

HTC Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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, 2022 are as follows:

Revenue Recognition

HTC Corporation and its subsidiaries mainly sell virtual reality products to customers. We analyzed and realized that some customers' sales with certain indicators, such as higher revenue growth rate and higher gross profit margin compared to last year, As such customers' revenue on the consolidated financial statements is significant, we identified the occurrence of such revenue recognized from these customers as 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 orders and shipment procedures, and perform respective internal control effectiveness tests.
2. Sampling and testing the orders, shipping documents, invoices and payment records from the revenue details of the customers, to confirm the occurrence of its revenue.
3. Check whether there are any significant or abnormal subsequent sales returns.

Other Matters

We have also audited the parent company only financial statements of HTC Corporation as of and for the years ended December 31, 2022 and 2021 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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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, 2023

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 17,945,253	39	\$ 16,576,907	38
Financial assets at fair value through profit or loss - current (Notes 7 and 32)	50,051	-	107,071	-
Financial assets at fair value through other comprehensive income - current (Notes 8 and 32)	413,868	1	77,436	-
Trade receivables, net (Notes 10 and 33)	574,547	1	448,207	1
Other receivables (Note 10)	136,816	-	50,059	-
Current tax assets (Note 27)	254,257	-	178,560	-
Inventories (Note 11)	1,420,449	3	1,649,574	4
Prepayments (Note 12)	365,673	1	325,012	1
Other current financial assets (Notes 9 and 34)	6,420,121	14	7,022,286	16
Other current assets	4,574	-	678	-
Total current assets	<u>27,585,609</u>	<u>59</u>	<u>26,435,790</u>	<u>60</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 32)	329,102	1	334,839	1
Financial assets at fair value through other comprehensive income - non-current (Notes 8, 29 and 32)	3,897,866	9	2,692,523	6
Investments accounted for using equity method (Note 14)	1,106,939	2	1,017,149	2
Property, plant and equipment (Notes 15, 33 and 34)	7,036,248	15	7,485,331	17
Right-of-use assets (Note 16)	139,325	-	185,927	1
Investment properties, net (Notes 17 and 34)	2,582,567	6	2,378,455	5
Intangible assets (Note 18)	81,321	-	34,334	-
Deferred tax assets (Note 27)	3,026,645	7	3,183,462	7
Refundable deposits (Note 31)	73,037	-	13,090	-
Net defined benefit assets - non-current (Note 23)	494,809	1	346,814	1
Other non-current financial assets (Notes 9 and 34)	76,794	-	69,208	-
Other non-current assets (Note 12)	9,974	-	8,035	-
Total non-current assets	<u>18,854,627</u>	<u>41</u>	<u>17,749,167</u>	<u>40</u>
TOTAL	<u>\$ 46,440,236</u>	<u>100</u>	<u>\$ 44,184,957</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 34)	\$ 2,640,000	6	\$ 2,600,000	6
Financial liabilities at fair value through profit or loss - current (Notes 7 and 32)	81,169	-	81,706	-
Trade payables (Notes 20 and 33)	5,687,202	12	5,464,538	12
Other payables (Notes 21 and 33)	3,815,517	8	4,857,019	11
Current tax liabilities (Note 27)	208,604	1	49,542	-
Provisions - current (Note 22)	944,418	2	1,126,314	3
Lease liabilities - current (Notes 16 and 33)	44,637	-	54,524	-
Other current liabilities (Note 21)	305,576	1	334,887	1
Total current liabilities	<u>13,727,123</u>	<u>30</u>	<u>14,568,530</u>	<u>33</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19 and 34)	6,800,000	15	2,000,000	5
Deferred tax liabilities (Note 27)	85,210	-	94,090	-
Lease liabilities - non-current (Notes 16 and 33)	107,105	-	137,371	-
Guarantee deposits received (Note 32)	161,638	-	162,064	-
Total non-current liabilities	<u>7,153,953</u>	<u>15</u>	<u>2,393,525</u>	<u>5</u>
Total liabilities	<u>20,881,076</u>	<u>45</u>	<u>16,962,055</u>	<u>38</u>
EQUITY (Note 24)				
Share capital - ordinary shares	8,295,153	18	8,245,050	19
Capital surplus	16,160,271	35	16,005,339	36
Retained earnings				
Legal reserve	9,108,539	19	12,335,031	28
Special reserve	3,080,480	7	3,080,480	7
Accumulated deficits	(7,279,552)	(16)	(7,226,492)	(16)
Other equity	(3,805,731)	(8)	(5,216,506)	(12)
Total equity	<u>25,559,160</u>	<u>55</u>	<u>27,222,902</u>	<u>62</u>
TOTAL	<u>\$ 46,440,236</u>	<u>100</u>	<u>\$ 44,184,957</u>	<u>100</u>

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

HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 25 and 33)	\$ 4,408,823	100	\$ 5,253,279	100
OPERATING COSTS (Notes 11, 26 and 33)	<u>2,678,845</u>	<u>61</u>	<u>3,617,222</u>	<u>69</u>
GROSS PROFIT	<u>1,729,978</u>	<u>39</u>	<u>1,636,057</u>	<u>31</u>
OPERATING EXPENSES (Notes 26 and 33)				
Selling and marketing	1,732,818	39	1,580,419	30
General and administrative	2,044,767	46	1,909,581	36
Research and development	<u>2,356,224</u>	<u>54</u>	<u>2,262,491</u>	<u>43</u>
Total operating expenses	<u>6,133,809</u>	<u>139</u>	<u>5,752,491</u>	<u>109</u>
OPERATING LOSS	<u>(4,403,831)</u>	<u>(100)</u>	<u>(4,116,434)</u>	<u>(78)</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 26)	312,401	7	118,150	2
Other income (Notes 26 and 33)	1,143,198	26	925,573	18
Other gains and losses (Notes 12, 14, 15, 18 and 26)	(299,524)	(7)	123,126	2
Finance costs (Notes 26 and 33)	(142,796)	(3)	(52,680)	(1)
Share of profit or loss of associates (Note 14)	<u>(23,499)</u>	<u>-</u>	<u>(102,300)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>989,780</u>	<u>23</u>	<u>1,011,869</u>	<u>19</u>
LOSS BEFORE INCOME TAX	(3,414,051)	(77)	(3,104,565)	(59)
INCOME TAX BENEFIT (Note 27)	<u>2,268</u>	<u>-</u>	<u>2,748</u>	<u>-</u>
LOSS FOR THE YEAR	<u>(3,411,783)</u>	<u>(77)</u>	<u>(3,101,817)</u>	<u>(59)</u>

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2022		2021	
	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 23)	\$ 151,806	3	\$ 18,480	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	(155,275)	(3)	916,659	18
Income tax relating to items that will not be reclassified to profit or loss (Note 27)	<u>(18,217)</u>	<u>-</u>	<u>(2,218)</u>	<u>-</u>
	<u>(21,686)</u>	<u>-</u>	<u>932,921</u>	<u>18</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>1,564,692</u>	<u>35</u>	<u>(832,837)</u>	<u>(16)</u>
Other comprehensive income and loss for the year, net of income tax	<u>1,543,006</u>	<u>35</u>	<u>100,084</u>	<u>2</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (1,868,777)</u>	<u>(42)</u>	<u>\$ (3,001,733)</u>	<u>(57)</u>
NET LOSS FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ (3,411,783)	(77)	\$ (3,073,132)	(58)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>(28,685)</u>	<u>(1)</u>
	<u>\$ (3,411,783)</u>	<u>(77)</u>	<u>\$ (3,101,817)</u>	<u>(59)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO				
Owners of the parent	\$ (1,868,777)	(42)	\$ (2,972,424)	(57)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>(29,309)</u>	<u>-</u>
	<u>\$ (1,868,777)</u>	<u>(42)</u>	<u>\$ (3,001,733)</u>	<u>(57)</u>
LOSS PER SHARE (Note 28)				
Basic	<u>\$ (4.13)</u>		<u>\$ (3.75)</u>	

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent					Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital		Retained Earnings			Exchange Differences on Translation of Foreign Operations	Unrealized Losses on Financial Assets at Fair Value Through Other Comprehensive Income			
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Accumulated Deficits					
BALANCE, JANUARY 1, 2021	\$ 8,186,444	\$ 15,761,158	\$ 15,725,509	\$ 3,080,480	\$ (7,390,476)	\$ (3,528,236)	\$ (1,942,340)	\$ 29,892,539	\$ 61,037	\$ 29,953,576
Legal reserve in covering accumulated deficits	-	-	(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	-	-	-
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	-	27,222,902
Legal reserve in covering accumulated deficits	-	-	(3,226,492)	-	3,226,492	-	-	-	-	-
Net loss for the year ended December 31, 2022	-	-	-	-	(3,411,783)	-	-	(3,411,783)	-	(3,411,783)
Other comprehensive income and loss for the year ended December 31, 2022	-	-	-	-	133,589	1,564,692	(155,275)	1,543,006	-	1,543,006
Issuance of shares due to exercise of employee share options	50,103	123,122	-	-	-	-	-	173,225	-	173,225
Share-based payments	-	31,810	-	-	-	-	-	31,810	-	31,810
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(1,358)	-	1,358	-	-	-
BALANCE, DECEMBER 31, 2022	<u>\$ 8,295,153</u>	<u>\$ 16,160,271</u>	<u>\$ 9,108,539</u>	<u>\$ 3,080,480</u>	<u>\$ (7,279,552)</u>	<u>\$ (2,795,757)</u>	<u>\$ (1,009,974)</u>	<u>\$ 25,559,160</u>	<u>\$ -</u>	<u>\$ 25,559,160</u>

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (3,414,051)	\$ (3,104,565)
Adjustments for:		
Depreciation expense	389,540	495,510
Amortization expense	1,217	6,085
Expected credit loss reversed on trade receivables	(15,000)	(20,000)
Loss on financial assets at fair value through profit or loss	43,092	-
Finance costs	142,796	52,680
Interest income	(312,401)	(118,150)
Dividend income	(37,912)	(10,951)
Compensation costs of employee share-based payments	31,810	94,736
Share of the loss of associates	23,499	102,300
Net (gain) loss on disposal of property, plant and equipment	(6)	7,048
Net (gain) loss on disposal of intangible assets	(784)	150
Net gain on disposal of subsidiary	-	(732,929)
Impairment loss on non-financial assets	25,659	506,749
Gain from lease modifications	-	(2,054)
Changes in operating assets and liabilities		
Decrease in financial assets mandatorily classified as at fair value through profit or loss	56,483	57,393
(Increase) decrease in note and trade receivables	(111,340)	41,638
(Increase) decrease in other receivables	(28,661)	19,470
Decrease (increase) in inventories	208,944	(259,482)
Increase in prepayments	(43,576)	(61,699)
Increase in other current assets	(3,896)	(4)
Decrease in other non-current assets	1,962	6,218
Increase (decrease) in trade payables	222,664	(564,174)
Decrease in other payables	(783,746)	(636,583)
Decrease in provisions	(181,896)	(283,728)
Decrease in other current liabilities	(29,311)	(179,826)
Cash used in operations	(3,814,914)	(4,584,168)
Interest received	255,275	136,661
Interest paid	(133,488)	(49,582)
Income tax (paid) refund	(46,910)	1,942
Net cash used in operating activities	<u>(3,740,037)</u>	<u>(4,495,147)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(1,343,583)	(711,737)
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,319	90,064
Return of investments accounted for fair value through other comprehensive income	30,366	333,816

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HTC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Purchase of financial assets at fair value through profit or loss	\$ (27,809)	\$ (11,983)
Proceeds from disposal of financial assets at fair value through profit or loss	7,705	-
Acquisition of investments accounted for using the equity method	-	(85,122)
Net cash decrease in loss of control of subsidiary	-	(68,432)
Payments for property, plant and equipment	(31,866)	(100,484)
Proceeds from disposal of property, plant and equipment	59	24,299
Increase in refundable deposits	(59,947)	-
Decrease in refundable deposits	-	14,049
Payments for intangible assets	(47,542)	(2,885)
Proceeds from disposal of intangible assets	1,189	181
Payments for investment properties	(7,465)	(475,708)
Decrease in other financial assets	594,579	2,521,770
Dividend received	<u>37,912</u>	<u>10,951</u>
Net cash (used in) generated from investing activities	<u>(844,083)</u>	<u>1,538,779</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	40,000	1,700,000
Increase in long-term borrowings	4,800,000	2,000,000
Refund of guarantee deposits received	(426)	(7,586)
Repayment of the principal portion of lease liabilities	(57,161)	(69,236)
Employee share options executed	<u>173,225</u>	<u>208,051</u>
Net cash generated from financing activities	<u>4,955,638</u>	<u>3,831,229</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>996,828</u>	<u>(673,784)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,368,346	201,077
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>16,576,907</u>	<u>16,375,830</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 17,945,253</u>	<u>\$ 16,576,907</u>

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, 2022 AND 2021 (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 virtual reality devices and smart mobile 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 depository 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, 2023.

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 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is complete.

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
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated 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

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:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. 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
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. 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:

- a. Liabilities held primarily for the purpose of trading;
- b. 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.

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.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Company accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

See Note 13 to the consolidated financial statements for the detailed information on subsidiaries and Table 5 and 6 (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:

- 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 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 32 to the consolidated financial statements.

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 32 to the consolidated financial statements.

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\$0 thousand and NT\$325,173 thousand for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, the carrying amounts of inventories were NT\$1,420,449 thousand and NT\$1,649,574 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, 2022 and 2021, the carrying amounts of deferred tax assets were NT\$3,026,645 thousand and NT\$3,183,462 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 1,208	\$ 1,140
Checking accounts and demand deposits	5,632,178	10,313,241
Time deposits (with original maturities less than three months)	<u>12,311,867</u>	<u>6,262,526</u>
	<u>\$ 17,945,253</u>	<u>\$ 16,576,907</u>

The market rate intervals of cash in the bank at the end of the year were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Deposit	0.01%-0.86%	0.01%-0.14%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange contracts	\$ 50,051	\$ 107,071
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Convertible bonds	292,137	309,094
Warrants	25,496	25,745
Non-derivative financial assets		
Digital content investment agreement	<u>11,469</u>	<u>-</u>
	<u>\$ 379,153</u>	<u>\$ 441,910</u>
Current	\$ 50,051	\$ 107,071
Non-current	<u>329,102</u>	<u>334,839</u>
	<u>\$ 379,153</u>	<u>\$ 441,910</u>
<u>Financial liabilities - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange contracts	<u>\$ 81,169</u>	<u>\$ 81,706</u>

The Company entered into a digital content investment agreement with other companies; According to the investment agreement, any earnings will be distributed periodically to the investors by investment proportion.

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:

Forward Exchange Contracts

	Buy/Sell	Currency	Maturity Date	Notional Amount (In Thousands)	
<u>December 31, 2022</u>					
Foreign exchange contracts	Sell	EUR/USD	2023.01.11	EUR	1,000
Foreign exchange contracts	Sell	JPY/USD	2023.01.11-2023.02.08	JPY	700,000
Foreign exchange contracts	Sell	CAD/USD	2023.01.18	CAD	3,500
Foreign exchange contracts	Sell	RMB/USD	2023.02.08	RMB	30,082
Foreign exchange contracts	Sell	SGD/USD	2023.01.18	SGD	2,689
Foreign exchange contracts	Sell	USD/NTD	2023.01.11-2023.01.18	USD	5,000
Foreign exchange contracts	Buy	RMB/USD	2023.01.11-2023.02.08	RMB	200,000
Foreign exchange contracts	Buy	JPY/USD	2023.01.18-2023.02.08	JPY	300,000
Foreign exchange contracts	Buy	USD/NTD	2023.01.11-2023.02.08	USD	200,000
Foreign exchange contracts	Buy	EUR/USD	2023.01.11-2023.02.08	EUR	41,000
Foreign exchange contracts	Buy	GBP/USD	2023.01.11-2023.02.08	GBP	173,000
Foreign exchange contracts	Buy	AUD/USD	2023.01.11-2023.02.08	AUD	9,000
Foreign exchange contracts	Buy	SGD/USD	2023.01.11-2023.01.18	SGD	187,701
Foreign exchange contracts	Buy	HKD/USD	2023.01.11	HKD	39,000
<u>December 31, 2021</u>					
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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

	December 31	
	2022	2021
Domestic investments		
Listed shares and emerging market shares	\$ 9,643	\$ 30,035
Unlisted shares	<u>137,053</u>	<u>29,792</u>
	<u>146,696</u>	<u>59,827</u>
Foreign investments		
Listed shares	413,868	77,436
Unlisted equity investments	<u>3,751,170</u>	<u>2,632,696</u>
	<u>4,165,038</u>	<u>2,710,132</u>
	<u>\$ 4,311,734</u>	<u>\$ 2,769,959</u>
Current	\$ 413,868	\$ 77,436
Non-current	<u>3,897,866</u>	<u>2,692,523</u>
	<u>\$ 4,311,734</u>	<u>\$ 2,769,959</u>

These investments in equity instruments are not held for trading. Instead, they are held for the purpose of promoting the development of the Metaverse sector 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	
	2022	2021
Time deposits with original maturities of more than three months	\$ 6,495,766	\$ 7,090,530
Restricted demand deposits	<u>1,149</u>	<u>964</u>
	<u>\$ 6,496,915</u>	<u>\$ 7,091,494</u>
Current	\$ 6,420,121	\$ 7,022,286
Non-current	<u>76,794</u>	<u>69,208</u>
	<u>\$ 6,496,915</u>	<u>\$ 7,091,494</u>

For details of pledged other financial assets, refer to Note 34 to the consolidated financial statements.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes, trade and overdue receivables</u>		
At amortized cost		
Trade receivables	\$ 586,666	\$ 509,520
Overdue receivables	73,927	71,529
Less: Allowances for impairment loss	(12,119)	(61,313)
Less: Allowances for impairment loss - overdue receivables	<u>(73,927)</u>	<u>(71,529)</u>
	<u>\$ 574,547</u>	<u>\$ 448,207</u>
Current	\$ 574,547	\$ 448,207
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 574,547</u>	<u>\$ 448,207</u>
<u>Other receivables</u>		
Interest receivables	\$ 100,374	\$ 23,705
VAT refund receivables	11,433	134
Others	41,122	26,220
Less: Allowance for impairment loss	<u>(16,113)</u>	<u>-</u>
	<u>\$ 136,816</u>	<u>\$ 50,059</u>
Current	\$ 136,816	\$ 50,059
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 136,816</u>	<u>\$ 50,059</u>

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, 2022

	Not 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	\$ 559,151	\$ 18,332	\$ 8,187	\$ 996	\$ 586,666
Loss allowance (Lifetime ECL)	<u>(2,131)</u>	<u>(2,739)</u>	<u>(6,253)</u>	<u>(996)</u>	<u>(12,119)</u>
Amortized cost	<u>\$ 557,020</u>	<u>\$ 15,593</u>	<u>\$ 1,934</u>	<u>\$ -</u>	<u>\$ 574,547</u>

December 31, 2021

	Not 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)	<u>(5,873)</u>	<u>-</u>	<u>(751)</u>	<u>(54,689)</u>	<u>(61,313)</u>
Amortized cost	<u>\$ 448,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 448,207</u>

The movements of the loss allowance of trade receivables, other receivables and overdue receivables were as follows:

	For the Year Ended December 31	
	2022	2021
Balance, beginning of the year	\$ 132,842	\$ 1,032,832
Less: Loss allowance reversed	(15,000)	(20,000)
Less: Amounts written off	<u>(15,683)</u>	<u>(879,990)</u>
Balance, end of the year	<u>\$ 102,159</u>	<u>\$ 132,842</u>

11. INVENTORIES

	December 31	
	2022	2021
Finished goods	\$ 729,281	\$ 816,709
Work-in-process	-	12,628
Semi-finished goods	102,364	113,083
Raw materials	586,164	626,874
Inventory in transit	<u>2,640</u>	<u>80,280</u>
	<u>\$ 1,420,449</u>	<u>\$ 1,649,574</u>

The cost of inventory write-down recognized as operation costs for the years ended December 31, 2022 and 2021 were NT\$20,296 thousand and NT\$137,011 thousand, respectively.

12. PREPAYMENTS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Prepaid expenses	\$ 311,298	\$ 273,549
Net input VAT	55,119	46,252
Prepaid equipment	5,976	5,886
Prepaid software	2,418	3,323
Prepayments to suppliers	836	-
Prepaid royalties	-	4,037
	<u>\$ 375,647</u>	<u>\$ 333,047</u>
Current	\$ 365,673	\$ 325,012
Non-current	<u>9,974</u>	<u>8,035</u>
	<u>\$ 375,647</u>	<u>\$ 333,047</u>

For the years ended December 31, 2022 and 2021, the Company determined that the carrying amount of some of the prepayments for software were expected to be unrecoverable. Thus, it recognized impairment loss of NT\$2,915 thousand and NT\$5,781 thousand classified as other gains and losses, respectively, refer to Note 26 to the consolidated financial statements.

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

The consolidated entities as of December 31, 2022 and 2021 were as follows:

Investor	Investee	Main Businesses	<u>% of Ownership</u>		Remark
			<u>2022</u>	<u>2021</u>	
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)
	HTC Holding B.V.	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	-
	Hung Xu 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	100.00	2)
	Viveport Digital Corporation	Interactive scenario experience services	100.00	100.00	3)
	VIVE Arts Corp.	Digital arts	100.00	-	4)
HTC Europe Co., Ltd.	International holding company, marketing, repair and after-sales services	100.00	-	5)	

(Continued)

Investor	Investee	Main Businesses	% of Ownership		Remark
			2022	2021	
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	1)
	HTC (Thailand) Limited	"	100.00	100.00	-
	HTC India Private Ltd.	"	99.00	99.00	-
	HTC Malaysia Sdn. Bhd.	"	-	100.00	6)
	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 B.V.	International holding company	99.99	99.99	-
	HTC Communication Technologies (SH)	Design, research and development of application software	100.00	100.00	-
	HTC Vietnam Services One Member Limited Liability Company	Marketing, repair and after-sales services	-	-	7)
	HTC Myanmar Company Limited	"	-	-	8)
	S3 Graphics Co., Ltd.	Design, research and development of graphics technology	100.00	100.00	-
	HTC Investment One (BVI) Corporation	HTC Communication (BJ) Tech Co.	Design, research and development of application software	100.00	100.00
HTC Corporation (Shanghai WGQ)		Smart mobile devices examination and after-sale services and technique consultations	100.00	100.00	-
HTC Communication Technologies (SH) HTC HK, Limited	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	-	-	8)
HTC Holding B.V.	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 Netherlands B.V.	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	5)
	HTC BRASIL	Marketing, repair and after-sales services	-	-	9)
	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	-	-	10)
	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 EUROPE CO., LTD.	HTC Servicios DE Operacion Mexico, S.A DE C.V.	Human resources management	99.00	99.00
HTC America Holding Inc.		International holding company	100.00	100.00	-
DeepQ Holding Corporation		"	100.00	-	-
VIVE Arts Holding Corporation		"	100.00	-	-
Viveport Corporation		"	100.00	-	-
REIGN Technology Corporation		"	100.00	-	-
HTC America Holding Inc.		HTC America Inc.	Sale of smart mobile devices and virtual reality devices	100.00	100.00
HTC America Holding Inc.	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	-
	Hung Xu Holding (BVI) Corp.	International holding company	100.00	100.00	-
Hung Xu TECH (BVI) Corp.	Hung Xu TECH Corp.	Research, development of virtual reality devices	100.00	100.00	-
	HTC VIVE TECH (HK) Limited	"	-	100.00	11)

(Continued)

Investor	Investee	Main Businesses	% of Ownership		Remark
			2022	2021	
HTC VIVE TECH (HK) Limited	VIVE Arts Limited	Digital art	100.00	100.00	-
	HTC VIVE TECH (Beijing)	Research, development and sale of virtual reality devices	100.00	100.00	-
DeepQ Holding (BVI) Corp.	DeepQ (BVI) Corp.	International holding company	100.00	100.00	-
	DeepQ Technology Corp.	Medical technology and health care	100.00	100.00	-
HTC Investment (BVI) Corporation	DeepQ Technology (Beijing)	Development and marketing of software technology	100.00	100.00	-
	VRChat, Inc.	Development of virtual reality contents	-	-	12)
VRChat, Inc.	HTC VIVE TECH (HK) Limited	Research, development and sale of virtual reality devices	100.00	-	11)
	HTC VR Content (BVI) Corp.	Development of virtual reality contents	-	-	12)
	Uomo Vitruviano Corp.	Development of virtual reality contents	100.00	100.00	-

(Concluded)

Remark:

- 1) The dissolution of PT. High Tech Computer Indonesia was approved in its shareholders' meeting held on June 17, 2019. The liquidation process was completed on December 12, 2022.
- 2) REIGN Technology Corporation was incorporated on September 30, 2021.
- 3) Viveport Digital Corporation was incorporated on October 1, 2021.
- 4) VIVE Arts Corporation was incorporated on December 13, 2022.
- 5) On March 7, 2022, HTC Corporation's Board of Directors resolved the reorganization plan of the overseas subsidiaries to optimize the group structure. HTC EUROPE CO., LTD has been arranged as one of the first layer of holding companies for certain subsidiaries and the shares of the related subsidiaries have been transferred to HTC EUROPE CO., LTD accordingly. As of December 6, 2022, the reorganization has been completed.
- 6) The dissolution of HTC Malaysia Sdn. Bhd. was approved in its shareholders' meeting held on February 7, 2022. The liquidation process was completed on October 17, 2022.
- 7) 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.
- 8) 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.
- 9) 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.
- 10) 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.
- 11) On January 1, 2022, HTC VIVE TECH (HK) Limited was sold by HungXu Technology (BVI) Corp. to HTC Investment (BVI) Corp.
- 12) VRChat, Inc. issued new shares in June 2021. The Company did not subscribe for the 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 Company lost control over VRChat, Inc. and its subsidiary, the investment has since been accounted for under the equity method since June 2021. For details, refer to Notes 14 and 29 to the consolidated financial statements.

- 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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Investment in associates	<u>\$ 1,106,939</u>	<u>\$ 1,017,149</u>

Investments in Associates - Associates That Are Not Individually Material

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Unlisted equity investments</u>		
Steel Wool Games, Inc.	\$ 154,231	\$ 61,081
Surgical Theater, LLC	-	-
MOR Museum Inc.	4,856	5,652
Engage XR Holdings PLC	40,640	67,054
Gui Zhou Wei Ai Technology Group Co., Ltd.	93,073	93,095
VRChat, Inc.	<u>814,139</u>	<u>790,267</u>
	<u>\$ 1,106,939</u>	<u>\$ 1,017,149</u>

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 to the consolidated financial statements.

In October 2021, 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 to the consolidated financial statements.

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	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
East West Artist, LLC	30.00%	30.00%
Steel Wool Games, Inc.	49.00%	49.00%
Surgical Theater, LLC	16.30%	16.30%
MOR Museum Inc.	25.00%	25.00%
Engage XR Holdings PLC	16.64%	16.64%
Gui Zhou Wei Ai Technology Group Co., Ltd.	26.05%	26.05%
VRChat, Inc.	36.20%	36.20%

Aggregate information of associates was as follows:

	For the Year Ended December 31	
	2022	2021
The Company's share of:		
Loss from continuing operations	\$ (23,499)	\$ (102,300)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (23,499)</u>	<u>\$ (102,300)</u>

15. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Carrying amounts		
Land	\$ 4,798,866	\$ 4,867,414
Buildings	2,157,453	2,513,201
Machinery and equipment	31,234	49,905
Other equipment	<u>48,695</u>	<u>54,811</u>
	<u>\$ 7,036,248</u>	<u>\$ 7,485,331</u>

Movements of property, plant and equipment for the years ended December 31, 2022 and 2021 were as follows:

	2022				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance, beginning of the year	\$ 4,867,414	\$ 4,247,071	\$ 2,792,462	\$ 856,303	\$ 12,763,250
Additions	-	324	7,225	24,895	32,444
Disposals	-	-	(16,170)	(102,950)	(119,120)
Reclassified	-	-	-	(197)	(197)
Reclassified as investment properties	(71,269)	(294,704)	-	-	(365,973)
Effect of foreign currency exchange differences	2,721	10,138	430	9,916	23,205
Balance, end of the year	<u>4,798,866</u>	<u>3,962,829</u>	<u>2,783,947</u>	<u>787,967</u>	<u>12,333,609</u>
<u>Accumulated depreciation</u>					
Balance, beginning of the year	-	1,733,870	2,639,212	794,271	5,167,353
Depreciation expenses	-	158,021	21,522	30,194	209,737
Disposals	-	-	(16,170)	(100,204)	(116,374)
Reclassified	-	-	-	(82)	(82)
Reclassified as investment properties	-	(82,209)	-	-	(82,209)
Effect of foreign currency exchange differences	-	(4,306)	4,804	9,048	9,546
Balance, end of the year	<u>-</u>	<u>1,805,376</u>	<u>2,649,368</u>	<u>733,227</u>	<u>5,187,971</u>
<u>Accumulated impairment</u>					
Balance, beginning of the year	-	-	103,345	7,221	110,566
Impairment losses recognized	-	-	-	1,472	1,472
Disposals	-	-	-	(2,693)	(2,693)
Effect of foreign currency exchange differences	-	-	-	45	45
Balance, end of the year	<u>-</u>	<u>-</u>	<u>103,345</u>	<u>6,045</u>	<u>109,390</u>
Net book value, end of the year	<u>\$ 4,798,866</u>	<u>\$ 2,157,453</u>	<u>\$ 31,234</u>	<u>\$ 48,695</u>	<u>\$ 7,036,248</u>

	2021				
	Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
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>
<u>Accumulated depreciation</u>					
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>-</u>	<u>1,733,870</u>	<u>2,639,212</u>	<u>794,271</u>	<u>5,167,353</u>
<u>Accumulated impairment</u>					
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>-</u>	<u>-</u>	<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>

For the years ended December 31, 2022 and 2021, the Company determined that the carrying amounts of some of equipment were expected to be unrecoverable. Thus, it recognized impairment losses of NT\$1,472 thousand and NT\$37,233 thousand classified as other gains and losses, respectively, refer to Note 26 to the consolidated financial statements.

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 to the consolidated financial statements.

Property pledged as collateral for bank borrowings are set out in Note 34 to the consolidated financial statements.

There were no capitalized interests for the years ended December 31, 2022 and 2021.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2022	2021
<u>Carrying amounts</u>		
Buildings	<u>\$ 139,325</u>	<u>\$ 185,927</u>
	<u>For the Year Ended December 31</u>	
	2022	2021
Additions to right-of-use assets	<u>\$ 1,404</u>	<u>\$ 179,146</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 62,698</u>	<u>\$ 63,187</u>

b. Lease liabilities

	<u>December 31</u>	
	2022	2021
<u>Carrying amounts</u>		
Current	<u>\$ 44,637</u>	<u>\$ 54,524</u>
Non-current	<u>\$ 107,105</u>	<u>\$ 137,371</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	2022	2021
Buildings	2.00%-4.35%	0.5%-4.35%

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 5 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 to the consolidated financial statements.

	<u>For the Year Ended December 31</u>	
	2022	2021
Expenses relating to short-term leases	<u>\$ 11,332</u>	<u>\$ 16,908</u>
Total cash outflow for leases	<u>\$ (74,586)</u>	<u>\$ (91,806)</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.

17. INVESTMENT PROPERTIES, NET

	<u>December 31</u>	
	2022	2021
Carrying amounts		
Land	\$ 240,285	\$ 161,443
Buildings	<u>2,342,282</u>	<u>2,217,012</u>
	<u>\$ 2,582,567</u>	<u>\$ 2,378,455</u>

Movement of investment properties, net for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>		
	Land	Buildings	Total
<u>Cost</u>			
Balance, beginning of period	\$ 161,443	\$ 3,445,047	\$ 3,606,490
Additions	-	7,465	7,465
Reclassification	71,269	294,704	365,973
Effect of foreign currency exchange differences	<u>7,573</u>	<u>22,683</u>	<u>30,256</u>
Balance, end of period	<u>240,285</u>	<u>3,769,899</u>	<u>4,010,184</u>
<u>Accumulated depreciation</u>			
Balance, beginning of period	-	1,228,035	1,228,035
Depreciation expense	-	117,105	117,105
Reclassification	-	82,209	82,209
Effect of foreign currency exchange differences	<u>-</u>	<u>268</u>	<u>268</u>
Balance, end of period	<u>-</u>	<u>1,427,617</u>	<u>1,427,617</u>
Net book value, end of period	<u>\$ 240,285</u>	<u>\$ 2,342,282</u>	<u>\$ 2,582,567</u>
	<u>2021</u>		
	Land	Buildings	Total
<u>Cost</u>			
Balance, beginning of period	\$ 101,089	\$ 3,227,709	\$ 3,328,798
Additions	124,603	351,105	475,708
Eliminations	-	(9,607)	(9,607)
Reclassification	(52,031)	(107,684)	(159,715)
Effect of foreign currency exchange differences	<u>(12,218)</u>	<u>(16,476)</u>	<u>(28,694)</u>
Balance, end of period	<u>161,443</u>	<u>3,445,047</u>	<u>3,606,490</u>
<u>Accumulated depreciation</u>			
Balance, beginning of period	-	1,146,914	1,146,914
Depreciation expense	-	114,530	114,530
Eliminations	-	(9,607)	(9,607)
Reclassification	-	(23,512)	(23,512)
Effect of foreign currency exchange differences	<u>-</u>	<u>(290)</u>	<u>(290)</u>
Balance, end of period	<u>-</u>	<u>1,228,035</u>	<u>1,228,035</u>
Net book value, end of period	<u>\$ 161,443</u>	<u>\$ 2,217,012</u>	<u>\$ 2,378,455</u>

The abovementioned investment properties were leased out for 2 to 5 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, 2022 and 2021 were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Year 1	\$ 585,014	\$ 345,629
Year 2	580,578	10,533
Year 3	<u>330,793</u>	<u>10,184</u>
	<u>\$ 1,496,385</u>	<u>\$ 366,346</u>

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	26-50 years
Electricity distribution system	20 years
Air-conditioning	5-10 years
Others	3-5 years

The determination of fair value for the investment properties leased as of December 31, 2022 was NT\$5,033,841 thousand. The fair value as of December 31, 2022 was performed by independent qualified professional appraisers and the fair values were measured by using Level 3 inputs. The fair value of some investment properties leased is only evaluated by the management of the merging company with reference to market evidence of transaction prices for similar properties.

The determination of fair value for the investment properties leased as of December 31, 2021 was NT\$4,363,412 thousand. The fair values as of December 31, 2021 was performed by independent qualified professional appraisers and the fair values were measured by using Level 3 inputs.

The investment properties pledged as collateral for bank borrowings are set out in Note 34 to the consolidated financial statements.

18. INTANGIBLE ASSETS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Carrying amounts		
Other intangible assets	<u>\$ 81,321</u>	<u>\$ 34,334</u>

Movements of intangible assets for the years ended December 31, 2022 and 2021 were as follows:

	2022			
	Patents	Goodwill	Other Intangible Assets	Total
<u>Cost</u>				
Balance, beginning of the year	\$ 8,591,790	\$ 437,868	\$ 532,076	\$ 9,561,734
Additions	-	-	47,542	47,542
Disposals	-	-	(405)	(405)
Eliminations	-	-	(257)	(257)
Effect of foreign currency exchange differences	910,350	47,997	51,648	1,009,995
Balance, end of the year	<u>9,502,140</u>	<u>485,865</u>	<u>630,604</u>	<u>10,618,609</u>
<u>Accumulated amortization</u>				
Balance, beginning of the year	8,480,705	-	331,035	8,811,740
Amortization expenses	-	-	1,217	1,217
Eliminations	-	-	(257)	(257)
Effect of foreign currency exchange differences	910,350	-	32,852	943,202
Balance, end of the year	<u>9,391,055</u>	<u>-</u>	<u>364,847</u>	<u>9,755,902</u>
<u>Accumulated impairment</u>				
Balance, beginning of the year	111,085	437,868	166,707	715,660
Eliminations	-	-	976	976
Effect of foreign currency exchange differences	-	47,997	16,753	64,750
Balance, end of the year	<u>111,085</u>	<u>485,865</u>	<u>184,436</u>	<u>781,386</u>
Net book value, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,321</u>	<u>\$ 81,321</u>
	2021			
	Patents	Goodwill	Other Intangible Assets	Total
<u>Cost</u>				
Balance, beginning of the year	\$ 8,835,840	\$ 514,746	\$ 567,747	\$ 9,918,333
Additions	-	-	2,885	2,885
Disposals	-	-	(331)	(331)
Eliminations	-	-	(24,552)	(24,552)
Impact due to loss of control of subsidiary (Note 29)	-	(62,593)	-	(62,593)
Effect of foreign currency exchange differences	(244,050)	(14,285)	(13,673)	(272,008)
Balance, end of the year	<u>8,591,790</u>	<u>437,868</u>	<u>532,076</u>	<u>9,561,734</u>

(Continued)

	2021			
	Patents	Goodwill	Other Intangible Assets	Total
<u>Accumulated amortization</u>				
Balance, beginning of the year	\$ 8,724,755	\$ -	\$ 350,876	\$ 9,075,631
Amortization expenses	-	-	6,085	6,085
Eliminations	-	-	(16,944)	(16,944)
Effect of foreign currency exchange differences	<u>(244,050)</u>	<u>-</u>	<u>(8,982)</u>	<u>(253,032)</u>
Balance, end of the year	<u>8,480,705</u>	<u>-</u>	<u>331,035</u>	<u>8,811,740</u>
<u>Accumulated impairment</u>				
Balance, beginning of the year	111,085	450,736	178,938	740,759
Eliminations	-	-	(7,608)	(7,608)
Effect of foreign currency exchange differences	<u>-</u>	<u>(12,868)</u>	<u>(4,623)</u>	<u>(17,491)</u>
Balance, end of the year	<u>111,085</u>	<u>437,868</u>	<u>166,707</u>	<u>715,660</u>
Net book value, end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,334</u>	<u>\$ 34,334</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:

Other intangible assets 3 years

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 2,640,000</u>	<u>\$ 2,600,000</u>

The range of interest rates on line of credit borrowings was 1.71%-2.36% and 1.20%-1.36% per annum at December 31, 2022 and 2021.

b. Long-term borrowings

	December 31	
	2022	2021
<u>Secured borrowings</u>		
Bank loans	\$ 5,000,000	\$ 2,000,000
<u>Unsecured borrowings</u>		
Bank loans	1,800,000	-
Less: Current portion	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ 6,800,000</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, 2022, the Company has met the financial ratios mentioned above.

Given long-term development, the Company entered into a bank loan amounting to NT\$9 billion with CTBC Bank on December 15, 2022 in order to meet the needs of future operating growth, repay the existing bank loans, and replenish the medium-term working capital in January 2023.

The range of interest rates on bank loans was 2.13%-2.41% per annum at December 31, 2022.

The Company pledged land and buildings as collateral for the long-term borrowings (refer to Note 34 to the consolidated financial statements).

20. TRADE PAYABLES

	December 31	
	2022	2021
Notes payable	\$ -	\$ 58
Trade payables	5,686,777	5,463,218
Trade payables - related parties	<u>425</u>	<u>1,262</u>
	<u>\$ 5,687,202</u>	<u>\$ 5,464,538</u>

The average term of payment is 2-4 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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Other payables</u>		
Accrued expenses	\$ 3,810,498	\$ 4,852,668
Payables for purchase of equipment	<u>5,019</u>	<u>4,351</u>
	<u>\$ 3,815,517</u>	<u>\$ 4,857,019</u>
<u>Other liabilities</u>		
Advance receipts	\$ 140,749	\$ 197,939
Agency receipts	58,674	48,309
Others	<u>106,153</u>	<u>88,639</u>
	<u>\$ 305,576</u>	<u>\$ 334,887</u>

Accrued Expenses

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Marketing	\$ 1,160,438	\$ 1,483,151
Services	1,103,211	1,109,390
Salaries, bonuses and compensation	777,089	996,961
Materials and molding expenses	93,006	481,564
Insurance	47,043	44,843
Import, export and freight	18,319	44,398
Repairs, maintenance and sundry purchase	15,439	27,663
Others	<u>595,953</u>	<u>664,698</u>
	<u>\$ 3,810,498</u>	<u>\$ 4,852,668</u>

22. PROVISIONS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Warranties	\$ 940,282	\$ 1,120,410
Others	<u>4,136</u>	<u>5,904</u>
	<u>\$ 944,418</u>	<u>\$ 1,126,314</u>

Movement of provisions for the years ended December 31, 2022 and 2021 were as follows:

	2022		
	Warranty Provision	Others	Total
Balance, beginning of the year	\$ 1,120,410	\$ 5,904	\$ 1,126,314
Provisions (reversed) recognized	(9,928)	1,529	(8,399)
Usage	(187,796)	(3,297)	(191,093)
Effect of foreign currency exchange differences	<u>17,596</u>	<u>-</u>	<u>17,596</u>
Balance, end of the year	<u>\$ 940,282</u>	<u>\$ 4,136</u>	<u>\$ 944,418</u>
	2021		
	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
Usage	(182,720)	(141,605)	(324,325)
Effect of foreign currency exchange differences	<u>(3,131)</u>	<u>(3,392)</u>	<u>(6,523)</u>
Balance, end of the year	<u>\$ 1,120,410</u>	<u>\$ 5,904</u>	<u>\$ 1,126,314</u>

The Company provides warranty service to 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.

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\$143,862 thousand and NT\$145,043 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, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the amounts of contributions payable were NT\$22,289 thousand and NT\$25,018 thousand, respectively. These 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 2022 to April 2023 and May 2021 to April 2022, and had been approved by the competent authority in May 2022 and May 2021, respectively.

The amounts included in the consolidated balance sheets in respect of the obligation of HTC under the defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ (184,134)	\$ (292,684)
Fair value of plan assets	<u>678,943</u>	<u>639,498</u>
Net defined benefit asset	<u>\$ 494,809</u>	<u>\$ 346,814</u>

Movements in net defined benefit asset were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset
Balance at January 1, 2021	\$ (304,336)	\$ 635,618	\$ 331,282
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>
Remeasurement			
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>
Current service cost	(5,545)	-	(5,545)
Net interest (expense) income	<u>(1,464)</u>	<u>3,198</u>	<u>1,734</u>
Recognized in profit or loss	<u>(7,009)</u>	<u>3,198</u>	<u>(3,811)</u>
Remeasurement			
Return on plan assets	-	51,173	51,173
Actuarial loss - changes in demographic assumptions	(171)	-	(171)

(Continued)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Asset
Actuarial loss - changes in financial assumptions	\$ 24,868	\$ -	\$ 24,868
Actuarial gain - experience adjustments	<u>75,936</u>	<u>-</u>	<u>75,936</u>
Recognized in other comprehensive income	<u>100,633</u>	<u>51,173</u>	<u>151,806</u>
Benefits paid	<u>14,926</u>	<u>(14,926)</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ (184,134)</u>	<u>\$ 678,943</u>	<u>\$ 494,809</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- a. 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.
- b. 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.
- c. 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	
	2022	2021
Discount rates	1.500%	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	
	2022	2021
Discount rates		
0.25% increase	<u>\$ 5,629</u>	<u>\$ 9,712</u>
0.25% decrease	<u>\$ (5,854)</u>	<u>\$ (10,129)</u>
Expected rates of salary increase		
0.25% increase	<u>\$ (5,624)</u>	<u>\$ (9,642)</u>
0.25% decrease	<u>\$ 5,440</u>	<u>\$ 9,303</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	
	2022	2021
The expected contributions to the plan for the next year	<u>\$ -</u>	<u>\$ -</u>
The average duration of the defined benefit obligation	12.98 years	14.04 years

24. EQUITY

Share Capital

a. Ordinary shares

	December 31	
	2022	2021
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>829,515</u>	<u>824,505</u>
Shares issued	<u>\$ 8,295,153</u>	<u>\$ 8,245,050</u>

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.

In 2022, the Company executed 5,010 thousand shares for employee share options, totaling NT\$50,103 thousand. As a result, the amount of the Company's issued and outstanding ordinary shares as of December 31, 2022 increased to NT\$8,295,153 thousand, divided into 829,515 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, 2022, there were 8,633.4 thousand units of GDRs redeemed, representing 34,533.5 thousand ordinary shares, and the outstanding GDRs represented 1,527 thousand ordinary shares or 0.18% of the Company's outstanding ordinary shares.

Capital Surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<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	\$ 15,165,248	\$ 14,966,699
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	698,489	693,266
<u>May not be used for any purpose</u>		
Arising from employee share options	<u>246,494</u>	<u>295,334</u>
	<u>\$ 16,160,271</u>	<u>\$ 16,005,339</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 to the consolidated financial statements.

Retained Earnings and Dividend Policy

Under HTC's Articles of Incorporation, HTC should make appropriations from its net income in the following order:

- a. To pay taxes.
- b. To cover accumulated losses, if any.
- c. To appropriate 10% as legal reserve unless the total legal reserve accumulated has already reached the amount of HTC's authorized capital.
- d. To recognize or reverse special reserve return earnings. When a special reserve is appropriated for the cumulative net increases in fair value measurement of investment properties from prior period and the cumulative net debit balance reserves from prior period, the special reserve is only appropriated from the prior unappropriated earnings, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient.
- e. 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 2021 and 2020 were approved in the shareholders' meeting on June 17, 2022 and July 20, 2021. The accumulated deficits off-set and dividends per share were as follows:

	Accumulated Deficits Off-set		Dividends Per Share (NT\$)	
	For 2021	For 2020	For 2021	For 2020
Legal reserve used to offset accumulated losses	\$ 3,226,492	\$ 3,390,478	\$ -	\$ -

The accumulated deficits off-set for 2022, which was proposed by the Company's board of directors on March 7, 2023, was as follows:

	For the Year Ended December 31, 2022
Legal reserve used to offset accumulated deficits	<u>\$ 3,279,552</u>

The accumulated deficits off-set for 2022 will be resolved by the shareholders in their meeting to be held on June 16, 2023.

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.

25. OPERATING REVENUE

a. Disaggregation of revenue

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Sale of goods	\$ 4,012,976	\$ 4,974,658
Other operating income	<u>395,847</u>	<u>278,621</u>
	<u>\$ 4,408,823</u>	<u>\$ 5,253,279</u>

b. Contract balances

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>January 1,</u> <u>2021</u>
Trade receivables (Note 10)	<u>\$ 574,547</u>	<u>\$ 448,207</u>	<u>\$ 475,713</u>
Contract liabilities (classified under advance receipts)	<u>\$ 133,105</u>	<u>\$ 189,546</u>	<u>\$ 323,502</u>

26. NET LOSS FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME AND LOSS

a. Interest income

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Bank deposits	<u>\$ 312,401</u>	<u>\$ 118,150</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Rental income	\$ 699,835	\$ 740,662
Dividends	37,912	10,951
Recovery of bad debt	104,469	-
Others	<u>300,982</u>	<u>173,960</u>
	<u>\$ 1,143,198</u>	<u>\$ 925,573</u>

c. Other gains and losses

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Net gain (loss) on disposal of property, plant and equipment	\$ 6	\$ (7,048)
Net gain (loss) on the disposal of intangible assets	784	(150)
Net foreign exchange gain	67,058	105,296
Net gain (loss) on valuation of financial instruments at fair value through profit or loss	(74,210)	25,365

(Continued)

	For the Year Ended December 31	
	2022	2021
Impairment loss on non-financial assets (Notes 12, 14, 15 and 18)	\$ (5,363)	\$ (369,738)
Gain from lease modifications	-	2,054
Gain on disposals of subsidiaries (Note 29)	-	732,929
Other losses	<u>(287,799)</u>	<u>(365,582)</u>
	<u>\$ (299,524)</u>	<u>\$ 123,126</u> (Concluded)

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 135,050	\$ 45,243
Interest on lease liabilities	6,093	5,662
Others	<u>1,653</u>	<u>1,775</u>
	<u>\$ 142,796</u>	<u>\$ 52,680</u>

e. Impairment reversal gain on financial assets

	For the Year Ended December 31	
	2022	2021
Trade receivables (included in operating expense)	<u>\$ 15,000</u>	<u>\$ 20,000</u>

f. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 209,737	\$ 317,793
Investment properties	117,105	114,530
Intangible assets	1,217	6,085
Right-of-use assets	<u>62,698</u>	<u>63,187</u>
	<u>\$ 390,757</u>	<u>\$ 501,595</u>
An analysis of depreciation - by function		
Operating costs	\$ 37,208	\$ 41,809
Operating expenses	235,227	339,171
Other expenses	<u>117,105</u>	<u>114,530</u>
	<u>\$ 389,540</u>	<u>\$ 495,510</u>
An analysis of amortization - by function		
Operating costs	\$ 1,217	\$ -
Operating expenses	<u>-</u>	<u>6,085</u>
	<u>\$ 1,217</u>	<u>\$ 6,085</u>

g. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	<u>\$ 3,585,407</u>	<u>\$ 3,394,212</u>
Post-employment benefits (Note 23)		
Defined contribution plans	143,862	145,043
Defined benefit plans	<u>3,811</u>	<u>2,948</u>
	<u>147,673</u>	<u>147,991</u>
Share-based payments (Note 30)		
Equity-settled share-based payments	<u>31,810</u>	<u>94,736</u>
Separation benefits	<u>(64,507)</u>	<u>140,000</u>
Total employee benefits expense	<u>\$ 3,700,383</u>	<u>\$ 3,776,939</u>
An analysis of employee benefits expense - by function		
Operating costs	\$ 335,095	\$ 371,055
Operating expenses	3,429,795	3,265,884
Other expenses	<u>(64,507)</u>	<u>140,000</u>
	<u>\$ 3,700,383</u>	<u>\$ 3,776,939</u>

h. Employees' compensation and remuneration of directors and supervisors

In compliance with HTC's 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, 2022 and 2021, 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 2022 and 2021, see disclosures in the Market Observation Post System.

i. Impairment loss on non-financial assets

	For the Year Ended December 31	
	2022	2021
Inventories (included in operating costs)	\$ 20,296	\$ 137,011
Intangible asset (included in other gains and losses)	976	-
Prepayments (included in other gains and losses)	2,915	5,781
Investment accounted for using equity method (included in other gains and losses)	-	325,173
Property, plant and equipment (included in other gains and losses)	1,472	37,233
Other (included in other gains and losses)	<u>-</u>	<u>1,551</u>
	<u>\$ 25,659</u>	<u>\$ 506,749</u>

j. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 915,293	\$ 871,086
Foreign exchange losses	(848,235)	(765,790)
Valuation (loss) gain arising from financial instruments at fair value through profit or loss	<u>(31,118)</u>	<u>25,365</u>
	<u>\$ 35,940</u>	<u>\$ 130,661</u>

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax benefit recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
In respect of the current year		
Current tax	\$ 193,038	\$ (7,168)
Deferred tax	<u>(20,370)</u>	<u>3,560</u>
	<u>172,668</u>	<u>(3,608)</u>
Adjustments for previous years		
Current tax	(330,495)	(141,788)
Deferred tax	<u>155,559</u>	<u>142,648</u>
	<u>(174,936)</u>	<u>860</u>
Income tax benefit recognized in profit or loss	<u>\$ (2,268)</u>	<u>\$ (2,748)</u>

A reconciliation of accounting profit and income tax benefit and the applicable tax rate were as follows:

	For the Year Ended December 31	
	2022	2021
Loss before income tax	<u>\$ (3,414,051)</u>	<u>\$ (3,104,565)</u>
Income tax benefit calculated at the statutory rate	\$ (682,810)	\$ (620,913)
Effect of expenses that were not deductible in determining taxable profit	69,526	32,889
Effect of temporary differences	759,102	659,500
Effect of loss carryforward	17,452	4,111
Effect of different tax rates of subsidiaries operating in other jurisdictions	9,398	(79,195)
Adjustments for previous years' tax	<u>(174,936)</u>	<u>860</u>
Income tax benefit recognized in profit or loss	<u>\$ (2,268)</u>	<u>\$ (2,748)</u>

b. Income tax expense recognized in other comprehensive income

For the Year Ended December 31
2022 **2021**

Deferred tax

Recognized in current year

Income tax expense of remeasurement on defined benefit plan	<u>\$ 18,217</u>	<u>\$ 2,218</u>
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c. Current tax assets and liabilities

December 31

2022 **2021**

Current tax assets

Tax refund receivable	<u>\$ 254,257</u>	<u>\$ 178,560</u>
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Current tax liabilities

Income tax payable	<u>\$ 208,604</u>	<u>\$ 49,542</u>
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d. Deferred tax balances

Movements of deferred tax assets and deferred tax liabilities for the years ended December 31, 2022 and 2021 were as follows:

		2022			
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized royalties	\$ 303,740	\$ 16,020	\$ -	\$ -	\$ 319,760
Unrealized marketing expenses	98,639	(27,607)	-	23	71,055
Unrealized warranty expense	129,955	(22,233)	-	-	107,722
Allowance for loss on decline in value of inventory	43,499	(5,298)	-	-	38,201
Unrealized profit	58,996	(19,480)	-	-	39,516
Unrealized salary and welfare	30,175	(5,161)	-	3,321	28,335
Unrealized contingent losses on purchase orders	708	(212)	-	-	496
Financial instruments at FVTPL	-	3,734	-	-	3,734
Others	152,229	(51,028)	-	2,350	103,551
Loss carryforwards	<u>2,365,521</u>	<u>(51,117)</u>	<u>-</u>	<u>(129)</u>	<u>2,314,275</u>
	<u>\$ 3,183,462</u>	<u>\$ (162,382)</u>	<u>\$ -</u>	<u>\$ 5,565</u>	<u>\$ 3,026,645</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Financial instruments at FVTPL	\$ 3,044	\$ (3,044)	\$ -	\$ -	\$ -
Defined benefit plans	41,617	(457)	18,217	-	59,377
Others	49,429	(23,692)	-	96	25,833
	<u>\$ 94,090</u>	<u>\$ (27,193)</u>	<u>\$ 18,217</u>	<u>\$ 96</u>	<u>\$ 85,210</u>

	2021				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Adjustment	Closing Balance
<u>Deferred tax assets</u>					
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	<u>2,426,984</u>	<u>(60,880)</u>	<u>-</u>	<u>(583)</u>	<u>2,365,521</u>
	<u>\$ 3,328,452</u>	<u>\$ (140,385)</u>	<u>\$ -</u>	<u>\$ (4,605)</u>	<u>\$ 3,183,462</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Financial instruments at FVTPL	\$ 9,931	\$ (6,887)	\$ -	\$ -	\$ 3,044
Defined benefit plans	39,753	(354)	2,218	-	41,617
Others	<u>36,569</u>	<u>13,064</u>	<u>-</u>	<u>(204)</u>	<u>49,429</u>
	<u>\$ 86,253</u>	<u>\$ 5,823</u>	<u>\$ 2,218</u>	<u>\$ (204)</u>	<u>\$ 94,090</u>

- e. Amounts of deductible temporary differences, unused carryforward and unused tax credits for which deferred tax assets have not been recognized

	December 31	
	2022	2021
Loss carryforward	<u>\$ 85,340,757</u>	<u>\$ 81,728,293</u>
Deductible temporary differences	<u>\$ 3,347,898</u>	<u>\$ 4,157,016</u>

- f. Information about unused loss carry-forward

Loss carryforwards as of December 31, 2021 comprised of:

Remaining Carrying	Expiry Year
\$ 500,760	2023
4,258,374	2024
22,659,951	2025
22,167,741	2026
17,909,269	2027
16,749	2028
12,040,472	2029
7,859,977	2030
4,526,692	2031
4,843,491	2032
<u>119,798</u>	2033-2039
<u>\$ 96,903,274</u>	

- g. The aggregate amount of temporary difference associated with investments for which deferred tax assets have not been recognized:

As of December 31, 2022 and 2021, the temporary differences associated with investment in subsidiaries for which no deferred tax assets have been recognized were NT\$2,998,414 thousand and NT\$6,230,049 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 2020 have been assessed by the tax authorities.

28. LOSS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic loss per share	\$ (4.13)	\$ (3.75)

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

	<u>For the Year Ended December 31</u>	
	2022	2021
Loss for the year attributable to owners of the parent	\$ (3,411,783)	\$ (3,073,132)

Shares

Unit: In Thousands of Shares

	<u>For the Year Ended December 31</u>	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic loss per share	<u>826,261</u>	<u>819,721</u>

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	\$ <u> -</u>

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	<u>(9,565)</u>
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	<u>(2,399)</u>
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	<u>(68,432)</u>
	<u>\$ (68,432)</u>

30. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

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			
	2022		2021	
	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	20,397	\$ 45.16	30,531	\$ 45.32
Options granted	(4,899)	35.36	(5,861)	35.50
Options forfeited	<u>(719)</u>		<u>(4,273)</u>	
Balance, ending of the year	<u>14,779</u>	47.94	<u>20,397</u>	45.16
Options exercisable, end of the year	<u>12,399</u>		<u>5,603</u>	

Information about outstanding options as of the reporting date was as follows:

	December 31	
	2022	2021
Range of exercise price (NT\$)	\$35.05-\$134.5	\$35.05-\$149
Weighted-average remaining contractual life (years)	6.01 years	7.12 years

Options granted in November and May 2019 were priced using the Black-Scholes option pricing model. Options granted in August 2015 and October 2014 were priced using the trinomial option pricing model. The inputs to the model are as follows:

	November 2019	May 2019	August 2015	October 2014
Grant-date share price (NT\$)	\$35.05	\$35.50	\$54.50	\$134.50
Exercise price (NT\$)	\$35.05	\$35.50	\$54.50	\$134.50
Expected volatility	43.64%-44.09%	44.94%-45.01%	39.26%	33.46%
Expected life (years)	10 years	10 years	10 years	10 years
Expected dividend yield	-	-	4.04%	4.40%
Risk-free interest rate	0.6125%-0.6348%	0.6082%-0.6224%	1.3965%	1.7021%

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.

Compensation Cost of Share-based Payment Arrangements

Compensation cost of share-based payment arrangement recognized was NT\$31,810 thousand and NT\$94,736 thousand for the years ended December 31, 2022 and 2021, 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 to the consolidated financial statements.

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, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 50,051	\$ -	\$ 50,051
Convertible bonds	-	-	292,137	292,137
Warrants	-	-	25,496	25,496
Non-derivative financial assets				
Digital content investment agreement	-	-	11,469	11,469
	<u>\$ -</u>	<u>\$ 50,051</u>	<u>\$ 329,102</u>	<u>\$ 379,153</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 9,643	\$ -	\$ -	\$ 9,643
Domestic unlisted shares	-	-	137,053	137,053
Overseas listed shares	413,868	-	-	413,868
Overseas unlisted equity investments	-	-	3,751,170	3,751,170
	<u>\$ 423,511</u>	<u>\$ -</u>	<u>\$ 3,888,223</u>	<u>\$ 4,311,734</u>
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	\$ -	\$ 81,169	\$ -	\$ 81,169

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
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>
Financial assets at FVTOCI				
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>
Financial liabilities at FVTPL				
Derivative financial instruments				
Foreign exchange contracts	<u>\$ -</u>	<u>\$ 81,706</u>	<u>\$ -</u>	<u>\$ 81,706</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

b. Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

Financial Assets	Financial Assets at FVTPL		Financial Assets at FVTOCI	Total
	Derivatives	Others	Equity Instruments	
Balance at January 1, 2022	\$ 334,839	\$ -	\$ 2,662,488	\$ 2,997,327
Recognized in income	(43,092)	-	-	(43,092)
Recognized in other comprehensive income	-	-	(178,724)	(178,724)
Purchases	15,854	11,955	1,343,583	1,371,392
Disposals	-	-	(2,319)	(2,319)
Adjustment	-	(970)	-	(970)
Return of investments	(7,705)	-	(30,366)	(38,071)
Transfers out of Level 3	(19,943)	-	(224,392)	(244,335)
Transfers into of Level 3	-	-	13,961	13,961
Effect of foreign currency exchange differences	<u>37,680</u>	<u>484</u>	<u>303,992</u>	<u>342,156</u>
Balance at December 31, 2022	<u>\$ 317,633</u>	<u>\$ 11,469</u>	<u>\$ 3,888,223</u>	<u>\$ 4,217,325</u>

For the year ended December 31, 2021

Financial Assets	Financial Assets	Financial Assets	Total
	at FVTPL	at FVTOCI	
	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	<u>(14,062)</u>	<u>(43,254)</u>	<u>(57,316)</u>
Balance at December 31, 2021	<u>\$ 334,839</u>	<u>\$ 2,662,488</u>	<u>\$ 2,997,327</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 include a digital content investment agreement and investments in equity instruments. The lack of quoted prices in an active market places these financial assets in the Level 3 category. The fair values of digital content investment agreement are determined using the income approach. In this approach, the discounted cash flow method is used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The fair values of equity instruments 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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ 50,051	\$ 107,071
Mandatorily at FVTPL	329,102	334,839
Amortized cost (Note 1)	25,226,568	24,179,757
Financial assets at FVTOCI		
Equity instruments	4,311,734	2,769,959
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	81,169	81,706
Amortized cost (Note 2)	19,163,030	15,131,930

Note 1: The balances include financial assets measured at amortized cost, which comprise of cash and cash equivalents, other financial assets, trade receivables, other receivables and refundable deposits.

Note 2: The 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 to the consolidated financial statements.

Sensitivity analysis

The Company was mainly exposed to currency fluctuations of the United States dollar (USD), Euro (EUR), Renminbi (RMB), Japanese yen (JPY), Great British Pound (GBP) and Singapore dollar (SGD).

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 December 31, 2022</u>		
USD	\$ 163,875	\$ (91,828)
EUR	(1,334)	(7,480)
RMB	(8,251)	(64,877)
JPY	44	(2,526)
GBP	(64,936)	-
SGD	(42,714)	(43,566)
<u>For the year ended December 31, 2021</u>		
USD	127,034	(81,967)
EUR	(1,285)	(6,355)
RMB	(3,167)	(63,337)
JPY	(1,523)	(2,953)
GBP	(58,343)	-
SGD	(37,078)	(38,357)

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:

	<u>December 31</u>	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 18,791,192	\$ 13,336,607
Financial liabilities	151,742	191,895
Cash flow interest rate risk		
Financial assets	16,441	16,449
Financial liabilities	9,440,000	4,600,000

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, 2022 and 2021 would have increased/decreased by a cash outflow of NT\$9,424 thousand and a cash inflow of NT\$4,584 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, 2022 and 2021 would have increased/decreased by NT\$3,291 thousand and NT\$3,348 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, 2022 and 2021 would have increased/decreased by NT\$43,117 thousand and NT\$27,700 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 to the consolidated financial statements.

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, 2022

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
Short-term borrowings	\$ 1,450,000	\$ 1,190,000	\$ -
Notes and trade payables	278,854	5,408,348	-
Other payables	3,192,338	623,179	-
Lease liabilities	13,293	35,666	111,939
Agency receipts	58,674	-	-
Long-term borrowings	-	-	6,800,000
Guarantee deposits received	-	-	161,638
	<u>\$ 4,993,159</u>	<u>\$ 7,257,193</u>	<u>\$ 7,073,577</u>

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>

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, 2022

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<u>Net settled</u>			
Foreign exchange contracts	\$ 29,522	\$ -	\$ -
<u>Gross settled</u>			
Foreign exchange contracts			
Inflows	\$ 13,816,389	\$ -	\$ -
Outflows	<u>(13,872,433)</u>	<u>-</u>	<u>-</u>
	<u>\$ (56,044)</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021

	Less Than 3 Months	3 Months to 1 Year	Over 1 Year
<u>Net settled</u>			
Foreign exchange contracts	\$ 10,091	\$ -	\$ -
<u>Gross settled</u>			
Foreign exchange contracts			
Inflows	\$ 25,491,810	\$ -	\$ -
Outflows	<u>(25,477,732)</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,078</u>	<u>\$ -</u>	<u>\$ -</u>

3) Bank credit limit

	<u>December 31</u>	
	2022	2021
Unsecured bank general credit limit		
Amount used	\$ 4,609,064	\$ 2,780,007
Amount unused	<u>7,650,274</u>	<u>9,137,538</u>
	<u>\$ 12,259,338</u>	<u>\$ 11,917,545</u>
Secured bank overdraft facilities:		
Amount used	\$ 5,000,000	\$ 2,000,000
Amount unused	<u>-</u>	<u>3,000,000</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
Premier Investment & Consultant (Shanghai) Co., Ltd.	Its chairwoman is HTC's chairwoman
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
ASIAPLAY TAIWAN DIGITAL ENTERTAINMENT 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 director is HTC's chairwoman
HTC Social Welfare and Charity Foundation	Its chairman is HTC's director
Chinese Christian Faith and Love Foundation	Its director is HTC's chairwoman
Hung-Mao Investment Co., Ltd	Its significant shareholder is HTC's chairwoman

Operating Sales

	For the Year Ended December 31	
	2022	2021
Other related parties	\$ <u>5,197</u>	\$ <u>3,934</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	
	2022	2021
Other related parties	\$ <u>3,518</u>	\$ <u>6,084</u>

The following balances of trade payables from related parties were outstanding at the end of the reporting period:

	December 31	
	2022	2021
Other related parties	\$ 425	\$ 1,262

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	
	2022	2021
Short-term benefits	\$ 112,927	\$ 95,357
Post-employment benefits	1,069	951
Share-based payments	<u>3,592</u>	<u>23,942</u>
	<u>\$ 117,588</u>	<u>\$ 120,250</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	
	2022	2021
VIA Technologies (China) Co., Ltd.	\$ -	\$ 13,840
Premier Investment & Consultant (Shanghai) Co., Ltd.	<u>7,064</u>	<u>17,461</u>
	<u>\$ 7,064</u>	<u>\$ 31,301</u>

Finance Costs

	For the Year Ended December 31	
	2022	2021
VIA Technologies (China) Co., Ltd.	\$ 334	\$ 916
Premier Investment & Consultant (Shanghai) Co., Ltd.	553	983
Weishang Electronics (Shanghai) Co., Ltd.	<u>-</u>	<u>1,132</u>
	<u>\$ 887</u>	<u>\$ 3,031</u>

Lease Expense

	For the Year Ended December 31	
	2022	2021
VIA Technologies (China) Co., Ltd.	\$ 619	\$ 886
Other related parties	<u>613</u>	<u>1,128</u>
	<u>\$ 1,232</u>	<u>\$ 2,014</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	
	2022	2021
Other related parties	<u>\$ 80</u>	<u>\$ 91</u>

Other Related-party Transactions

Other related parties provide property management and media publicity service. The costs and fees were NT\$9,178 thousand and NT\$8,763 thousand for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the outstanding balances of other payables to related parties were NT\$2,539 thousand and NT\$1,062 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\$9,562 thousand and NT\$9,509 thousand for the years ended December 31, 2022 and 2021, respectively.

34. PLEDGED ASSETS

As of December 31, 2022 and 2021, time deposits and demand deposits classified as other financial assets totaled NT\$145,300 thousand and NT\$161,525 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	
	2022	2021
Property, plant and equipment		
Land	\$ 3,337,100	\$ 3,337,100
Buildings	986,730	1,077,194
Investment properties	<u>712,922</u>	<u>781,774</u>
	<u>\$ 5,036,752</u>	<u>\$ 5,196,068</u>

35. COMMITMENTS, CONTINGENCIES AND SIGNIFICANT CONTRACTS

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 during 2022 and 2021, 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:

	December 31			
	2022		2021	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 479,431	30.72	\$ 957,221	27.68
EUR	48,643	32.72	80,495	31.30
JPY	1,000,081	0.2325	5,194,712	0.2404
RMB	1,186,854	4.41	1,858,227	4.34
GBP	175,617	37.07	228,461	37.39
SGD	199,405	22.8749	200,116	20.50
Non-monetary items				
USD	132,270	30.72	107,999	27.68
RMB	97,778	4.41	12,717	4.34
Investments accounted for using the equity method				
USD	6,502	30.72	4,833	27.68
RMB	21,109	4.41	21,433	4.34
<u>Financial liabilities</u>				
Monetary items				
USD	675,775	30.72	901,370	27.68
EUR	26,246	32.72	56,167	31.30
JPY	617,796	0.2325	4,248,025	0.2404
RMB	95,982	4.41	791,716	4.34
GBP	-	37.07	58,151	37.39
SGD	2,755	22.8749	2,809	20.50

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gain were NT\$35,940 thousand and NT\$130,661 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.

38. SIGNIFICANT CONTRACTS

The Company specializes in the research, design, manufacture and sale of virtual reality devices and smart mobile 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 N.V.	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 (None)
 - 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 3)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 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 8)
 - 11) Information on investees (Table 5)
- 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 6)
 - 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 7):
 - 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).

40. SEGMENT INFORMATION

The Company's operations are mainly focused in the areas of research, design, manufacturing and sale of virtual reality devices and smart mobile. 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, 2022 and 2021 were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Taiwan	\$ 8,460,526	\$ 8,714,368
Country Z	640,761	612,786
Country X	30,163	61,617
Others	<u>717,985</u>	<u>703,311</u>
	<u>\$ 9,849,435</u>	<u>\$ 10,092,082</u>

The countries that accounted for 10% or more of consolidated total revenues for the years ended December 31, 2022 and 2021 were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Taiwan	\$ 456,559	\$ 700,375
Country Z	1,660,467	1,897,834
Country X	580,637	855,269
Others	<u>1,711,160</u>	<u>1,799,801</u>
	<u>\$ 4,408,823</u>	<u>\$ 5,253,279</u>

Major Customer

External customers which accounted for 10% or more of the Company's total revenues for the years ended December 31, 2022 and 2021 were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Customer B	<u>\$ -</u>	<u>\$ 573,506</u>

Note: The amount of revenue from Customer B did not exceed 10% of the Company's total revenues for the year ended December 31, 2022.

HTC CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES)

DECEMBER 31, 2022

(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	\$ 575	-	\$ 575	
	<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	1,186	9.96	1,186	
	InfoKeyVault Technology Co., Ltd.	"	"	1,000	100,000	14.29	100,000	
H.T.C. (B.V.I.) Corp.	<u>Listed shares</u> SoundHound AI, Inc.	-	Financial assets at fair value through other comprehensive income - current	5,932	322,519	-	322,519	Note 2
	<u>Unlisted equity investments</u> GSUO Inc.	-	Financial assets at fair value through other comprehensive income - non-current	30,888	-	10.32	-	
	Magnet Systems, Inc.	"	"	5,560	-	15.56	-	
	High Fidelity, Inc.	"	"	451	35,808	1.40	35,808	
	WEVR, Inc.	"	"	5,089	212,261	17.01	212,261	
	Radd3, Inc.	"	"	935	-	6.24	-	
	MobiSocial Incorporated	"	"	121	7,756	0.41	7,756	
	EMISSIVE	"	"	17	33,188	-	33,188	
	MyndVR Inc.	-	Financial assets at fair value through other comprehensive income - non-current	700	39,933	2.45	39,933	
	Baobab Studios Inc.	"	"	434	53,756	1.57	53,756	
	Bitmark Inc.	"	"	257	20,888	-	20,888	
	WI Harper Fund VII	"	"	-	109,169	-	109,169	
	TransLink Capital Fund Partners II, L.P.	"	"	-	478,961	-	478,961	
	WI Harper Fund IX	"	"	-	39,326	-	39,326	
Race capital	The co-founder of the fund is a senior executive of the company	"	-	282,501	-	282,501		
Race capital II	"	"	-	25,873	-	25,873		
KKCompany Inc.	-	"	1	292,922	8.28	292,922		

(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	
H.T.C. (B.V.I.) Corp.	<u>Convertible bonds</u> Cognitive VR	-	Financial assets at fair value through profit or loss - non-current	-	\$ 7,678	-	\$ 7,678	
HTC Investment Corporation	<u>Unlisted shares</u> Luminous Optical Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	501	16,821	10.02	16,821	Note 3
	HLJ technology Co., Ltd.	"	"	948	19,046	1.02	19,046	
	<u>Listed shares</u> Sino-American silicon products Inc.	-	Financial assets at fair value through other comprehensive income - non-current	65	9,068	0.01	9,068	
HTC Investment (BVI) Corp.	<u>Listed shares</u> Intuit Inc.	-	Financial assets at fair value through other comprehensive income - current	1	17,886	-	17,886	
	Coinbase Global, Inc.	"	"	7	7,904	-	7,904	
	Matterport, Inc.	"	"	315	27,126	-	27,126	
	Vicarious Surgical Inc.	"	"	619	38,433	-	38,433	
	<u>Unlisted equity investments</u> Lumus Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	28	46,076	0.50	46,076	
	Event X	"	"	1,466	122,870	6.80	122,870	
	Imverse SA	"	"	-	33,352	-	33,352	
	XRHealth, Inc	"	"	-	199,664	5.80	199,664	
	Anzu Virtual Reality Ltd.	"	"	-	110,583	-	110,583	
	Felicis Ventures II LP	"	"	-	102,927	-	102,927	
	Rothenberg Ventures 2015 Fund, LLC	"	"	-	-	-	-	
	Presence Capital Fund I, LP	"	"	-	136,549	-	136,549	
	Ally Bridge Group	"	"	-	272,001	-	272,001	
	Ally Bridge Group-CMRCO	"	"	-	291,548	-	291,548	
	Cherubic Ventures	"	"	-	104,095	-	104,095	
	BITKRAFT Ventures Fund II, L.P.	"	"	-	54,679	-	54,679	
	Tripp. Inc.	"	"	389	18,431	-	18,431	
	Inworld (Theai, Inc.)	"	"	214	61,435	-	61,435	
	<u>Unlisted equity investments</u> Unbound Technologies	-	Financial assets at fair value through other comprehensive income - non-current	-	4,608	-	4,608	
	Section 32 Fund 5	"	"	-	4,482	-	4,482	
Sisu Ventures III, LP	"	"	-	36,861	-	36,861		

(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>Convertible bonds</u> Modrokk Inc.	-	Financial assets at fair value through profit or loss - non-current	-	\$ 184,305	-	\$ 184,305	
	Canopy Technologies Limited	"	"	-	7,678	-	7,678	
	Wonderland GmbH	"	"	-	16,741	-	16,741	
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	-	6.00	-	
	Apmatrix, Inc.	"	"	36	-	2.74	-	
	CleVR Forever, Inc.	"	"	300	-	3.33	-	
	Immersv, Inc.	"	"	655	-	2.21	-	
	Surreal VR, Inc.	"	"	644	-	7.03	-	
	Augmented Intelligence, Inc.	"	"	700	1,536	7.00	1,536	
	Opaque Productions, Inc.	"	"	1	3,072	8.00	3,072	
	Glowstick Entertainment Inc.	"	"	800	-	8.00	-	
	<u>Unlisted shares</u> KALEIDOSCOPE VR INC.	-	Financial assets at fair value through other comprehensive income - non-current	700	-	7.00	-	
	LyraVR, Inc.	"	"	81	1,843	7.50	1,843	
	BreqLabs, Inc.	"	"	261	-	8.00	-	
	LumiereVR, Inc	"	"	870	768	8.00	768	
	The Metaverse Channel Inc.	"	"	8	768	8.00	768	
	Metaverse Technology Limited	"	"	8	799	8.00	799	
	Subdream Studios Inc.	"	"	45	-	1.00	-	
	Appnori Inc.	"	"	-	2,150	7.02	2,150	
	Snobal Pty Ltd.	"	"	-	1,229	6.54	1,229	
	VRANI Inc.	"	"	17	1,546	4.00	1,546	
	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	-	
	Forbidden Mechanism Inc.	"	"	354	-	10.00	-	
	Hyperfair Inc.	"	"	835	-	4.00	-	
	bHaptics Inc.	"	"	9	31	3.00	31	
	Opaque X PTY LTD	"	"	1	3,072	7.50	3,072	
	Xikaku Inc.	"	"	600	-	6.00	-	
	Broken Colors Inc.	"	"	-	-	6.02	-	
Soccer Science, S.L.	"	"	6	-	5.00	-		

(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> Fitix Visualization Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	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	752	7.00	752		
	ThermoReal Inc.	"	"	-	-	3.00	-		
	Mixed Realms Pte. Ltd.	"	"	-	1,842	4.00	1,842		
	Red Pill Lab Ltd.	"	"	50	1,536	8.00	1,536		
	COVER CORPORATION	"	"	5	1,413	1.43	1,413		
	VRCOLLAB PTE. LTD.	"	"	1	1,842	8.00	1,842		
	Looxid Labs Inc.	"	"	2	321	1.00	321		
	360Stories Corp.	"	"	213	2,150	-	2,150		
	Z-Emotion	"	"	-	154	-	154		
	eLoupes, Inc.	"	"	958	8,293	-	8,293		
	Fable Studio Inc.	"	"	-	4,608	-	4,608		
	Emergent Entertainment Plc	"	"	34	3,594	-	3,594		
	DatavizVR	"	"	-	4,608	-	4,608		
	Neurable Inc.	"	"	67	3,685	-	3,685		
	Nanome Inc.	"	"	80	4,608	-	4,608		
	Mindesk Inc.	"	"	944	3,685	-	3,685		
	Karuna Labs	"	"	211	4,608	1.90	4,608		
	Talespin LLC	"	"	1,116	9,216	-	9,216		
	Vivid Vision	"	"	-	4,608	-	4,608		
	Apelab, Inc.	"	"	-	4,608	-	4,608		
	Brinx Software	"	"	-	4,608	-	4,608		
	<u>Convertible bonds</u> Drop Software Inc.	-		Financial assets at fair value through profit or loss - non-current	-	2,457	-	2,457	
	Fish Bowl VR, Inc.	"	"	"	-	-	-	-	
	Apmetrix, Inc.	"	"	"	-	-	-	-	
	CleVR Forever, Inc.	"	"	"	-	-	-	-	
	Surreal VR, Inc.	"	"	"	-	-	-	-	
	Realiteer Corp.	"	"	"	-	-	-	-	
	KALEIDOSOPE VR INC.	"	"	"	-	3,685	-	3,685	
COGNITIVEVR INC.	"	"	"	-	3,685	-	3,685		
Limitless Entertainment, Limited	"	"	"	-	-	-	-		
AuroraTech Company	"	"	"	-	2,304	-	2,304		

(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>								
	Construct Studio Inc.	-	Financial assets at fair value through profit or loss - non-current	-	\$ -	-	\$ -		
	Forbidden Mechanism Inc.	"	"	-	-	-	-		
	Hyperfair Inc.	"	"	-	-	-	-		
	Broken Colors Inc.	"	"	-	1,536	-	1,536		
	Soccer Science, S.L.	"	"	-	2,304	-	2,304		
	Fitix Visualization Ltd.	"	"	-	1,536	-	1,536		
	PlusOne, Inc.	"	"	-	1,536	-	1,536		
	Invrse Reality Limited	"	"	-	-	-	-		
	ByondVR LTD	"	"	-	3,072	-	3,072		
	Cloudgate Studio, Inc.	"	"	-	3,685	-	3,685		
	Quantum Capture	"	"	-	4,608	-	4,608		
	Intugame Inc.	"	"	-	2,934	-	2,934		
	Pillow's Willow VR Studios B.V.	"	"	-	2,304	-	2,304		
	Modal System Inc.	"	"	-	3,072	-	3,072		
	MyndVR LLC	"	"	-	4,216	-	4,216		
	Immersv, Inc.	"	"	-	2,980	-	2,980		
	Yerba Buena VR	"	"	-	3,072	-	3,072		
	Prime Software	"	"	-	3,072	-	3,072		
	Kagenova Ltd.	"	"	-	4,060	-	4,060		
	JCR Group Ltd.	"	"	-	5,103	-	5,103		
	Extended Reality	"	"	-	4,608	-	4,608		
	ORamaVR	"	"	-	4,608	-	4,608		
	Imaged Reality	"	"	-	5,293	-	5,293		
	<u>Exchange contracts</u>				-				
	Realities.io Inc.	-	Financial assets at fair value through profit or loss - non-current	-	3,686	-	3,686		
	Subdream Studios Inc.	"	"	-	4,608	-	4,608		
	Rogue Initiative, LLC	"	"	-	6,144	-	6,144		
	Directive Games Limited	"	"	-	1,536	-	1,536		
	Visby Camera Corporation	"	"	-	-	-	-		
	LIV Inc.	"	"	-	3,072	-	3,072		
	Six Degrees Space Ltd.	"	"	-	1,843	-	1,843		
Shapes Corp.	"	"	-	4,608	-	4,608			

(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 America Content Services, Inc.	<u>Digital content investment agreement</u> Production Committee of "Birdie Wing-Golf Girl's Story"	-	Financial assets at fair value through profit or loss - non-current	-	\$ 11,469	-	\$ 11,469	
HTC Electronics (Shanghai) Co., Ltd.	<u>Unlisted equity investments</u> Kunqiao Phase II (Suzhou) Emerging Industry Venture Capital Partnership (Limited Partnership)	-	Financial assets at fair value through other comprehensive income - non-current	-	62,795	-	62,795	
	Kunqiao Phase II (Xiamen) Semiconductor Industry Equity Investment Partnership (Limited partnership)	"	"	-	315,949	-	315,949	

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: On April 28, 2022, SoundHound Inc. completed a SPAC merger, and changed its name to SoundHound AI, Inc., shares of which were listed on NASDAQ.

Note 3: On January 7, 2022, HLJ technology Co., Ltd. terminated the trading of emerging shares, which were unlisted shares.

(Concluded)

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, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance (Note 1)		Acquisition		Disposal				Ending Balance (Note 1)	
					Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares (In Thousands)	Amount
HTC Electronics (Shanghai) Co., Ltd.	Unlisted equity investments Kunqiao Phase II (Xiamen) Semiconductor Industry Equity Investment Partnership (Limited Partnership)	Financial assets at fair value through other comprehensive income - non-current	Kunqiao Phase II (Xiamen) Semiconductor Industry Equity Investment Partnership (Limited Partnership)	None	-	\$ -	-	\$ 326,390	-	\$ -	\$ -	\$ -	-	\$ 315,949
HTC Corporation	HTC EUROPE Co., Ltd. (Note 2)	Investments accounted for using equity method	HTC Netherlands B.V.	Subsidiary	-	-	104,061	9,349,409	-	-	-	-	104,061	9,719,721
	High Tech Computer Asia Pacific Pte. Ltd.	Consolidated individual	Reduction of capital and return of Investments	Subsidiary	562,534	20,383,727	-	-	323,751	9,917,786	9,917,786	-	238,783	12,409,964

Note 1: The amount at the beginning and the end of the period include the share of profit and loss and other comprehensive income from subsidiaries and associates accounted for using the equity method.

Note 2: On March 7, 2022, the Company's Board of Directors resolved the reorganization plan of the overseas subsidiaries to optimize the group structure. HTC EUROPE CO., LTD has been arranged as one of the first layer of holding companies for certain subsidiaries and the shares of the related subsidiaries have been transferred to HTC EUROPE CO., LTD accordingly. As of December 6, 2022, the reorganization has been completed.

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, 2022
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
HTC Corporation	HTC America Inc.	Grandson company	Sales	\$ (482,637)	(15)	60 days	More favorable than unrelated parties	Similar to unrelated parties	\$ 624	-	
	HTC Communication Co., Ltd.	Grandson company	Sales	(413,666)	(13)	30 days	More favorable than unrelated parties	Similar to unrelated parties	250	-	
	HTC NIPPON Corporation	Grandson company	Sales	(103,566)	(3)	45 days	More favorable than unrelated parties	Similar to unrelated parties	33,764	11	
HTC America Inc.	HTC Corporation	Parent company	Purchases	482,637	57	60 days	No comparable unrelated parties	Similar to unrelated parties	(624)	(37)	
HTC Communication Co., Ltd.	HTC Corporation	Parent company	Purchases	413,666	100	30 days	No comparable unrelated parties	Similar to unrelated parties	(250)	(100)	
HTC NIPPON Corporation	HTC Corporation	Parent company	Purchases	103,566	97	45 days	No comparable unrelated parties	Similar to unrelated parties	(33,764)	(100)	

HTC CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2022

(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 EUROPE CO., LTD.	HTC Corporation	Parent company	\$ 339,255	0.68	\$ -	-	\$ -	\$ -
HTC America Innovation Inc.	HTC Corporation	Parent company	318,223	0.75	-	-	-	-
HTC (Australia and New Zealand) PTY LTD.	HTC Corporation	Parent company	203,192	0.13	-	-	-	-
HTC HK, Limited	HTC Corporation	Parent company	166,622	0.15	-	-	-	-

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, 2022
 (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.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company and general investing activities	\$ 4,517,708	\$ 4,517,708	1,476,202	100.00	\$ 2,659,114	\$ 46,403	\$ 46,403	
	High Tech Computer Asia Pacific Pte. Ltd.	#13-00 Robinson 77 Singapore 068896	International holding company; marketing, repair and after-sales services	7,284,394	17,202,180	238,783	100.00	12,409,964	143,564	143,564	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	142,175	760	760	
	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	-	-	-	64	-	Note 8
	HTC Holding B.V.	Herikerbergweg 88, 1101CM Amsterdam, the Netherlands	International holding company	13	13	-	0.01	13	(4,032)	-	
	HTC Investment One (BVI) Corporation	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	Holding S3 Graphics Co., Ltd. and general investing activities	10,006,434	10,006,434	333,733	100.00	412,803	4,209	4,209	
	HTC Investment (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	General investing activities	832,990	832,990	26,000	100.00	3,718,132	(27,437)	(27,437)	
	HTC VIVE Holding (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company	234,324	234,324	7,000	100.00	222,015	14,638	14,638	
	HTC VIVE Investment (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	General investing activities	302,807	302,807	10,000	100.00	258,141	(42,975)	(42,975)	
	DeepQ Holding (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company	498,565	498,565	16,500	100.00	266,638	(70,063)	(70,063)	
	HTC Smartphone (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company	1,004	1,004	33	100.00	536	(91)	(91)	
	HTC VR Content (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company	52,518	52,518	1,710	100.00	25,552	(18,721)	(18,721)	
	REIGN Technology Corporation	12F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Construction, application and after-sales services of 5G	240,000	40,000	24,000	100.00	176,191	(55,941)	(55,941)	Note 4
	Viveport Digital Corporation	11F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Interactive scenario experience services	260,000	60,000	26,000	100.00	41,111	(201,942)	(201,942)	Note 5
	VIVE Arts Corporation	8F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Digital art	5,000	-	500	-	5,000	(17)	(17)	
	HTC EUROPE CO., LTD.	Salamanca Wellington Street Slough Berkshire England SL1 1YP	International holding company; marketing, repair and after-sales services	9,349,409	-	104,061	100.00	9,719,721	673,353	673,353	Notes 2 and 7
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	-	-	-	
	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	154,231	144,871	70,987	
	Surgical Theater, LLC	781 BETA DRIVE MAYFIELD VILLAGE, OHIO 44143 USA	Development of virtual reality contents	437,595	437,595	46	16.30	-	-	-	
	MOR Museum Inc.	1601-1252 Hornby Street, Vancouver, BC V6Z 0A3 Canada	Development of virtual reality contents	49,344	49,344	437	25.00	4,856	(4,013)	(1,003)	
	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	40,640	(180,680)	(30,065)	

(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			
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	\$ 196,492	\$ 800	\$ 800	
	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	6,441	-	-	
	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	-	-	-	64	64	Note 8
	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	21,911	(527)	(527)	
	HTC India Private Limited	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Expection Road, Gurugram, Haryana-122002	Marketing, repair and after-sales services	4,094	4,094	495	99.00	136,543	(258)	(255)	
	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	-	-	-	-	-	Note 6
	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	4,421,976	105,640	105,640	
	HTC Holding B.V.	Van Boshuizenstraat 12 unit 1.25, 1083 BA Amsterdam, the Netherlands	International holding company	6,815,370	6,815,370	-	99.99	1,006,169	68,500	68,500	
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	95,569	3	3	
HTC Holding B.V.	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	37	37	1	1.00	52	(13)	-	
	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	1,049,367	69,119	69,119	
	HTC India Private Limited	C-109 and C-110, First Floor, M3M, Cosmopolitan, Golf Course Expection Road, Gurugram, Haryana-122002	Marketing, repair and after-sales services	39	39	5	1.00	1,379	(258)	(3)	
	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 C.V.	Paseo de la Reforma 505 piso 32 Col Cuauhtemoc. Cp 06500 Mexico DF.	Marketing, repair and after-sales services	25	25	1	1.00	64	(334)	(3)	
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	-	-	-	66,265	66,265	Note 7
	HTC Belgium BVBA/SPRL	Havenlaan 86/c, box 204 - 1000 Brussels	Marketing, repair and after-sales services	783	783	19	100.00	18,832	1,568	1,568	
	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	238,182	1,650	1,650	
	HTC FRANCE CORPORATION	83-85 boulevard de Charonne 75011 Paris	Marketing, repair and after-sales services	459,161	459,161	11,000	100.00	35,060	(279)	(279)	
	HTC South Eastern Europe Limited liability Company	Kifissias 90, Marousi 15125, Athens, Greece	Marketing, repair and after-sales services	176	176	-	99.33	2,181	-	-	
	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	10,109	187	187	
	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	2,251	(200)	(200)	

(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 B.V.	HTC Germany GmbH.	Mainzer Landstr. 49 60329 Frankfurt Germany	Marketing, repair and after-sales services	\$ 24,550	\$ 24,550	25	100.00	\$ 104,310	\$ 766	\$ 766	
	HTC Iberia S.L.	Conde de Vilches, 19, Madrid, 28028, Spain	Marketing, repair and after-sales services	9,402	9,402	3	100.00	22,428	(222)	(222)	
	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	5	100.00	3,880	470	470	
	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	73,795	118	118	
	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	5,440	699	699	
	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	4	100.00	61,596	1,141	1,141	
	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	50	99.00	6,634	(334)	(331)	
	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	50	99.00	5,219	(13)	(13)	
HTC EUROPE CO., LTD.	HTC America Holding Inc.	308 Occidental Ave S 3rd floor, Seattle, WA 98104	International holding company	6,341,332	6,341,332	371,617	100.00	2,812,182	160,829	160,829	Note 2
	DeepQ Holding Corporation	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	International holding company	1,536	-	4,450	100.00	1,536	-	-	
	VIVE Arts Holding Corporation	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	International holding company	1,536	-	5,560	100.00	1,536	-	-	
	Viveport Corporation	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	International holding company	151,876	-	8,028	100.00	157,741	3,914	3,914	
	REIGN Technology Corporation	89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands	International holding company	1,536	-	8,998	100.00	1,536	-	-	
HTC America Holding Inc.	HTC America Inc.	308 Occidental Ave S 3rd floor, Seattle, WA 98104	Sale of virtual reality devices and smart mobile devices	1,114,451	1,114,451	1	100.00	1,279,120	32,498	32,498	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	2,905	-	-	
	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	571,195	15,780	15,780	
	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	(55,102)	-	-	
	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	5,324	(65,065)	(65,065)	
	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	28,466	(29)	(29)	
HungXu Holding (BVI) Corp.	HungXu Technology (BVI) Corp.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company	43,206	234,324	3,000	100.00	16,641	14,632	14,632	
HungXu Technology (BVI) Corp.	HungXu TECH Corp.	8F., No. 88, Sec. 3, Zhongxing Rd., Xindian Dist., New Taipei City	Research, development of virtual reality devices	1,000	1,000	100	100.00	16,057	14,897	14,897	
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	148,209	(5,606)	(5,606)	

(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.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110	International holding company	\$ 497,868	\$ 497,868	164,700	100.00	\$ 266,230	\$ (70,007)	\$ (70,007)	
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	193,699	(75,811)	(75,811)	
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	814,139	(171,224)	(61,983)	
	HTC VIVE TECH (HK) Limited	Unit 1606, 16/F., Citicorp Centre, No. 18 Whitfield Road, Causeway Bay, Hong Kong	Development of virtual reality contents	206,924	206,924	68,000	100.00	170,485	(14,620)	(14,620)	Note 3
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	23,536	(18,649)	(18,649)	

Note 1: The carrying amount includes unrealized profit of NT\$1,308 thousand at the end of the current period.

Note 2: The carrying amount excludes unrealized profit of NT\$210,166 thousand at the end of the current period.

Note 3: On January 1, 2022, HTC VIVE TECH (HK) Limited was sold by HungXu Technology (BVI) Corp. to HTC Investment (BVI) Corp.

Note 4: REIGN Technology Corporation was incorporated on September 30, 2021 and the Company holds 100% of its ordinary shares.

Note 5: Viveport Digital Corporation was incorporated on October 1, 2021 and the Company holds 100% of its ordinary shares.

Note 6: HTC Malaysia Sdn. Bhd. was dissolved by shareholders' resolution on January 1, 2021 and liquidation proceedings were completed on October 17, 2022.

Note 7: HTC Corporation acquired 100% shares of its subsidiary HTC Europe Co., Ltd. from its other subsidiary HTC Netherlands B.V. on December 6, 2022.

Note 8: PT. High Tech Computer Indonesia was dissolved by shareholders' resolution on June 17, 2019 and liquidation proceedings were completed on December 12, 2022.

(Concluded)

HTC CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(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
					Outflow	Inflow						
High Tech Computer Corp. (Suzhou) (Note 4)	Manufacture and sale of smart mobile devices	US\$ -	Investment in company located in mainland China indirectly through H.T.C. (B.V.I.) Corp.	\$ 3,312 (US\$ 100)	\$ -	\$ -	\$ 3,312 (US\$ 100)	\$ -	-	\$ -	\$ -	\$ -
HTC Corporation (Shanghai WGQ)	Smart mobile devices examination and after-sale services and technique consultations	US\$ 1,500	Investment in company located in mainland China indirectly through HTC HK, Limited.	49,845 (US\$ 1,500)	-	-	49,845 (US\$ 1,500)	8,465	100.00	8,465	85,331	-
HTC Electronics (Shanghai) Co., Ltd. (Note 5)	Manufacture and sale of smart mobile devices and virtual reality devices	US\$ 2,909	"	4,106,585 (US\$ 133,000)	-	-	4,106,585 (US\$ 133,000)	96,171	100.00	96,171	4,161,971	-
HTC Communication Co., Ltd.	Sale of smart mobile devices and virtual reality devices and after-sales services	US\$ 127,500	Investment in company located in mainland China indirectly through High Tech Computer Asia Pacific Pte. Ltd.	4,125,897 (US\$ 127,500)	-	-	4,125,897 (US\$ 127,500)	(54,992)	100.00	(54,992)	1,685,346 (Note 3)	-
HTC Communication Technologies (Shanghai) Limited	Design, research and development of application software	US\$ 4,000	"	120,799 (US\$ 4,000)	-	-	120,799 (US\$ 4,000)	18,156	100.00	18,156	547,091	-
Ji Jih Sui Sin Si Technology (Shanghai) Co., Ltd.	Design and system integration of computer software and wholesale and retail of peripheral equipment software	US\$ 51,550	Investment in company located in mainland China indirectly through GSUO Inc.	249,678 (US\$ 8,000)	-	-	249,678 (US\$ 8,000)	-	10.32	-	-	-
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.	-	-	-	-	5,661	100.00	5,661	112,728	-
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.	-	-	-	-	(5,508)	26.05	(1,435)	93,074	-

(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						
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	\$ -	\$ 737	\$ -
Beijing Seven Vision Virtual Technology Co., Ltd.	Research and development of virtual reality contents	RMB 1,087	"	-	-	-	-	-	8.00	-	737	-
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	-	1,543	-
Shanghai Duowei Network Technology Co., Ltd.	Research and development of virtual reality contents	RMB 133	"	-	-	-	-	-	5.00	-	2,280	-
Shanghai Chaoshi Business Management Partnership (Limited Partnership)	Research and development of virtual reality contents	RMB 100	"	-	-	-	-	-	20.00	-	1,235	-
Beijing WEWOD Entertainment Technology Co., Ltd.	Research and development of virtual reality contents	RMB 1,812	"	-	-	-	-	-	1.50	-	6,614	-
Zhijing (Shanghai) Technology Co., Ltd.	Research and development of virtual reality contents	RMB 4,771	"	-	-	-	-	-	2.00	-	282	-
Shanghai Judao Network Technology Co., Ltd.	Research and development of virtual reality contents	RMB 142	"	-	-	-	-	-	2.00	-	2,216	-
Shanghai Lenqiy Information Technology Co., Ltd.	Research and development of virtual reality contents	RMB 3,000	"	-	-	-	-	-	3.00	-	1,464	-
Beijing Yuanji Technology Co., Ltd.	Research and development of virtual reality contents	RMB -	"	-	-	-	-	-	5.00	-	2,205	-
Qinhuangdao Shiyi Technology Co., Ltd.	Research and development of virtual reality contents	RMB 685	"	-	-	-	-	-	5.00	-	2,205	-
Hefei Yao An Technology Co., Ltd.	Research and development of virtual reality contents	RMB 12,208	"	-	-	-	-	-	2.00	-	4,409	-
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	-	26,455	-
HTC VIVE TECH (Beijing)	Research, development and sale of virtual reality devices	US\$ 800	Investment in company located in mainland China indirectly through HTC VIVE TECH (HK) Limited	24,067 (US\$ 800)	-	-	24,067 (US\$ 800)	2,810	100.00	2,810	22,561	-

(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						
DeepQ Technology (Beijing)	Development and marketing of software technology	US\$ 3,000	Investment in company located in mainland China indirectly through DeepQ (BVI) Corp.	\$ 89,732 (US\$ 3,000)	\$ -	\$ -	\$ 89,732 (US\$ 3,000)	\$ 5,898	100.00	\$ 5,898	\$ 81,938	\$ -

Accumulated Investment in Mainland China for the Years Ended	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 8,536,393 (US\$ 277,900)	\$ 8,557,896 (US\$ 278,600)	\$ 15,335,496

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\$30.7175 to US\$1 at December 31, 2022.

Note 2: Investment gains (losses) and the carrying amount as of December 31, 2022, are based on reviewed financial statements. Gains and losses are translated at the average exchange rate from January to December 2022 of NT\$4.41953 to RMB1. The carrying amount is translated at the exchange rate on December 31, 2022 of NT\$4.4092 to RMB1.

Note 3: The carrying amount excludes unrealized profit of NT\$1,308 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, 2022, the refunded capital has not been repatriated to Taiwan.

(Concluded)

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, 2022
 (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	\$ 413,666	More favorable than unrelated parties	OA 30 days	The transaction terms are similar to those of general customers.	\$ 250	-	\$ 1,308
HTC Communication Technologies (Shanghai) Limited	Grandson company	Service fee	97,002	No comparable unrelated parties	OA 45 days	The transaction terms are similar to those of general customers.	(8,762) (Note)	-	
HTC Communication Beijing Tech Co.	Grandson company	Service fee	88,508	No comparable unrelated parties	OA 45 days	The transaction terms are similar to those of general customers.	(14,858) (Note)	-	

Note: Classified under other payables.

HTC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Transaction Details				
				Financial Statement Accounts	Amount (Note 3)	Payment Terms (Note 4)	% of Total Sales or Assets (Note 5)	
0	<u>For the year ended December 31, 2022</u> HTC Corporation	HTC America Inc.	a	Sales	\$ 482,637	More favorable than unrelated parties	11	
		HTC Communication Co., Ltd.	a	Sales	413,666		-	9
		HTC EUROPE CO., LTD.	a	Accrued expenses	339,255		-	1
			a	Commission	240,312		-	5
		HTC America Innovation Inc.	a	Accrued expenses	318,223		-	1
			a	Service fee	186,592		-	4
		HTC HK, Limited	a	Accrued expenses	166,622		-	-
		HTC (Australia and New Zealand) Pty. Ltd.	a	Accrued expenses	203,192		-	-
		HTC NIPPON Corporation	a	Sales	103,566		-	2
HungXu TECH Corp.	a	Service fee	715,033	-	16			

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, 2022.

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 years ended December 31, 2022.

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.

TABLE 9**HTC CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2022****(Number of Shares: Shares)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Way Chih Investment Co., Ltd.	43,819,290	5.28

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.