluded)

Accumulated Investment in Mainland China for the Years Ended	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 8,769,915 (US\$ 277,900)	\$ 8,789,293 (US\$ 278,600)	\$ 16,333,742

- Note 1: Investment amounts authorized by the Investment Commission, MOEA: The remitted amount is translated at the exchange rate of the original remittance and the unremitted amount is translated at the exchange rate of NT\$27.683 to US\$1 at December 31, 2021.
- Note 2: Investment gains (losses) and the carrying amount as of December 31, 2021 are based on reviewed financial statements. Gains and losses are translated at the average exchange rate from January to December 2021 of NT\$4.3433 to RMB 1. The carrying amount is translated at the exchange rate on December 31, 2021 of NT\$4.3435 to RMB 1.
- Note 3: The carrying amount excludes unrealized profit of NT\$9,180 thousand at the end of the current period.
- Note 4: The company liquidated on July 5, 2019.
- Note 5: HTC Electronics (Shanghai) Co., Ltd. reduced its share capital by US\$130,000 thousand on September 2019. As of December 31, 2021, the refunded capital has not been repatriated to Taiwan.

**TABLE 8****HTC CORPORATION AND SUBSIDIARIES**

## SIGNIFICANT TRANSACTIONS WITH SUBSIDIARIES IN MAINLAND CHINA INCLUDING DIRECT AND INDIRECT TRANSACTIONS THROUGH OTHER REGIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

Related Party	Relationship with the Company	Nature of Transaction	Amount	Terms			Notes/Accounts Payable or Receivable		Unrealized Profit
				Price	Payment Terms	Comparison with Normal Transactions	Ending Balance	% of Total	
HTC Communication Co., Ltd.	Grandson company	Sales	\$ 666,709	More favorable than unrelated parties	OA 30 days	The transaction terms are similar to those of general customers.	\$ 2,179	-	\$ 9,180
		Purchases	5,145	No comparable unrelated parties	OA 30 days	The transaction terms are similar to those of general customers.	-	-	-
HTC Communication Technologies (Shanghai) Limited	Grandson company	Service fee	161,691	No comparable unrelated parties	OA 45 days	The transaction terms are similar to those of general customers.	( 7,641) Note	-	-
HTC Communication Beijing Tech Co.	Grandson company	Service fee	108,045	No comparable unrelated parties	OA 45 days	The transaction terms are similar to those of general customers.	( 16,549) Note	-	-

Note: Classified under other payables.

**TABLE 9****HTC CORPORATION AND SUBSIDIARIES**

## SIGNIFICANT TRANSACTIONS WITH SUBSIDIARIES IN MAINLAND CHINA INCLUDING DIRECT AND INDIRECT TRANSACTIONS THROUGH OTHER REGIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 5)
				Financial Statement Accounts	Amount (Note 3)	Payment Terms (Note 4)	
<u>For the year ended December 31, 2021</u>							
0	HTC Corporation	HTC America Inc.	a	Sales	\$ 1,491,123	More favorable than unrelated parties	28
			a	Trade receivables - related parties	286,127	-	1
		HTC Communication Co., Ltd.	a	Sales	666,709	More favorable than unrelated parties	13
			a	Trade receivables - related parties	2,179	-	-
			a	Purchases	5,145	-	-
		HTC EUROPE CO., LTD.	a	Accrued expenses	369,354	-	1
			a	Commission expense	287,635	-	5

(Continued)

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 5)
				Financial Statement Accounts	Amount (Note 3)	Payment Terms (Note 4)	
0	HTC Corporation	HTC America Innovation Inc.	a	Accrued expenses	179,505	-	-
			a	Service fee and advertising expenses	185,611	-	4
		HTC HK, Limited	a	Accrued expenses	134,461	-	-
			a	Service fee and advertising expenses	4,278	-	-
		HTC (Australia and New Zealand) Pty. Ltd.	a	Accrued expenses	180,227	-	-
			a	Service fee and advertising expenses	18,654	-	-
		HTC Communication Technologies (Shanghai) Limited	a	Service fee	161,691	-	3
			a	Accrued expenses	7,641	-	-
		HTC Communication Beijing Tech Co.	a	Service fee	108,045	-	2
			a	Accrued expenses	16,549	-	-
		HTC NIPPON Corporation	a	Sales	195,635	-	4
			a	Trade receivables - related parties	43,821	-	-

Note 1: Parties to the intercompany transactions are identified and numbered as follows:

- a. "0" for HTC Corporation.
- b. Subsidiaries (Numbered consecutively from "1".)

Note 2: Transactions are categorized as follows:

- a. From a parent company to its subsidiary
- b. Between subsidiaries.

Note 3: All internal transactions between consolidated companies have been eliminated from the consolidated financial statements.

Note 4: Unless otherwise specified, it is the same as the unrelated parties.

Note 5: Percentage of consolidated total assets is calculated by dividing the amount of a particular asset or liability account by the consolidated total of assets as of December 31, 2021.

Percentage of consolidated total revenues is calculated by dividing the amount of a particular revenue or cost or expense account by the consolidated total operating revenues for the year ended December 31, 2021.

Note 6: The standard for disclosure of information on business transactions between related parties requires a disclosure of the following financial items if the transaction is at least NT\$100 million or 20% of the paid-in-capital: Purchases (expenses), sales and receivables (payments). Financial items other than the above will not be disclosed.

(Concluded)

**TABLE 10**

## HTC CORPORATION AND SUBSIDIARIES

### INFORMATION OF MAJOR SHAREHOLDERS

DECEMBER 31, 2021

(Number of Shares: Shares)

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Way Chih Investment Co., Ltd.	43,819,290	5.31

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (includes treasury shares) by the Company as of the last business day of the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.



## HTC Code of Conduct

This Code of Conduct is a set of guidelines to provide high ethical standards for employees in HTC Group in conducting HTC Group's business activities. All employees in HTC Group must follow these ethical standards regardless of their position, grade, and location.

This Code of Conduct applies to HTC Corporation, its subsidiaries, any incorporated foundation in which its accumulated contributions from HTC Corporation, direct or indirect, exceed 50 percent of the total funds of the foundation, and other institutions or juristic persons substantially controlled by HTC Corporation (collectively, "HTC Group" or the "Company").

This Code of Conduct is superior to any other local regulations except certain mandatory laws/acts issued by the local government. Any violation of this Code of Conduct and applicable policies may cause disciplinary action up to and including the termination. [Employees are responsible for understanding and complying with this Code of Conduct as well as other applicable HTC policies/rules.](#)

### Content

#### 1.0 General Guidelines

While maintaining a work culture that ensures the company's success, HTC Group strives to treat each employee with fairness and dignity. HTC Group is also committed to complying with the labor laws of each country it operates in. Meanwhile, employees are under duties of confidentiality to HTC Group, and have responsibilities to protect HTC Group's assets and comply with internal company rules and external laws and regulations.

#### 1.1 Work Environments

HTC Group is committed to establishing a safe and healthy workplace, free from recognized hazards, for employees in accordance with local laws and regulations, and is thoroughly dedicated to creating a work environment which is free of harassment (including sexual harassment) and discrimination for employees. Any language or behavior that would endanger physical or mental health of an employee is strictly prohibited, and the employee who becomes aware of such language or behavior shall report to the competent authority immediately.

#### 1.2 Equal Opportunity

HTC Group's employment policy shall comply with all applicable laws and regulations. Hiring decisions are based on HTC Group's business needs and the applicant's abilities, and HTC Group provide equal employment opportunities for all applicants and employees without regard to non-job-related factors, such as race, color, social class, language, religion, political affiliation, national origin, gender, sexual orientation, marital status, appearance, disability, previous union membership.

Everyone in HTC Group shall be treated with dignity, respect and honesty. This principle applies to all areas of employment, including but not limited to, recruitment, hiring, training, promotion, compensation, benefits, transfer, and club or recreational activities.

#### 1.3 Confidentiality

During the employment with HTC Group and thereafter, all employees shall maintain strict confidentiality of Confidential Information (as defined below) about HTC Group, its customers and vendors/suppliers that they learn or hold during their employment to ensure its security and confidentiality and to prevent unauthorized use, disclosure or dissemination. Except for the use of Confidential Information under purposes of the disclosure and company rules, each employee shall not disclose it to a third party in any manner without the prior written consent of HTC Group.

"Confidential Information" means all non-public information, in relation to technique, finance, production, sales, or operations, that learned or possessed by HTC Group with intentions to keep confidential, whether or not such information (A) is owned by HTC Group, HTC Group's customers or vendors/suppliers, or any third party with which HTC Group desires to establish a business relationship; (B) is in oral, written, drawn or electronic media form; (C) is subject matter for the application of patents, trademarks, copyrights, or other intellectual property rights; or (D) is labeled with "Confidential" or an equivalent word. Confidential information may include, but is not limited to the following:

- 1) Business plans, manufacturing and marketing plans, procurement plans, product development plans, product design records, product test plans and reports, product software and source codes, product pricing, product appearance, personnel information, financial information, customer lists, vendors/supplier lists, distributor lists, raw materials and product inventory

information, all quality records, trade secrets, and other information related to the Company's business activities;

- 2) Computer programs, including their related documents and databases in the process of development ;
- 3) Discoveries, concepts, ideas, designs, sketches, engineering drawings, specifications, circuit layouts, circuit diagrams, mechanical drawings, flow charts, production processes, procedures, models, molds, samples, components, troubleshooting guides, chips and other know-how; and
- 4) A third party's proprietary information that the Company has a duty of confidentiality pursuant to contracts or required by applicable laws.

#### 1.4 Protection of Assets and Personal Data

The Company's assets are not limited to tangible assets, such as equipment and facilities, but also include intangible assets, such as know-how and intellectual property rights. Each employee shall protect, keep and use the Company's assets properly, and shall not use the Company's assets for self-interest.

The collection, processing, and use of personal data of personnel in HTC Group shall be in accordance with applicable data protection laws. Except as permitted by law, personal data of personnel in HTC Group shall not be disclosed or shared arbitrarily.

#### 1.5 Fair Trade

Each employee shall treat all vendors/suppliers, customers and competitors fairly, and may not obtain improper benefits through manipulation, concealment, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

HTC Group shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, vendors/suppliers, territories, or lines of commerce.

#### 1.6 Prohibition of Infringement of Intellectual Property Rights

Intellectual property, such as copyright, trademarks, patents, and trade secrets, is protected by relevant laws and regulations. Each employee shall comply with applicable laws and regulations, HTC Group's internal operating procedures and contractual agreements related to intellectual property. Except as permitted by law, HTC Group Personnel may not use, disclose, dispose of or

damage intellectual property without the prior consent or authorization of the intellectual property rights holder to avoid intellectual property infringement.

### 2.0 Vendors/Suppliers and Customers Relationship

It is a basic principle in Company business operations to maintain a good relationship with our vendors/suppliers and customers.

#### 2.1 Firm and Rational Attitude

In order to establish long-term and stable relationships with our customers and vendors/suppliers, each employee shall provide necessary and accurate information about our products and services. In securing and negotiating business, all employees shall attempt to establish long-term relationships with our customers and vendors/suppliers by providing essential and accurate information about our products and services.

Each employee shall demonstrate their professionalism with a sincere, firm, and rational attitude while dealing with customers and vendors/suppliers. Unnecessary conflicts caused by irrational attitudes or emotional languages are strictly prohibited.

#### 2.2 Product Quality and Safety

The Company is committed to pursue excellence and maintain quality at all times, and strives to continuously improve the quality of its products and services in accordance with applicable laws and regulations related to safety to achieve world-class competitiveness and create benefits for its customers and vendors/suppliers. To ensure HTC Group's valuable reputation and the benefit of its customers and vendors/suppliers, all employees must comply with HTC Group's procedures and standards for product quality and safety assurance.

#### 2.3 Performance of Contracts

Company contracts must be performed not only in accordance with the requirements of each contract, but also in compliance with all laws and regulations applicable to our industry. Any unfair or unreasonable terms and conditions shall be avoided. Purchasing decisions must be made in the best interests of HTC Group in considering the suitability, quality, price, and delivery of products or services provided by vendors/suppliers; special offers based on personal preference are not allowed. Purchasing agreements/sales contracts and related evaluation information shall be fully and clearly documented. The information of customers and vendors/suppliers, including but not limited to their names, price, delivery terms, payment terms, is considered

Confidential Information of HTC Group, and shall be properly protected by each employee to prevent leakage or misuse of information.

## 2.4 Prohibition on Offering or Accepting Improper Benefits / Accepted Social Custom

All employees shall not offer, accept, promise, or request, directly or indirectly, any Benefits from customers, vendors/suppliers, or business-related personnel to establish business relationship or influence commercial transactions, except under one of the following circumstances: (1) the conduct is undertaken to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination; (2) participation in ordinary social activities based on accepted social custom, commercial purposes, or development of relationships; (3) invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations, and the time period for the event or visit have been specified in advance; (4) other situations that are in line with accepted social custom and are of an occasional nature, where the market value of such Benefits is no more than NT\$3,000 or US\$100, provided that the total market value of such Benefits offered to the same party or coming from the same source within a single fiscal year shall not exceed NT\$6,000 or US\$200.

In the event of any of the above exceptions, employees shall report to their department head before the Benefit is offered or after it is received.

Benefit herein means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in whatever form or name.

## 2.5 Business Travel

All employees are responsible for ensuring that their business travels are intended to further company business interests, and the business travel expenses, such as accommodations, meal and hospitality, shall be reasonable, economical, and in accordance with applicable company policies. As representatives of the Company, employees shall be aware that certain venues, whose entertainment nature or atmosphere may impact negatively on the Company's reputation, such as a sexually-oriented site or similar environment, are not appropriate for business-related meetings or activities. These venues are not acceptable even if the expenses incurred are not paid by the

Company. Recreational activities such as golf hospitality, that are not at employees' own expense, shall be minimized even if such activities are common in the industry and in line with accepted social custom.

## 3.0 Conflict of Interest

All employees must avoid engaging in activities that compete with the Company's business or interfere with the performance of their duties.

### 3.1 Non-compete

All employees shall not engage in or carry on, for the benefit of their own or others, with their own name or the name of others, any business the same as or similar to the business of HTC Group, nor shall they invest in the entity carrying on such business exceeding 5% of its paid-in capital or its total number of issued shares.

All employees are prohibited to work either part-time or full-time for any competitors, customers, vendors/suppliers, subcontractors or outsourcers of HTC Group, nor may they provide services to or receive payments from such third parties. If any employee is invited to serve as a lecturer, or a director, supervisor, executive, consultant, service provider of a third party, the approval from the local top manager of Company is needed in advance. Even if an invitation is not the type mentioned above, permission from a top manager is still required. In general, employees are not restricted from being directors or supervisors of charitable or community organizations. After obtaining appropriate approval, employees are allowed to serve as directors, supervisors, executives, consultants, service providers of other companies provided that these companies are invested by HTC Group or not HTC Group's competitors or service providers of such competitors.

### 3.2 Insider Trading

All employees shall not trade stocks or other equal-type securities of HTC Group or other companies, with their own name or the name of others, based on inside information, nor shall they disclose inside information to others in any way to make others have the opportunity to use such information for the aforesaid trading. Such inside information means information that have a material impact on the price of the securities of the issuing company and that is not normally known to persons outside the issuing company, such as a joint research and development project between the issuing company and its partner. The purpose of prohibition of insider trading is to maintain the fairness of trading in the securities market and to protect investors. The employee who engages in insider trading will lead to disciplinary actions due to violation of company rules, and

will also be subject to criminal penalties for violating the law.

## 4.0 Report

If there is any violation of this Code of Conduct or other unethical conduct or misconduct, every employee has a duty to report such incident with specific evidence. The Company will conduct an investigation, keep the informant's identity and the content of the report confidential, and protect the informant from improper treatment due to the report.

Report a corruption issue: [anti-corruption@htc.com](mailto:anti-corruption@htc.com)



HTC Corporation



Chairwoman: Cher Wang